

Nexstim

Targeting a paradigm
shift in stroke rehabilitation



Nexstim PLC Financial Statements 31 December 2014



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Nexstim PLC Report of the Board of Directors 2014

Nexstim Group

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

With its NBT System the company is initially focusing on the rehabilitation of hand and arm movement (upper limb motor disability) which is one of the most common symptoms following a stroke. The NBT System was tested in a Phase II proof of concept clinical trial, in which promising levels of improvement in motor functions lasting throughout a six-month observation period were achieved. Nexstim initiated early 2014 a two-year clinical Phase III trial at 12 prominent rehabilitation sites in the US, aiming to demonstrate the effectiveness of the NBT System and to obtain an FDA clearance for marketing the device for post-acute stroke treatment in the US. Nexstim is currently preparing a pre De Novo submission for the FDA. If an FDA clearance for the NBT System is obtained, the company may begin the commercialisation of the device for use in stroke rehabilitation.

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

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 120 NBS Systems, out of which 40 are for clinical use and 80 for scientific research purposes according to the company's estimation. Nexstim's revenues have been generated from the sales of its NBS Systems and from after sales activities such as training, maintenance and the sale of spare and consumable parts.

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

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 has two wholly owned and operative subsidiaries. Nexstim Inc. has been established under Delaware state laws in the US in 2008 and its office is located in Alpharetta, Georgia. Nexstim Germany GmbH has been established under German law in 2008 and it does not have permanent offices. In addition, Nexstim has a fully owned but currently inactive subsidiary, Nexstim Ltd, established under UK law in 2008.

Further, the company owns 1.75% of the shares in SalWe Ltd, a strategic centre for science, technology and innovation in health and well-being, established to distribute Tekes funding among the shareholders of SalWe Ltd.

Key Figures of the Group

	1-12/2014 12 months €000s	1-12/2013 12 months €000s
Net sales	2,210.4	1,871.0
Personnel expenses	(3,660.2)	(3,043.4)
Depreciation and amortisation	(377.4)	(237.7)
Other operating expenses	(5,498.5)	(2,472.0)
Profit/Loss for the period	(10,445.4)	(4,514.9)
Earnings per share (EUR)*	(2.37)	(1.63)
Diluted earnings per share (EUR)*	(2.16)	(1.51)
Cash flows from operating activities	(7,785.2)	(3,983.7)
Cash in hand and at banks	11,483.7	1,010.0
Total equity	8,589.9	(2,382.1)
Equity ratio (%)	65.29	(30.23)
Number of shares in the end of the period (pcs)*	7,130,758	3,189,004
Average number of shares during the period (pcs)*	4,406,572	2,767,995
Diluted number of shares in the end of the period (pcs)*	7,917,698	3,401,454
Diluted average number of shares during the period (pcs)*	4,826,140	2,980,445

* The number of Shares and subscription price have been adjusted to take account the effect of the merging of the share classes and share split on 29 September 2014, where the number of Shares was increased 14-fold.

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 2014 were EUR 2,210.4 thousand (1,871.0) which shows an increase of 18.1 percent. Increase in net sales was mainly due to growth in sales of NBS Systems during second half of 2014.

Work performed for own purpose and capitalised

Work performed for own purpose and capitalised on 1 January – 31 December 2014 was EUR 30.4 thousand (33.2) and which consists of capitalised development costs.

Other operating income

Other operating income on 1 January – 31 December 2014 was EUR 134.1 thousand (75.1). Other operating income consists mainly of grants by Tekes.

Materials and services

Materials and services expenses on 1 January – 31 December 2014 totalled EUR -638.5 thousand (-661.0).

Personnel expenses

Personnel expenses on 1 January – 31 December 2014 totalled EUR -3,660.2 thousand (-3,043.4). The increase was mainly due to increase in number of personnel and adjustments in individual salary levels.

Depreciation and amortisation

Depreciation and amortisation on 1 January – 31 December 2014 amounted to EUR -377.4 thousand (-237.7). The increase was mainly due to depreciation of Phase III multi-centre stroke trial equipment costs that were capitalised during the first half of the year.

Other operating expenses

Other operating expenses on 1 January – 31 December 2014 totalled EUR -5,498.5 thousand (-2,472.0). An increase of EUR 2,096.4 thousand in full-year expenses was due to expenses related to Phase III multi-centre trial and approximately EUR 1,249.0 were direct expenses related to initial public offering of company shares.

Operating profit/(loss)

Operating loss on 1 January – 31 December 2014 was EUR -7,799.6 thousand (-4,434.7).

Financial income and expenses

Net financial income and expenses on 1 January – 31 December 2014 amounted to an expense of EUR -2,645.8 thousand (-80.2). The increase in net expense primarily related to recognised financial expenses on the capital loan from the shareholders. The subscription price of the loan amounted to EUR 1,003.1 thousand and the principal amount of the loan totalled to EUR 3,009.3 thousand. The amount below par value,

Nexstim PLC Report of the Board of Directors 2014 continued

Financial Review continued

EUR 2,006.2 thousand, has been recognised as interest and other financial expense in the profit and loss account for the six-month period ended 30 June 2014 based on the loan term according to which the loan shall fall immediately due and payable by the company in the event of a public offering. In addition, the financial expenses increased approximately EUR 1,050.0 thousand due to direct financial costs resulting from the initial public offering.

Profit/(loss) for the financial period

The loss for the period 1 January – 31 December 2014 was EUR -10,445.4 thousand (-4,514.9).

Financial Position

Non-current assets

The company's non-current assets were EUR 979.4 thousand (31 December 2013: 497.0). Intangible assets amounting to EUR 527.0 thousand on 31 December 2014 consist mainly of intangible assets related to capitalised development expenses and intellectual property rights. The tangible assets amounting to EUR 442.5 thousand on 30 December 2014 consist mainly of Phase III trial equipment. The increase in tangible assets compared to 31 December 2013 was mainly due to Phase III trial equipment that were capitalised during the first half of 2014.

Current assets

The company's current assets amounted to EUR 13,014.2 thousand (2,550.4). The increase of current assets was due to payments received from shares issued in initial public offering.

Equity

Consolidated shareholders' equity totalled EUR 8,589.9 thousand (-2,382.1). The increase was driven by share issues completed during the period. The shareholders made a unanimous resolution on 29 September 2014 to reduce the share capital and the share premium account. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand. As at 31 December 2014, the group's parent company's subscribed share capital, including share issue, was EUR 80.0 thousand, total shareholders' equity was EUR 13,195.6 thousand and capital loans were EUR 500.0 thousand. Thus, shareholders' equity and capital loans added up to EUR 13,695.6 thousand.

Liabilities

Non-current liabilities

The company's non-current liabilities totalled EUR 3,475.4 thousand (4,201.9).

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 1,928.3 thousand (1,227.6).

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 11,483.7 thousand (1,010.0).

The company's net cash outflow from operating activities during the reporting period was EUR -7,785.2 thousand (-3,983.7). The change compared to the corresponding period in the previous year was mainly due to Phase III trial expenses during 2014.

Net cash flow from investments was EUR -859.7 thousand during the reporting period (-238.9). The change compared to the corresponding period in the previous year was mainly due to investment in Phase III trial equipment during first half of 2014.

Net cash flow from financing activities was EUR 19,118.6 thousand during the reporting period (3,278.1). Financing through share issues amounted to EUR 18,818.4 thousand in the twelve-month period ended 31 December 2014.

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, 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 2014 Nexstim group employed 31 full-time employees (FTEs). Nexstim Plc employed 23 FTEs at the end of year 2014. During the financial year 2014 Nexstim group employed on average 33 FTEs (2013: 33 FTEs).

Strategy

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

The company's strategy is also to validate the commercial potential with the clinical utility of the same technology in pre-surgical mapping (PSM). In the future, the company intends to investigate the applicability of its technology platform also in other indications within stroke and, for example, in pain and tinnitus.

Proving clinical efficacy of the NBT System

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

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

Pre-commercialisation of the NBS System

The company initially launched the NBS System in the diagnostics market for use in pre-surgical mapping (PSM) as a proving ground for its navigation technology due to the high requirements placed on accuracy and reliability in PSM. The company has obtained an FDA clearance and CE marking for the NBS System for both motor and speech mapping.

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

Nexstim PLC Report of the Board of Directors 2014 continued

Strategy continued

Pre-commercialisation of the NBS System continued

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

Major Events in the Financial Period

Nexstim Oy's annual general meeting was held in Helsinki 27 March 2014. In the meeting it was decided to confirm the statement of profit and loss and the balance sheet for the year 2013 and that the loss of EUR 3,250,069.71 will be added to the profit and loss account and that there will be no distribution of dividend. It was decided to discharge the board of Directors and the Managing Director from liability.

Fees to be paid to the board of Directors and the auditors were determined so that the chairman of the board of Directors will be paid EUR 25,000 and the member of the board of Directors will be paid EUR 12,000 from AGM held in 2014 until the AGM held in 2015. The fee shall be paid only to those members that are not employed by the investors. The fee shall be paid in quarterly instalments and be deducted by the possible prepayment of tax. The actual travel cost shall be compensated against a travel invoice to all the members of the board of Directors. The company can buy consultation services from Ken Charhut for the maximum amount of EUR 20,000 and from Tim Irish for the maximum amount of EUR 10,000. It is proposed that the Auditors shall be compensated against a reasonable invoice before the next annual shareholders meeting.

The following members were elected to the board of Directors; Johan Christenson as a member of the board and David Bejker as his Deputy member of the board, Rene Kuijten as a member of the board and Anne Portwich as his Deputy member of the board, Juha Vapaavuori as a member of the board and Lari Rajantie as his deputy member of the board, Pekka Puolakka as a member of the board and Markku Lahdenpää as his deputy member of the board, Casper Breum as a member of the board and Johan Kördel as the Deputy member of the board, Katya Smirnyagina as the a member of the board and Jos Peeters as the deputy member of the board, Olli Riikkala as a member of the board, Ken Charhut as a member of the board and Tim Irish as a member of the board. The term of the board members shall end at the ending of the AGM held in 2015.

During spring of 2014 Nexstim initiated a two-year clinical Phase III trial at 12 prominent rehabilitation sites in the US, aiming to demonstrate the effectiveness of the NBT System and to obtain an FDA clearance for marketing the device for post-acute stroke treatment in the US.

The company had three targeted share issues in May 2014, one of which was subscribed for and paid in July 2014. In this share issue the company issued 1,458 the then new E-shares to existing shareholders and raised EUR 67.7 thousand as subscribed share capital.

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

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

Certain shareholders granted a new capital loan for the company in September 2014. The capital loan was subscribed and paid to the company on a period from 10 September to 14 September 2014. The subscriptions amounted to EUR 1,350.0 thousand in total. The principal loan amounts subscribed by the shareholders included in related parties totalled EUR 1,100.0 thousand. The full amount EUR 1,350.0 of the new capital loan was converted into new shares as part of the initial public offering.

Nexstim Oy extraordinary general meeting was held in Helsinki 29 September 2014. During the meeting it was resolved to adopt the interim financial statements drawn up in respect of the review period from 1 January 2014 through 30 June 2014. It was recorded that the term of office of the deputy members of the board of Directors had ended. Olli Riikkala was elected as the deputy chairman of the board of Directors.

Major Events in the Financial Period continued

The shareholders made a unanimous resolution on 29 September 2014 to reduce the share capital and the share premium account. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand. In addition to retained earnings, parent company 30 June 2014 interim financial statement confirmed losses of EUR 3,995,870.03 were used to reduce the share capital. Accordingly the same amount is presented in the company balance sheet 31 December 2014 in retained earnings and loss for the financial year is presented in its entirety in profit/loss for the period.

The shareholders made on 29 September 2014 a unanimous resolution to convert Nexstim to a public limited company and it was resolved to issue shares in an untargeted issuance of free shares (so-called share split), in which each existing share entitles to 13 new shares. In accordance with the amended articles of association, the company will have only one share class. The new shares will thus belong to the sole share class.

Based on the unanimous resolution made by the shareholders on 29 September 2014, the company issued 333,587 new shares to convert the principal amount of the existing capital loan into equity. The principal of the loan amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand had been classified as capital loan and EUR 2,006.2 thousand as other liabilities as at 30 June 2014.

It was resolved to amend the option plans 2010A, 2011A and 2013A of the company and it was resolved to issue option rights on the terms set out.

It was further resolved to authorise the board of Directors to resolve on issuing up to 10,000,000 new or treasury shares. The authorisation will stay in force until 30 June 2015. The board of Directors was authorised to resolve on all terms of the share issue.

Nexstim Plc launched its Initial Public Offering on 13 October 2014 and applied for dual listing on Nasdaq First North Finland and Nasdaq First North Sweden 15 October 2014.

Nexstim Plc published a release on 4 November 2014 informing about the successful completion of its Initial Public Offering. Subscriptions reached in total EUR 15.3 million with a total of 2,408,339 new shares issued in the initial public offering with final offer price of EUR 6.35 per share.

Trading in Nexstim Plc's shares commenced 14 November 2014 on Nasdaq First North Finland and Nasdaq First North Sweden.

Nexstim published a release 16 December 2014 informing about addition of Chronic Neuropathic Pain Therapy to its clinical indication pipeline with co-operation agreement with the Walton Centre.

Major Events after the Financial Period

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

Future Outlook

Based on its business forecast and sensitivity analysis the company expects its net sales from the sale of NBS Systems (Pre-Surgical Mapping, PSM) to grow during financial year 2015 and operating profit to be positive during second half of the financial year 2017 at the earliest.

Nexstim PLC Report of the Board of Directors 2014 continued

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 Phase III multi-centre trial in the estimated schedule or budget; finalise the trial or the trial may not show clinical efficiency
- 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 part intellectual property rights or claims may be made against the company on such infringements
- A developed market for company's products does not exist and the market does not necessarily develop to the desired direction or extent; the technology and products of the company may not remain competitive
- 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
- 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, supplier or other counterparty
- 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 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

Major Risks and Uncertainties continued

Risks relating to the shares:

- The company's concentrated ownership could affect the market price and liquidity of the shares; the company's majority shareholders can significantly influence the governance of the company, and the interests of the company's majority shareholders may differ from the interests of the company's minority shareholders
- An active public market for shares in the company may not develop, which may lead to price volatility and the lack of liquidity, in particular on First North, and the market price is subject to fluctuations in the exchange rates
- 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

Share and Shareowners

As at 31 December 2014, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 7,130,758 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 2014, Nexstim did not hold any 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 have been listed since 14 November 2014 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 14 November–31 December 2014, the highest price of the company share was EUR 6.50 (SEK 59.00), the lowest price was EUR 5.95 (SEK 55.00), and the average price was EUR 6.16 (SEK 56.80). The closing price for 2014 on 30 December 2014, was EUR 6.15 (SEK 58.00).

In public trading on 14 November–31 December 2014, a total of 54,378 shares were traded, which corresponds to 0.8 percent of the average number of shares on the said period. On 14 November–31 December 2014, there were 7,130,758 shares on the average.

The market value of the share capital at the closing price of 2013, EUR 6.15 (SEK 58.00), on 30 December 2014, was EUR 43,854 thousand (SEK 413,584 thousand).

On 31 December 2014, the company had 220 shareowners including the nominee registers (four registers). The share of nominee registered ownership was 55.2 percent of the total number of shares.

On 29 September 2014, the shareholders of Nexstim unanimously resolved to authorise the board of Directors to decide on the issuance of up to 10,000,000 new shares or shares held by the company. The authorisation is valid until 30 June 2015. The board of Directors is authorised to resolve on all terms and conditions of such offering. Based on the authorisation, the board of Directors had on 9 October 2014 resolved to issue up to 2,873,563 new shares on the terms of the prospectus. The board on 30 October 2014 amended the offer terms such that the maximum number of shares to be issued in the offering was increased to 3,937,007 shares.

The board of Directors on 3 November 2014 approved the subscriptions of 2,412,539 shares. The final subscription price per share was EUR 6.35 (as regards subscriptions payable in Swedish krona, SEK 58.92). The subscriptions had been approved on the condition that the subscribed shares are paid in accordance with the offer terms no later than on the due date.

It was recorded that one subscriber who had subscribed for 5,000 shares in the offering had no later than on the due date paid for only 800 shares. It was resolved to approve the subscription of such 800 shares and decline the subscription of the unpaid 4,200 shares. In the offering, in aggregate 2,408,339 shares were subscribed for and paid after which 7,591,661 shares are left in the authorisation.

Nexstim PLC Report of the Board of Directors 2014 continued

Share and Shareowners continued

According to the share register maintained by Euroclear Finland Oy, the persons belonging to the public insider register on 31. December 2014, held company shares as follows:

Board of Directors:

Timothy Irish	0 shares	0.00%
Casper Breum	0 shares	0.00%
Kenneth Charhut	0 shares	0.00%
Johan Christenson	0 shares	0.00%
René Kuijten	0 shares	0.00%
Olli Riikkala	21,786 shares	0.31%
Ekaterina Smirnyagina	0 shares	0.00%
Juha Vapaavuori	0 shares	0.00%

CEO:

Janne Huhtala	3,000 shares	0.04%
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Management team:

Henri Hannula	4,444 shares	0.06%
John Hardin	0 shares	0.00%
Rainer Harjunpää	490 shares	0.01%
Gustaf Järnefelt	1,563 shares	0.02%, including holdings of interest parties 782 shares, 0.01%
Mikko Karvinen	5,032 shares	0.07%, including holdings of interest parties 2,532 shares, 0.04%
Jarmo Laine	2,997 shares	0.04%
Petriina Puolakka	7,139 shares	0.10%, including holdings of interest parties 2,000 shares, 0.03%

Auditors:

Martin Grandell	0 shares	0.00%
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According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareowners at the end of 2014 was as follows.

Shareholder	No. of shares	Holding %
1. Svenska Handelsbanken AB (publ), Branch Operation in Finland*	2,111,174	29.61
2. The Finnish National Fund for Research and Development Sitra	1,501,557	21.06
3. Nordea Pankki Suomi Oyj*	1,191,119	16.70
4. Clearstream Banking S.A.*	626,582	8.79
5. Lundbeckfond Invest A/S	334,478	4.69
6. Ilmarinen Mutual Pension Insurance Company	319,643	4.48
7. Suomen Teollisuussijoitus Oy	188,722	2.65
8. OP-Delta Fund	157,480	2.21
9. Majjos Oy	118,110	1.66
10. Ilmoniemi Risto Juhani	98,444	1.38
11. OP-Finland Small Firms Fund	78,740	1.10
12. OP-Europe Equity Fund	78,740	1.10
13. Interdomer Oy	50,937	0.71
14. United Bankers Securities Ltd	43,210	0.61
15. Ålands Ömsesidiga Försäkringsbolag	30,000	0.42
16. Riikkala Olli	21,760	0.31
17. Hiekkanen Kalevi Antero	18,000	0.25
18. Karhu Jari Jukka Tapio	17,500	0.25
19. Haapaniemi O.Law Oy	15,750	0.22
20. Ruohonen Jarmo	7,675	0.11

* 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 2014: Timothy Irish (Chairman), Casper Breum, Kenneth Charhut, Johan Christenson, René Kuijten, Pekka Puolakka (until 29 September 2014), Olli Riikkala, Ekaterina Smirnyagina and Juha Vapaavuori. The board of Directors convened 20 times during 2014.

CEO

Janne Huhtala acted as CEO of Nexstim Plc and group during 2014.

Management team

The following members were part of Nexstim group management team during 2014: Janne Huhtala (CEO), Henri Hannula (Vice President, Sales Europe), John Hardin (Vice President, PSM Commercialisation), Rainer Harjunpää (Vice President, Quality Assurance and Regulatory Affairs, After Sales and Services), Gustaf Järnefelt (Vice President, R&D), Mikko Karvinen (CFO, since 18 August 2014), Jarmo Laine (Vice President, Medical Affairs), Nick Nichols (Vice President, General Manager, Nexstim Inc., until 3 June 2014) 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 2014, the distributable assets of the group's parent company were EUR 13,115,638.68. The board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2014.

Profit and Loss Statement

For the financial year ended 31 December 2014

	Note	1 January - 31 December 2014 €	1 January - 31 December 2013 €
NET SALES	2	2,210,437.46	1,871,027.41
Work performed for own purpose and capitalised		30,440.00	33,187.00
Other operating income	3	134,059.07	75,120.02
Materials and services			
Materials			
Purchases during the financial year		(474,371.80)	(575,651.22)
Increase (+) decrease (-) in inventories		(89,792.40)	(85,220.02)
External services		(74,311.33)	(112.00)
Total		(638,475.53)	(660,983.24)
Personnel expenses	4		
Wages and salaries		(2,965,246.04)	(2,558,887.20)
Social security expenses			
Pension expenses		(380,838.05)	(309,228.17)
Other social security expenses		(314,125.67)	(175,246.40)
Total		(3,660,209.77)	(3,043,361.78)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(377,352.56)	(237,712.69)
Total		(377,352.56)	(237,712.69)
Other operating expenses	5	(5,498,476.15)	(2,472,008.39)
OPERATING PROFIT/(LOSS)		(7,799,577.48)	(4,434,731.67)
Financial income and expenses	6		
Other interest income and other financial income		327,853.73	398.09
Interest and other financial expenses		(2,973,670.50)	(80,603.58)
Total		(2,645,816.76)	(80,205.49)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(10,445,394.24)	(4,514,937.16)

Balance Sheet

For the financial year ended 31 December 2014

	Note	31 December 2014 €	31 December 2013 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	7	82,989.57	107,745.32
Intangible rights		443,965.71	323,634.86
Total		526,955.28	431,380.18
Tangible assets			
Machinery and equipment	8	442,460.38	55,646.77
Total		442,460.38	55,646.77
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		979,415.66	497,026.95
CURRENT ASSETS			
Inventories			
Raw materials and consumables		246,696.29	336,488.69
Total		246,696.29	336,488.69
Receivables			
Trade receivables		929,927.16	871,329.20
Prepayments and accrued income	10	40,902.41	162,972.06
Other receivables		313,042.37	169,603.23
Total		1,283,871.94	1,203,904.48
Cash in hand and at banks		11,483,670.32	1,009,982.47
CURRENT ASSETS TOTAL		13,014,238.55	2,550,375.64
ASSETS TOTAL		13,993,654.22	3,047,402.60

Balance Sheet continued

	Note	31 December 2014 €	31 December 2013 €
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	28,570,652.72
Share issue			1,775,332.90
Share premium account			63,230.00
Reserve for invested unrestricted equity		18,302,336.26	86.97
Retained earnings/(loss)		652,998.04	(28,276,462.16)
Profit/(loss) for the financial year		(10,445,394.24)	(4,514,937.16)
TOTAL EQUITY		8,589,940.06	(2,382,096.73)
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans	12	500,000.00	1,503,098.88
Other interest-bearing loans	13	2,904,628.44	2,604,419.25
Deferred income	13	70,800.00	94,400.00
Total		3,475,428.44	4,201,918.13
CURRENT LIABILITIES			
Deferred income		0.00	45,000.00
Trade payables		1,382,070.10	739,020.98
Other liabilities		134,289.17	96,868.35
Accrued expenses	14	411,926.44	346,691.86
Total		1,928,285.71	1,227,581.19
TOTAL LIABILITIES		5,403,714.15	5,429,499.32
EQUITY AND LIABILITIES TOTAL		13,993,654.22	3,047,402.60

Consolidated Cash Flow Statement

	1 January - 31 December 2014 €000s	1 January - 31 December 2013 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(10,445.4)	(4,515.0)
Adjustments:		
Depreciation and amortisation according to plan	377.4	237.7
Other adjustments (income -/ expense +)	(410.3)	52.7
Financial income and expenses	2,645.8	80.2
Cash flows before change in working capital	(7,832.5)	(4,144.3)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(80.0)	(84.6)
Increase (-) or decrease (+) in inventories	89.8	56.8
Increase (+) or decrease (-) in current interest-free payables	677.1	268.6
Cash flows from operations before financial items and taxes	(7,145.5)	(3,903.5)
Interest and other financial expenses paid	(639.6)	(80.2)
Cash flows from operating activities (A)	(7,785.2)	(3,983.7)
Cash flows from investing activities		
Investments in intangible and tangible assets	(859.7)	(238.9)
Cash flows from investments (B)	(859.7)	(238.9)
Cash flows from financing activities		
Share issue	18,818.4	1,775.3
Drawing of short-term loans (+)	-	-
Drawing of long-term loans (+)	300.2	1,502.8
Cash flows from financing activities (C)	19,118.6	3,278.1
Change in cash in hand and at banks	10,473.7	(944.5)
Cash in hand and at banks in the beginning of the period	1,010.0	1,954.5
Cash in hand and at banks at end of the period	11,483.7	1,010.0

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 comparison figures

The consolidated financial statement comparison figures of year ended 31 December 2013 have been compiled using consolidated financial information from the company's audited statutory financial statement for the year ended 31 December 2013. In the consolidated financial statements the presentation of income statements have been changed for line items "work performed for own purpose and capitalised" and "other operating expenses" compared to the audited statutory financial statement for the year ended 31 December 2013. The changes do not affect consolidated net sales, operating profit / -loss or balance sheet compared to the audited statutory financial statements.

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

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

Valuation principles and methods

Intangible and tangible assets are stated at cost less depreciation and amortisation according to plan. Capitalised development costs are amortised over a five-year period on a straight-line basis. Capitalised multi-centre trial equipment costs are depreciated over a three-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
Multi-centre trial equipment	3	Straight line
Machinery and equipment		25% depreciation of residual value

1. Accounting Principles continued

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.

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.

2. Net Sales

	2014 €	2013 €
NBS Systems	1,794,958.96	1,656,596.03
Other	415,478.50	214,431.38
Total	2,210,437.46	1,871,027.41

Net Sales by geographical area

	2014 €	2013 €
Finland	539,282.70	282,440.00
Rest of Europe*	962,508.85	859,487.41
USA	673,200.25	729,100.00
Other	35,445.66	–
Total	2,210,437.46	1,871,027.41

* including Russia.

3. Other Operating Income

	2014 €	2013 €
Other income	7,713.27	9,649.02
Government grants	126,345.80	65,471.00
Total	134,059.07	75,120.02

Notes to the Financial Statements continued

4. Personnel Expenses

	2014 €	2013 €
Wages and salaries	2,965,246.04	2,558,887.20
Pension expenses	380,838.05	309,228.17
Other social security expenses	314,125.67	175,246.40
Total	3,660,209.77	3,043,361.78

	2014	2013
Average number of personnel	33	28

Salaries and bonuses of Directors

	2014 €	2013 €
CEO	304,964.84	190,383.66
Board of Directors	81,878.83	65,666.67
Total	345,798.18	256,050.33

5. Other Operating Expenses

	2014 €	2013 €
Multi-centre stroke trial direct costs	2,096,435.44	0.00
Legal and consulting services	1,203,281.21	284,950.44
Travel expenses	492,990.78	413,816.00
Development expenses	396,285.77	429,114.00
Marketing expenses	344,948.49	212,705.00
Premise costs	162,265.56	156,841.00
Voluntary social costs	122,696.56	111,230.00
Other	679,572.58	863,351.95
Total	5,498,476.15	2,472,008.39

Other operating expenses include approximately EUR 1,249.0 direct expenses related to initial public offering of company shares.

Auditor's fees

	2014 €	2013 €
Audit	28,775.00	12,929.50
Total	28,775.00	12,929.50

6. Financial Income and Expenses

	2014 €	2013 €
Other interest income and other financial income	327,853.73	398.09
Interest and other financial expenses	(2,973,670.50)	(80,603.58)
Total	(2,645,816.76)	(80,205.49)

6. Financial Income and Expenses continued

The increase in net expense primarily related to recognised financial expenses on the capital loan from the shareholders. The subscription price of the loan amounted to EUR 1,003.1 thousand and the principal amount of the loan totalled to EUR 3,009.3 thousand. The amount below par value, EUR 2,006.2 thousand, has been recognised as interest and other financial expense in the profit and loss account for the six-month period ended 30 June 2014 based on the loan term according to which the loan shall fall immediately due and payable by the company in the event of a public offering. In addition, the financial expenses increased approximately EUR 1,050.0 thousand due to direct financial costs resulting from the initial public offering and due to positive currency exchange rate differences.

7. Intangible Assets

Development costs

	2014 €	2013 €
1 January 2014	107,745.32	154,532.47
Increases	30,440.00	33,187.00
Planned depreciation	(55,195.75)	(79,974.15)
31 December 2014	82,989.57	107,745.32

Intangible rights (Patents)

	2014 €	2013 €
1 January 2014	323,634.86	258,504.61
Increases	296,613.38	200,826.68
Planned depreciation	(176,282.53)	(135,696.43)
31 December 2014	443,965.71	323,634.86

8. Tangible Assets

Machinery and equipment

	2014 €	2013 €
1 January 2014	55,646.78	72,782.98
Increase	532,687.88	4,905.90
Planned depreciation	(145,874.28)	(22,042.11)
31 December 2014	442,460.38	55,646.77

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

	2014	2013
Wage and salary receivables	0.00	69,935.68
Tekes grants	0.00	47,686.50
Other prepayments and accrued income	40,902.41	45,349.88
Total	40,902.41	162,972.06

Notes to the Financial Statements continued

11. Equity

	2014 €	2013 €
Share capital 1 January 2014	28,570,652.72	28,570,652.72
Share issue	5,300,802.58	0.00
Reduction of share capital	(33,791,455.30)	0.00
Share capital 31 December 2014	80,000.00	28,570,652.72
Share issue 1 January 2014	1,775,332.90	0.00
Increases	3,525,469.60	1,775,332.90
Reductions	(5,300,802.50)	0.00
Share issue 31 December 2014	0.00	1,775,332.90
Share premium account 1 January 2014	63,230.00	63,230.00
Reduction of Share premium account	(63,230.00)	0.00
Share premium account 31 December 2014	0.00	63,230.00
Total restricted equity	80,000.00	30,409,215.62
Reserve for invested unrestricted equity 1 January 2014	86.97	86.97
Increases	18,302,336.26	0.00
Reductions	(86.97)	0.00
Reserve for invested unrestricted equity 31 December 2014	18,302,336.26	86.97
Retained earnings/(loss) 1 January 2014	(32,791,399.32)	(28,329,161.51)
Reduction of share capital	33,791,455.30	0.00
Reduction of Share premium account	63,230.00	0.00
Adjustments for previous years	0.00	(1,435.72)
Translation difference	(410,287.94)	54,135.07
Profit/(loss) for the period	(10,445,394.24)	(4,514,937.16)
Retained earnings/(loss) 31 December 2014	(9,792,396.20)	(32,791,399.32)
Total unrestricted equity	8,509,940.06	(32,791,312.35)
Total equity	8,589,940.06	(2,382,096.73)

11. Equity continued

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 2013	28,570.7	1,775.3	63.2	0.1	(32,791.4)	(2,382.1)
Issue of shares		3,525.4				
Share issue registered to share capital	5,300.7	(5,300.7)				
Reduction of share capital*	(33,791.4)				33,791.4	
Reduction of share premium account*			(63.2)		63.2	
Initial public offering				18,302.2		
Profit/(loss) for the period					(10,445.4)	
Translation difference					(410.4)	
Equity on 31 December, 2014	80.0	0.0	0.0	18,302.3	(9,792.4)	8,589.9

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 2012	28,570.7	0.0	63.2	0.1	(28,329.2)	304.8
Profit/(loss) for the period					(4,514.9)	(4,514.9)
Issue of shares		1,775.3				1,775.3
Translation difference					54.1	54.1
Adjustments for previous years					(1.4)	(1.4)
Equity on 31 December, 2013	28,570.7	1,775.3	63.2	0.1	(32,791.4)	(2,382.1)

* The unanimous resolution made by the shareholders of the company 29 September 2014 resolved to reduce the share capital and the share premium account of the company. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand.

12. Capital Loans

	2014	2013
1 January 2014	1,503,098.88	500,000.00
Increases	0.00	1,003,098.88
Reductions	(1,003,098.88)	0.00
31 December 2014	500,000.00	1,503,098.88

Capital loan from shareholders

The creditors of the capital loan granted in 2013 are company's shareholders.

The subscription price of the capital loan, EUR 1,003,098.88, was booked to the balance sheet. The principal amount to be repaid was EUR 3,009,296.64. Based on the unanimous resolution made by the shareholders of the company 29 September 2014, the company issued 333,587 new shares to convert a capital loan from certain shareholders into equity. The principal amount of the loan before conversion amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand were classified as capital loan and EUR 2,006.2 thousand as other current liabilities.

Capital loan from Tekes

Main terms of the capital loan granted by Tekes are:

- Interest rate is one percent lower than the valid basic interest rate. However, the interest rate is always at least 3% p.a.
- The principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the company.
- The principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements.
- Loan period is 8 (eight) years, of which first 5 (five) years are free of repayment.
- There is no collateral for the loan.
- The accrued interest in accordance with the Tekes loan terms has not been recognised as an interest expense for financial year 2014.

Notes to the Financial Statements continued

12. Capital Loans continued

	€
Accrued Interest 31 December 2014	192,512.00
Accrued Interest 31 December 2013	177,512.00

13. Non-current Liabilities

Non-current liabilities

	2014 €	2013 €
Capital loans	500,000.00	1,503,098.88
Product development loans from TEKES	2,904,628.44	2,604,419.25
Deferred income	70,800.00	94,400.00
Total	3,475,428.44	4,201,918.13

Maturity of interest-bearing liabilities

	2014 €	2013 €
Interest-bearing liabilities total	3,404,628.44	4,107,518.38*
Due later than five years	419,177.30	875,009.00

* The balance includes the subscription price EUR 1,003.1 thousand of the capital loan that has been granted by certain shareholders, but excludes the amount below par value of EUR 2,006.2 thousand. Based on the unanimous resolution made by the shareholders of the company 29 September 2014, the company issued 333,587 new Shares to convert a capital loan from certain shareholders into equity. The principal amount of the loan amounted to EUR 3,009.3 thousand of which EUR 1,003.1 thousand were classified as capital loan and EUR 2,006.2 as other current liabilities on the Balance sheet as at 30 June 2014.

14. Accrued Expenses

	2014 €	2013 €
Holiday accrual	295,726.92	296,245.13
Accrued interest	11,109.42	11,483.50
Accrued pension expenses	73,481.28	0.00
Other accrued expenses	31,608.82	38,963.23
Total	411,926.44	346,691.86

15. Commitments

Leasing liabilities

	2014 €	2013 €
Due within next financial year	52,556.20	59,352.94
Due later	0.00	2,629.98
Total	52,556.20	61,982.92

16. Guarantees

	2014 €	2013 €
Rent deposits	30,985.21	30,980.20
Total	30,985.21	30,980.20

17. Shares of the Company

Shares of the company consists of following share classes	2014 (kpl)	2013 (kpl)
A (1 vote/share)	7,130,758	422,884
B (1 vote/share)		117,362
C (1 vote/share)		1,260,910
D (1 vote/share)		852,418
E (1 vote/share)		535,430
N (0 vote/share)		-
S (1 vote/share)		-
	7,130,758	3,189,004

* The number of shares have been adjusted to take account the effect of the merging of the share classes and share split on 29 September 2014, where the number of shares was increased 14-fold.

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

18. Stock Options

Currently the company has three stock option incentive schemes; 2010A, 2011A and 2013A. The stock options will be granted free of charge. The stock options will be offered to the key personnel and management of the company and its subsidiaries for incentive and commitment purposes.

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

Option scheme	Subscription price/share	Maximum amount of option rights	Subscription period
2010A	EUR 0.01	44,898 shares*	19.6.2010-31.12.2016
2011A	EUR 0.01	70,364 shares*	19.4.2011-31.12.2016
2013A	EUR 0.01	671,678 shares*	1.12.2013-31.12.2020

* 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.

Holdings of the board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	0.65
Ownership based on proportion of total number of issued shares and option rights*	9.07
Proportion of votes based on ownership of shares	0.65
Proportion of votes based on ownership of shares and option rights*	9.07

* Assuming that all stock options are exercised.

Parent Company Profit and Loss Statement

for the year ended 31 December 2014

	1 January – 31 December 2014 €	1 January – 31 December 2013 €
NET SALES	1,972,803.14	1,424,036.60
Work performed for own purpose and capitalised	30,440.00	33,187.00
Other operating income	126,512.17	68,812.50
Materials and services		
Materials		
Purchases during the financial year	(466,141.41)	(505,852.27)
Increase (+) decrease (-) in inventories	(131,549.29)	(85,220.02)
External services	0.00	(112.00)
Total	(597,690.70)	(591,184.29)
Personnel expenses		
Wages and salaries	(2,105,940.44)	(1,804,975.08)
Social security expenses		
Pension expenses	(380,838.05)	(309,228.17)
Other social security expenses	(81,035.32)	(64,779.92)
Total	(2,567,813.81)	(2,178,983.17)
Depreciation and amortisation		
Depreciation and amortisation according to plan	(377,352.56)	(233,232.46)
Total	(377,352.56)	(233,232.46)
Other operating expenses	(5,083,517.87)	(1,693,726.71)
OPERATING PROFIT/(LOSS)	(6,496,619.63)	(3,171,090.53)
Financial income and expenses	3	
Other interest income and other financial income	397,304.35	398.09
Interest and other financial expenses	(3,083,252.33)	(79,377.27)
Total	(2,685,947.98)	(78,979.18)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	(9,182,567.61)	(3,250,069.71)

Parent Company Balance Sheet

for the year ended 31 December 2014

	Note	31 December 2014 €	31 December 2013 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	4	82,989.57	107,745.32
Intangible rights		443,964.71	323,633.86
Total		526,954.28	431,379.18
Tangible assets			
Machinery and equipment	5	437,622.88	52,685.67
Total		437,622.88	52,685.67
Investments			
Investments in group companies	6	408,896.52	408,896.52
Long-term receivables from group companies		4,296,670.43	0.00
Other shares and similar rights of ownership		10,000.00	10,000.00
Total		4,715,566.95	418,896.52
NON-CURRENT ASSETS TOTAL		5,680,144.11	902,961.37
CURRENT ASSETS			
Inventories			
Raw materials and consumables		204,939.40	336,488.69
Total		204,939.40	336,488.69
Receivables			
Trade receivables		481,326.18	287,917.90
Short-term receivables from group companies	7	910,032.19	3,313,681.54
Prepayments and accrued income		13,776.73	126,155.95
Other receivables		284,615.79	160,961.50
Total		1,689,750.89	3,888,716.89
Cash in hand and at banks		11,139,090.02	724,782.71
CURRENT ASSETS TOTAL		13,033,780.31	4,949,988.29
ASSETS TOTAL		18,713,924.42	5,852,949.66

Parent Company Balance Sheet

continued

	Note	31 December 2014 €	31 December 2013 €
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	28,570,652.72
Share issue		0.00	1,775,332.90
Share premium account		0.00	63,230.00
Reserve for invested unrestricted equity		18,302,336.26	86.97
Retained earnings/(loss)		3,995,870.03	(26,608,745.56)
Profit/(loss) for the financial year		(9,182,567.61)	(3,250,069.71)
TOTAL EQUITY		13,195,638.68	550,487.32
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans		500,000.00	1,503,098.88
Other interest-bearing loans		2,904,628.44	2,604,419.25
Deferred income		70,800.00	94,400.00
Total		3,475,428.44	4,201,918.13
CURRENT LIABILITIES			
Deferred income		0.00	45,000.00
Trade payables		1,089,741.88	544,351.71
Payables to group companies	9	422,678.29	125,609.78
Other liabilities		134,184.94	64,934.03
Accrued expenses		396,252.19	320,648.69
Total		2,042,857.30	1,100,544.21
TOTAL LIABILITIES		5,518,285.74	5,302,462.34
EQUITY AND LIABILITIES TOTAL		18,713,924.42	5,852,949.66

Parent Company Cash Flow Statement

	1 January - 31 December 2014 €000s	1 January - 31 December 2013 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(9,182.6)	(3,205.1)
Adjustments:		
Depreciation and amortisation according to plan	377.4	233.2
Other adjustments (income -/ expense +)		
Financial income and expenses	2,685.9	79.0
Cash flows before change in working capital	(6,119.3)	(2,937.9)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(2,097.7)	(747.1)
Increase (-) or decrease (+) in inventories	131.5	56.8
Increase (+) or decrease (-) in current interest-free payables	918.7	252.5
Cash flows from operations before financial items and taxes	(7,166.7)	(3,375.7)
Interest and other financial expenses paid	(679.8)	(79.0)
Cash flows from operating activities (A)	(7,846.4)	(3,454.6)
Cash flows from investing activities		
Investments in intangible and tangible assets	(857.9)	(235.9)
Cash flows from investments (B)	(857.9)	(235.9)
Cash flows from financing activities		
Share issue	18,818.4	1,775.3
Drawing of short-term loans (+)	0.00	0.00
Drawing of long-term loans (+)	300.2	1,502.8
Cash flows from financing activities (C)	19,118.6	3,278.1
Change in cash in hand and at banks	10,414.3	(412.4)
Cash in hand and at banks in the beginning of the period	724.8	1,137.2
Cash in hand and at banks at end of the period	11,139.1	724.8

Notes to the Parent Company Financial Statements

1. Accounting Principles

Principles of the financial statements

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

Supplements to the financial statements

The consolidated financial statement comparison figures of year ended 31 December 2013 have been compiled using consolidated financial information from the company's audited statutory financial statement for the year ended 31 December 2013. In the consolidated financial statements the presentation of income statements have been changed for line items "work performed for own purpose and capitalised" and "other operating expenses" compared to the audited statutory financial statement for the year ended 31 December 2013. The changes do not affect consolidated net sales, operating profit/loss or balance sheet compared to the audited statutory financial statements.

2. Other Operating Income

	2014 €	2013 €
Other income	166.37	3,341.50
Government grants	126,345.80	65,471.00
Total	126,512.17	68,812.50

3. Financial Income and Expenses

	2014 €	2013 €
Other interest income and other financial income	397,304.35	398.09
Interest and other financial expenses	(3,083,252.33)	(79,377.27)
Total	(2,685,947.98)	(78,979.18)

4. Intangible Assets

	2014 €	2013 €
Development costs		
1 January	107,745.32	154,532.47
Increase	30,440	33,187.00
Planned depreciation	(55,195.75)	(79,974.15)
31 December	82,989.57	107,745.32

	2014 €	2013 €
Intangible rights (Patents)		
1 January	323,633.86	258,503.61
Increases	296,613.38	200,826.68
Planned depreciation	(176,282.55)	(135,696.43)
31 December	443,964.69	323,633.86

5. Tangible Assets

	2014 €	2013 €
Machinery and equipment		
1 January	52,686.66	68,392.60
Increase	530,811.49	1,854.94
Planned depreciation	(145,874.28)	(17,561.88)
31 December	437,622.88	52,686.66

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

	2014	2013
Nexstim Inc. loan receivables	4,059,242.14	0.00
Nexstim Germany GmbH loan receivables	150,000.00	0.00
Nexstim Ltd. loan receivables	87,428.29	0.00
Total	4,296,670.43	0.00

Other shares

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

7. Short-term Receivables from Group Companies

	2014	2013
Nexstim Inc. accounts receivables	509,530.19	1,259,085.55
Nexstim Germany GmbH accounts receivables	334,320.00	501,437.00
Nexstim Inc. loan receivables	0.00	1,434,304.26
Nexstim Germany GmbH loan receivables	0.00	50,000.00
Nexstim Ltd. loan receivables	0.00	68,854.73
Nexstim Inc. interest receivables	57,771.95	0.00
Nexstim Germany GmbH interest receivables	8,410.05	0.00
Total	910,032.19	3,313,681.54

Notes to the Parent Company

Financial Statements continued

8. Equity

	2014 €	2013 €
Share capital 1 January	28,570,652.72	28,570,652.72
Share issue	5,300,802.58	0.00
Reduction of share capital	(33,791,455.30)	0.00
Share capital 31 December 2014	80,000.00	28,570,652.72
Share issue 1 January	1,775,332.90	0.00
Increases	3,525,469.60	1,775,332.90
Reductions	(5,300,802.50)	0.00
Share issue 31 December 2014	0.00	1,775,332.90
Share premium account 1 January	63,230.00	63,230.00
Reduction of Share premium account	(63,230.00)	0.00
Share premium account 31 December 2014	0.00	63,230.00
Total restricted equity	80,000.00	30,409,215.62
Reserve for invested unrestricted equity 1 January	86.97	86.97
Increases	18,302,336.26	0.00
Reductions	(86.97)	0.00
Reserve for invested unrestricted equity 31 December 2014	18,302,336.26	86.97
Retained earnings/(loss) 1 January	(29,858,815.27)	(26,608,745.56)
Adjustments for previous years	33,791,455.30	0.00
Translation difference	63,230.00	0.00
Profit/(loss) for the period	(9,182,567.61)	(3,250,069.71)
Retained earnings/(loss) 31 December 2014	(5,186,697.58)	(29,858,815.27)
Total unrestricted equity	13,115,638.68	(29,858,728.30)
Total equity	13,195,638.68	550,487.32

The unanimous resolution made by the shareholders of the company 29 September resolved to reduce the share capital and the share premium account of the company. The reduction of share capital amounted to EUR 33,791.5 thousand and the reduction of share premium account amounted to EUR 63.2 thousand. In addition to retained earnings, parent company 30 June 2014 interim financial statement confirmed losses of EUR 3,995,870.03 were used to reduce the share capital. Accordingly the same amount is presented in the company balance sheet 31 December 2014 in retained earnings and loss for the financial year is presented in its entirety in profit/loss for the period.

9. Payables to Group Companies

	2014 €	2013 €
Nexstim Inc. accounts payables	422,678.29	125,609.78
Total	422,678.29	125,609.78

Nexstim PLC

10. Commitments

	2014 €	2013 €
Leasing liabilities		
Due within next financial year	1,764.00	1,764.00
Due later	0.00	0.00
Total	1,764.00	1,764.00

11. Guarantees

	2014 €	2013 €
Rent deposits	30,985.21	30,980.20
Total	30,985.21	30,980.20

List of Accounting Books

31.12.2014

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 25.2.2015

Timothy Irish
Chairman of the board

Olli Riikkala
Deputy Chairman of the board

Casper Breum
Member of the board

Ken Charhut
Member of the board

Johan Christenson
Member of the board

René Kuijten
Member of the board

Katya Smirnyagina
Member of the board

Juha Vapaavuori
Member of the board

Janne Huhtala
CEO

Auditor signature

Auditor's report has been given with this date

Helsinki 25.2.2015

Martin Grandell
KHT
PricewaterhouseCoopers Oy, KHT-yhteisö

Auditor's Report

To the Annual General Meeting of Nexstim Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Nexstim Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 25 February, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant

Nexstim

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