



Nexstim Plc announces long-term financing arrangements in the form of a joint deal with Bracknor and Sitra

Company announcement, Helsinki, 21 July 2016, at 9:00 am

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.

Background

Nexstim Plc (NXTMH: HEX, NXTMS: STO) ("**Nexstim**" and the "**Company**"), a medical technology company with a pioneering navigated non-invasive brain stimulation system, announces financing arrangements with Bracknor Investment ("**Bracknor**"), and one of Nexstim's current shareholders, the Finnish Innovation Fund Sitra ("**Sitra**").

Nexstim has entered into a convertible bond facility agreement of EUR 5 million (the "**CBF Agreement**") and a stand-by equity distribution agreement of EUR 5 million (the "**Bracknor SEDA**") with Bracknor. In addition, Nexstim has entered into a stand-by equity distribution agreement of EUR 1.5 million (the "**Sitra SEDA**") and agreed on the directed share issuance of EUR 500,000 (the "**Directed Issuance**") with Sitra. Furthermore, Nexstim has, separately with Bracknor and Sitra, entered into warrant agreements entitling to Nexstim shares (the "**Warrants**"). The CBF Agreement, the Bracknor SEDA, the Sitra SEDA, the Directed Issuance and the Warrants shall hereinafter together be referred to as the "**Arrangement**". The Arrangement, in its entirety, is subject to approval by Nexstim's extraordinary general meeting of shareholders to be held on 18 August 2016 (the "**EGM**") and the receipt of the required authorisations.

Description of the Arrangement

Under the terms and conditions of the CBF Agreement, Nexstim issues zero coupon loan notes (the "**Loan Notes**") in the form of a capital loan with the maturity of 18 months from the issuance. The Loan Notes are issued in a maximum of 20 guaranteed sequential tranches of minimum EUR 250,000 each and totalling to EUR 5 million during the following 24 months starting from August, provided that the preconditions for each tranche are met. 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. Furthermore, Nexstim and Bracknor have agreed on the Bracknor SEDA under which Nexstim will take up Bracknor's commitments to subscribe and pay for Nexstim shares up to a total value of EUR 5 million.

In addition, Nexstim and Sitra have agreed on the Sitra SEDA, according to which Sitra will subscribe for Nexstim shares for EUR 500,000 each time Bracknor has subscribed for Nexstim shares for EUR 2 million in accordance with the CBF Agreement and/or Bracknor SEDA. Sitra will subscribe for Nexstim shares on terms materially similar to those of the Bracknor SEDA and the CBF Agreement entered into with Bracknor, but in proportion to its total stand-by equity commitment of up to EUR 2 million.

Purpose of the Arrangement

The purpose of the Arrangement is to secure the financing of Nexstim's growth and working capital. The Company estimates that the CBF Agreement and the Directed Issuance will secure its funds to last at least until the beginning of the financial year 2017. If the Bracknor SEDA, Sitra SEDA and the



Warrants are used the funds will last for a longer period of time as will be separately disclosed by Nexstim. The management of the Company will continue to control cost and to improve efficacy and productivity.

Martin Jamieson, CEO of Nexstim, commented: "This financing will support working capital and developments across the business, in particular as we seek clearance in the US and work towards commercialisation of our NBT® system. We thank our existing shareholders for their continued support and look forward to welcoming Bracknor."

Pierre Vannineuse, CEO of Bracknor Investment Group, commented: "This long-term commitment toward the success of Nexstim together with Sitra is a great first step for us in the Nordic Markets. This investment is perfectly in line with Bracknor's investment strategy toward ambitious healthcare companies which we consider extremely undervalued. We are convinced that Nexstim has pioneering technology and intellectual properties evidencing great value accretive opportunities."

Aboudi Gassam, Chairman of Bracknor Investment Group, commented: "We are very enthusiastic to initiate Bracknor's first transaction in Finland with Nexstim to support the development of what we believe to be internationally leading technology. We are confident that the Company is now on the right track toward success."

Commercial terms of the CBF Agreement and the Bracknor SEDA

Pursuant to the CBF Agreement entered into with Bracknor, the Loan Notes are convertible to Nexstim shares immediately and without further consideration and do not bear any interest rate. 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 a 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. The Loan Notes have a maturity of 18 months and are to be converted at the latest 18 months after the CBF Agreement entering into force.

Pursuant to the Bracknor SEDA entered into with Bracknor, Bracknor may issue a stand-by exercise notice each week to subscribe for a minimum of 500% of the 20 day average daily-volume preceding the stand-by exercise notice for that subscription. Such amount shall not, however, exceed EUR 700,000 each month unless waived by Nexstim. The number of shares to be issued under the Bracknor SEDA is defined by the nominal amount exercised divided by the relevant strike price. Bracknor has agreed to subscribe for shares from Nexstim upon a per share subscription price denominated in euros, defined as the relevant strike price calculated every first trading day of a given week as being equal to 85% of the lowest one-day volume-weighted average price observed on Nasdaq First North Finland over the week immediately preceding the receipt of a stand-by exercise notice.

In consideration of the CBF Agreement, Nexstim will, in accordance with the terms and conditions of the CBF Agreement, pay to Bracknor a fee equal to EUR 200,000 in freely tradable shares as soon as possible after the EGM has resolved to approve of the Arrangement. Similarly, in consideration of the Bracknor SEDA, Nexstim will, in accordance with the terms and conditions of the Bracknor SEDA, pay to Bracknor a fee equal to EUR 150,000 in freely tradable shares as soon as possible after the EGM has resolved to approve of the Arrangement. Further, in consideration of the Sitra SEDA,

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Nexstim will pay to Sitra a fee equal to EUR 60,000 in freely tradable shares as soon as possible after the EGM has resolved to approve of the Arrangement. In order to pay Bracknor and Sitra such fees, Nexstim will prior to the EGM and based on the authorisation granted by the Company's annual general meeting of shareholders on 31 March 2016 first issue to the Company itself 901,870 shares without consideration and procure the listing of such shares. Thereafter, following the approval of the Arrangement by the EGM, a number of shares that corresponds to the EUR 350,000 fee will be delivered to Bracknor and a number of shares that corresponds to the EUR 60,000 fee will be delivered to Sitra.

The Warrants as a part of the Arrangement

In addition, Nexstim has, 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.

Termination of the agreements

Nexstim has the right to terminate the CBF Agreement with one month's notice without cause after the date on which the tenth tranche of Loan Notes are issued. Respectively, Nexstim has the right to terminate the Bracknor SEDA with one month's notice without cause. As a consequence, should Nexstim have terminated both the CBF Agreement and the Bracknor SEDA, Sitra will also cease to make subscriptions pursuant to Sitra SEDA. The Warrants of both Bracknor and Sitra will, however, survive termination of the CBF Agreement, the Bracknor SEDA and the Sitra SEDA.



Listing of the Issue Shares

Following each issuance of shares in connection with the Arrangement (the "**Issue Shares**"), Nexstim will file a listing application in respect of the Issue Shares with Nasdaq Helsinki Ltd and Nasdaq Stockholm AB. On 4 January 2016 the Company published a company description in accordance with the rules of the stock exchange. The company description is available on the Company's website <http://www.nexstim.com> and at the Company's head office at Elimäenkatu 9 B, 00510 Helsinki, Finland. The company description is valid until 3 January 2017, whereafter the Company expects to publish an updated company description (or any other document, such as prospectus, as required by the relevant regulation and the rules of the stock exchange, as applicable).

Following the publication of the company description dated 4 January 2016, Nexstim has published the following key events by way of company announcements:

- On **28 February 2016** Nexstim received Interim Analysis Information and Recommendation from Data Safety Monitoring Board (DSMB) for 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 will not meet its primary endpoint. However, the DSMB further noted that they acknowledge that the treatments and enrolment have 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.
- On **1 April 2016** John Liedtky was appointed as VP of Commercialization, General Manager US. Mr. Liedtky is also a member of Nexstim Management Team and is responsible of 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** Nexstim patent portfolio was supplemented as 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. A search for a substantive CEO has been initiated.
- 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.
- On **28 June 2016** Nexstim submitted FDA 510(k) De Novo documentation for its Navigated Brain Therapy (NBT®) system for stroke rehabilitation as a next step towards securing marketing clearance in the United States.
- 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.

Full information on the above key announcements and all company announcements, including financial statement releases and resolutions of the annual general meeting of shareholders, are available at Nexstim's website www.nexstim.com.

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About Nexstim Plc

Nexstim is a medical technology company which has pioneered its technology in brain diagnostics with the Navigated Brain Stimulation (NBS) system as the first and only FDA-cleared and CE-marked navigated Transcranial Magnetic Stimulation (nTMS) system for pre-surgical mapping of the motor and speech cortices. Based on the same technology platform, the company has developed a system called Navigated Brain Therapy (NBT®) which is CE-marked for chronic neuropathic pain, major depression and stroke therapy. Nexstim's shares are listed on Nasdaq First North Finland and Nasdaq First North Sweden. For more information please visit www.nexstim.com

About the Bracknor Investment Group

Bracknor Capital Ltd is the Investment Manager platform of the Private Mutual Fund Bracknor Fund Ltd. Bracknor's mandate is to invest globally in SMEs that bears unique competitive advantages and true potential, providing them with paramount working capital or growth capital needed to foster and ignite their growth.

Bracknor, through its Chairman, Mr Aboudi Gassam, is backed up by the Saudi Group MS Group (Jeddah) –<http://mscc.com.sa>– and aim to activate intra portfolio synergies to bring relevant opportunities and cooperative developments to Bracknor's portfolio companies particularly in the GCC (Gulf Cooperation Council) Region.

www.bracknor.com