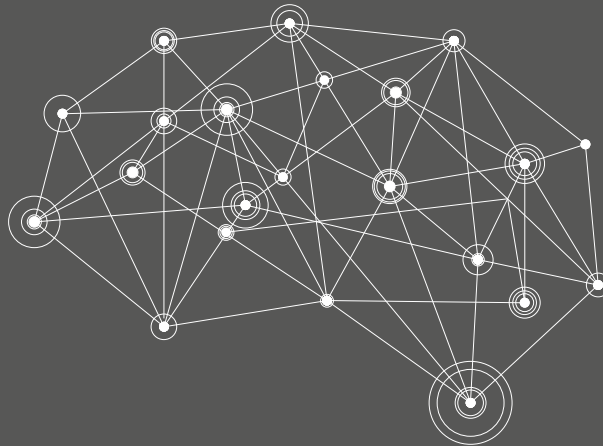


Nexstim

Nexstim PLC Financial Statements 31 December 2015



Nexstim is a medical technology company aiming to improve rehabilitation for stroke patients. Nexstim 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) device for pre-surgical 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®).

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Nexstim PLC Report of the Board of Directors 2015

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 the brain motor functions lasting throughout a 6-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 in the US.

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 130 NBS Systems, out of which 50 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 Oyj (the Company) (in Swedish Nexstim Abp and in English Nexstim Plc). The Company is a public limited company (in Swedish: publikt aktiebolag) incorporated under the laws of Finland. The Company is domiciled in Helsinki, Finland. The Company is registered with the Finnish Trade Register under number 1628881-1. Nexstim Plc shares are listed on Nasdaq First North Finland and Nasdaq First North Sweden.

Nexstim Plc has two fully owned and operative subsidiaries. Nexstim Inc. has been established under Delaware state laws in the US in 2008 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 2015

continued

Key Figures of the Group

	1-12/2015 12 months €000s	1-12/2014 12 months €000s
Net sales	2,527.9	2,210.4
Personnel expenses	(3,969.8)	(3,660.2)
Depreciation and amortisation	(386.0)	(377.4)
Other operating expenses	(7,843.1)	(5,498.5)
Profit/(Loss) for the period	(9,827.0)	(10,445.4)
Earnings per share (EUR)*	(1.37)	(2.37)
Diluted earnings per share (EUR)*	(1.24)	(2.16)
Cash flows from operating activities	(9,608.6)	(7,785.2)
Cash in hand and at banks	6,874.7	11,483.7
Total equity	3,545.1	8,589.9
Equity ratio (%)	44.16	65.29
Number of shares in the end of the period (pcs)	8,010,758	7,130,758
Average number of shares during the period (pcs)*	7,154,868	4,406,572
Diluted number of shares in the end of the period (pcs)	8,797,698	7,917,698
Diluted average number of shares during the period (pcs)*	7,941,808	4,826,140

* 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 January 1 – December 31, 2015 were EUR 2,527.9 thousand (2,210.4) which shows an increase of 14.4 percent.

Work performed for own purpose and capitalised

Work performed for own purpose and capitalised on January 1 – December 31, 2015 was EUR 44.3 thousand (30.4) and which consists of capitalised development costs.

Other operating income

Other operating income on January 1 – December 31, 2015 was EUR 77.7 thousand (134.1). Other operating income consists mainly of grants received from Tekes.

Materials and services

Materials and services expenses on January 1 – December 31, 2015 totalled EUR -820.6 thousand (-638.5). The increase was partially due to shifting production to new subcontractor during second half of 2015.

Personnel expenses

Personnel expenses on January 1 – December 31, 2015 totalled EUR -3,969.8 thousand (-3,660.2). The increase was mainly due to changes in personnel and adjustments in individual salary levels.

Depreciation and amortisation

Depreciation and amortisation on January 1 – December 31, 2015 amounted to EUR -386.0 thousand (-377.4).

Key Figures of the Group continued

Other operating expenses

Other operating expenses on January 1 – December 31, 2015 totalled EUR -7,843.1 thousand (-5,498.5). An increase of EUR 1,602.8 thousand in full year expenses was due to expenses related to Phase III multi-centre trial. Strengthening of USD currency rate compared to EUR affected the Phase III multi-centre trial expense increase and also other expenses in USD currency.

Operating profit (loss)

Operating loss on January 1 – December 31, 2015 was EUR -10,369.6 thousand (-7,799.6).

Financial income and expenses

Net financial income and expenses on January 1 – December 31, 2015 amounted to an expense of EUR 544.1 thousand (-2,645.8). The financial income consisted mainly of exchange rate gains.

Profit (loss) before taxes

Loss before taxes on January 1 – December 31, 2015 was EUR -9,825.6 thousand (-10,445.4).

Income taxes

Income taxes on January 1 – December 31, 2015 was EUR -1.4 thousand (0.0).

Profit/loss for the financial period

The loss for the period January 1 – December 31, 2015 was EUR -9,827.0 thousand (-10,445.4).

Financial Position

Non-current assets

The Company's non-current assets were EUR 973.5 thousand (979.4). Intangible assets amounting to EUR 630.6 thousand on 31 December 2015 consist mainly of intangible assets related to capitalised development expenses and intellectual property rights. The tangible assets amounting to EUR 332.9 thousand on 31 December 2015 consist mainly of Phase III trial equipment.

Current assets

The Company's current assets amounted to EUR 8,232.7 thousand (13,014.2). The decrease of current assets was mainly due to negative operational cash flow.

Equity

Consolidated shareholders' equity totalled EUR 3,545.1 thousand (8,589.9).

Liabilities

Non-current liabilities

The Company's non-current liabilities totalled EUR 3,244.6 thousand (3,475.4). 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 2,416.5 thousand (1,928.3). 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 6,874.7 thousand (11,483.7).

The Company's net cash outflow from operating activities during the reporting period was EUR -9,608.6 thousand (-7,785.2). The change compared to the corresponding period in the previous year was mainly due to increase in Phase III trial expenses during 2015.

Nexstim Plc Report of the Board of Directors 2015

continued

Financing and Liquidity continued

Net cash flow from investments was EUR -380.1 thousand during the reporting period (-859.7). The difference compared to the corresponding period in the previous year was mainly due to investment in Phase III trial equipment during 2014.

Net cash flow from financing activities was EUR 5,379.8 thousand during the reporting period (19,118.6). Financing through share issues amounted to EUR 5,280.0 thousand in the twelve month period ended 31 December 2015.

The cash at the end of the reporting period and cash generated from sales is estimated to be sufficient to finance the company's existing clinical development trials until the final results in September 2016. The company will need more funding after September 2016.

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;
- Administration, including Finance and Legal Affairs support functions.

At the end of the financial period 2015 Nexstim group employed 32 full-time employees (FTEs). Nexstim Plc employed 22 FTEs at the end of year 2015. During the financial year 2015 Nexstim group employed on average 32 FTEs (2014: 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.

On February 28, 2016 Nexstim announced that the Data Safety Monitoring Board (DSMB), an independent committee of experts monitoring the Phase III stroke therapy NICHE trial, has reviewed the interim analysis data. The DSMB notes 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 notes that they acknowledge that the treatments and enrolment have been completed. They recommend that the study team and subjects remain blinded and data collection be completed. Nexstim will analyse the DSMB recommendation further before deciding upon the continuation of the Phase III trial. Nexstim will now conduct a review of the future strategy for NBT® as part of the company's wider strategy and an update announcement will be made in due course.

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.

Strategy continued

Pre-commercialisation of the NBS System *continued*

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.

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 Plc annual general meeting was held in Helsinki March 31, 2015. The annual general meeting of shareholders of Nexstim Plc adopted the Company's financial statements, including the consolidated financial statements for the year 2014, and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The general meeting decided that no dividend would be paid for the financial year 1 January 2014 – 31 December 2014 and that the loss of the financial year be added to the loss account.

The general meeting resolved the number of the members of the Board of Directors at seven. Olli Riikkala, Ken Charhut, Ekaterina Smirnyagina, Juha Vapaavuori, Rene Kuijten, Juliet Thompson and Johan Christenson were elected to the Board; Olli Riikkala was elected as the Chair and Johan Christenson as the Deputy Chair.

The new Board member, Juliet Thompson, has spent approximately 20 years working as an investment banker and strategic adviser to healthcare companies in Europe. She has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. She is a Chartered Accountant ACA; Chartered Institute for Securities and Investment (ASCI); Bsc Economics (Bristol University). Her experience includes roles at Oriel Securities, Nomura Code Securities, WestLB Panmure, ICI Plc, Deloitte and Touche and HM Treasury.

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 general meeting recommended that the members of the board invest half of the above-mentioned remuneration in the Company's shares.

Further, the general meeting 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.

PricewaterhouseCoopers Oy, an auditing firm approved by the Finnish Chambers of Commerce, was re-elected as the auditor with Martin Grandell acting as the auditor-in-charge. The auditor will be paid a reasonable fee in accordance with an invoice approved by the Company.

The full decisions and the minutes of the general meeting have been published on Nexstim's website.

On August 11, 2015 Nexstim announced that the United States Patent and Trademark Office (USPTO) granted a key patent covering its method and system for displaying the electric field generated on the brain by transcranial magnetic stimulation (TMS).

On August 20, 2015 Nexstim announced that it had selected Sanmina Corporation to manufacture all systems sold.

Nexstim Plc Report of the Board of Directors 2015

continued

Major Events in the Financial Period continued

On September 26, 2015 Nexstim announced that the data safety monitoring board recommended continuation of Nexstim Plc's Phase III stroke therapy trial without any modifications.

On December 3, 2015 Nexstim announced the completion of patient enrolment of Phase III clinical trial in stroke therapy.

On December 17, 2015 Nexstim announced the result of its private placement amounting to a total subscription price of 5,280,000 euro.

Nexstim Plc extraordinary general meeting was held in Helsinki December 22, 2015. The extraordinary general meeting resolved the number of the members of the Board of Directors at eight. Martin Jamieson was elected as a new member of the Board of Directors. The members of the Board of Directors who were elected in the annual general meeting on March 31, 2015 shall continue to be Board members. Martin Jamieson was elected as the Chair and Olli Riikkala as the Deputy Chair.

Major Events after the Financial Period

On February 28, 2016 Nexstim announced that the Data Safety Monitoring Board (DSMB), an independent committee of experts monitoring the Phase III stroke therapy NICHE trial, has reviewed the interim analysis data. The DSMB notes 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 notes that they acknowledge that the treatments and enrolment have been completed. They recommend that the study team and subjects remain blinded and data collection be completed. Nexstim will analyse the DSMB recommendation further before deciding upon the continuation of the Phase III trial. Nexstim will now conduct a review of the future strategy for NBT® as part of the company's wider strategy and an update announcement will be made in due course.

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 2016 and a loss is expected for the financial year.

Nexstim will now conduct a review of the future strategy for NBT® as part of the company's wider strategy and an update announcement will be made in due course. The Company estimates that more detailed information related to its long-term financial and commercial goals will be given as part of the update.

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

Major Risks and Uncertainties continued

- 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/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
- 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 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
- 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

Nexstim Plc Report of the Board of Directors 2015

continued

Share and Shareowners

As at December 31, 2015, the fully paid-up share capital of Nexstim Plc amounts to EUR 80,000.00, consisting of 8,010,758 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 2015, 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 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 January 1 – December 31, 2015, the highest price of the company share was EUR 7.70 (2014: EUR 6.50) and SEK 73.50 (2014: SEK 59.00), the lowest price was EUR 4.76 (2014: EUR 5.95) and SEK 43.00 (2014: SEK 55.00), and the average price was EUR 6.07 (2014: EUR 6.16) and SEK 54.04 (2014: SEK 56.80). The closing price for 2015 on December 30, 2015, was EUR 6.46 (2014: EUR 6.15) and SEK 61.25 (2014: SEK 58.00).

In public trading on January 1 – December 31, 2015, a total of 538,224 shares were traded, which corresponds to 7.5 percent of the average number of shares on the said period. On January 1 – December 31, 2015, there were 7,154,868 shares on the average.

The market value of the share capital at the closing price of 2015, EUR 6.46 and SEK 61.25, on December 30, 2015, was EUR 51,749 thousand (2014: EUR 43,854) and SEK 490,659 thousand (2014: 413,584).

On December 31, 2015, the company had 437 (2014: 220) shareowners including the nominee registers (6 registers). The share of nominee registered ownership was 55.9 percent (2014: 55.2) of the total number of shares.

The March 31, 2015 general meeting decided that the Board of Directors be authorised to decide on the repurchase of the Company's own shares as follows: The amount of own shares to be repurchased will not exceed 1,069,613 shares, which corresponds to approximately 15 percent of all of the shares in the Company. For the sake of clarity, it was noted, however, that the Company together with its subsidiaries cannot simultaneously possess more than 10 per cent of its registered amount of shares. The authorisation is effective for 18 months from the resolution of the general meeting.

The March 31, 2015 general meeting also authorised the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in chapter 10 of the Finnish Companies Act as follows: Shares potentially issued by virtue of the special rights entitling to shares are new shares or shares held by the Company. The maximum amount of shares potentially issued by virtue of the special rights entitling to shares is 1,069,613 shares, which corresponds to approximately 15 per cent of all of the shares in the Company. Shares or special rights entitling to shares can be issued in one or more parts. On December 16, 2015 the Board of Directors resolved upon a directed share issue based on the authorisation. A total of 880,000 issue shares were issued in the directed share issue for an aggregate subscription price of 5,280,000 euro. After the directed share issue the remaining authorisation is 189,613 shares. The authorisation is valid for three (3) years from the resolution of the general meeting.

According to the share register maintained by Euroclear Finland Oy, the persons belonging to the public insider register on December 31, 2015, held company shares as follows:

Board of Directors:

Martin Jamieson	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	0.27%
Ekaterina Smirnyagina	0 shares	0.00%
Juliet Thompson	0 shares	0.00%
Juha Vapaavuori	0 shares	0.00%

Share and Shareowners continued

CEO:

Janne Huhtala 5,000 shares 0.06%

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 7,532 shares 0.09%, including holdings of interest parties 2,532 shares, 0.03%
Jarmo Laine 4,100 shares 0.05%
Petriina Puolakka 7,139 shares 0.09%, including holdings of interest parties 2,000 shares, 0.02%

Auditors:

Martin Grandell 0 shares 0.00%

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Nexstim Plc shareowners at the end of 2015 was as follows.

Shareholder	No. of shares	Holding %
1. Svenska Handelsbanken AB (publ), Branch Operation in Finland*	2,152,841	26.87
2. The Finnish National Fund for Research and Development Sitra	1,601,557	19.99
3. Nordea Bank Finland Plc*	1,119,454	13.97
4. Clearstream Banking S.A.*	678,001	8.46
5. Skandinaviska Enskilda Banken AB*	403,259	5.03
6. Lundbeckfond Invest A/S	334,478	4.18
7. Ilmarinen Mutual Pension Insurance Company	319,643	3.99
8. Suomen Teollisuussijoitus Oy	211,247	2.64
9. OP-Delta Fund	199,147	2.49
10. Danske Bank Plc*	122,108	1.52
11. Ilmoniemi Risto Juhani	109,682	1.37
12. OP-Europe Equity Fund	99,573	1.24
13. OP-Finland Small Firms Fund	99,573	1.24
14. eQ Pohjoismaat Pienyhtiö / EQ Rahastoyhtiö	83,333	1.04
15. Interdomer Oy	50,937	0.64
16. Mattila Rauno	41,667	0.52
17. Ålands Ömsesidiga Försäkringsbolag	30,000	0.37
18. Riikkala Olli	21,760	0.27
19. Hiekkänen Kalevi Antero	18,000	0.22
20. Karhu Jari Jukka Tapio	17,500	0.22

* Nominee registered shareholders

Nexstim Plc Report of the Board of Directors 2015

continued

Board of Directors and the Company's Management

Board of Directors

The following were members of the Nexstim Plc's Board of Directors during 2015: Martin Jamieson (Chairman since December 22, 2015), Olli Riikkala (Chairman March 25 – December 22, 2015), Timothy Irish (Chairman until March 25, 2015), Kenneth Charhut, Johan Christenson, René Kuijten, Ekaterina Smirnyagina, Juliet Thompson (since March 31, 2015) and Juha Vapaavuori. The Board of Directors convened 16 times during 2015.

CEO

Janne Huhtala acted as CEO of Nexstim Plc and Group during 2015.

Management team

The following members were part of Nexstim Group management team during 2015: 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), Jarmo Laine (Vice President, Medical Affairs) 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 2015, the distributable assets of the Group's Parent Company were EUR 12,148,284.77. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2015.

Profit and Loss Statement

For the financial year ended 31 December 2015

	Note	1 January – 31 December 2015 €	1 January – 31 December 2014 €
NET SALES	2	2,527,870.30	2,210,437.46
Work performed for own purpose and capitalised		44,330.50	30,440.00
Other operating income	3	77,651.91	134,059.07
Materials and services			
Materials			
Purchases during the financial year		(995,320.96)	(474,371.80)
Increase (+) decrease (-) in inventories		174,761.94	(89,792.40)
External services		0.0	(74,311.33)
Total		(820,559.02)	(638,475.53)
Personnel expenses	4		
Wages and salaries		(3,292,343.09)	(2,965,246.04)
Social security expenses			
Pension expenses		(394,083.11)	(380,838.05)
Other social security expenses		(283,400.45)	(314,125.67)
Total		(3,969,826.65)	(3,660,209.77)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(385,979.97)	(377,352.56)
Total		(385,979.97)	(377,352.56)
Other operating expenses	5	(7,843,135.20)	(5,498,476.15)
OPERATING PROFIT/(LOSS)		(10,369,648.13)	(7,799,577.48)
Financial income and expenses	6		
Other interest income and other financial income		1,930,829.01	327,853.73
Interest and other financial expenses		(1,386,776.10)	(2,973,670.50)
Total		544,052.91	(2,645,816.76)
PROFIT/(LOSS) BEFORE TAXES		(9,825,595.22)	(10,445,394.24)
Income taxes		(1,383.35)	0.00
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(9,826,978.57)	(10,445,394.24)

Balance Sheet

For the financial year ended 31 December 2015

	Note	31 December 2015 €	31 December 2014 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
	7		
Development expenditure		76,727.17	82,989.57
Intangible rights		553,916.13	443,965.71
Total		630,643.30	526,955.28
Tangible assets			
	8		
Machinery and equipment		332,903.43	442,460.38
Total		332,903.43	442,460.38
Investments			
	9		
Other shares and similar rights of ownership		10,000.00	10,000.00
Total		10,000.00	10,000.00
NON-CURRENT ASSETS TOTAL		973,546.73	979,415.66
CURRENT ASSETS			
Inventories			
Raw materials and consumables		421,458.23	246,696.29
Total		421,458.23	246,696.29
Receivables			
Trade receivables		659,267.18	929,927.16
Loan receivables		5,499.45	0.00
Prepayments and accrued income	10	114,482.16	40,902.41
Other receivables		157,286.73	313,042.37
Total		936,535.52	1,283,871.94
Cash in hand and at banks		6,874,727.45	11,483,670.32
CURRENT ASSETS TOTAL		8,232,721.20	13,014,238.55
ASSETS TOTAL		9,206,267.93	13,993,654.22

Balance Sheet *continued*

For the financial year ended 31 December 2015

	Note	31 December 2015 €	31 December 2014 €
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		23,582,336.26	18,302,336.26
Retained earnings/(loss)		(10,290,266.75)	652,998.04
Profit/(loss) for the financial year		(9,826,978.57)	(10,445,394.24)
TOTAL EQUITY		3,545,090.94	8,589,940.06
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans	12	500,000.00	500,000.00
Other interest-bearing loans	13	2,697,433.44	2,904,628.44
Deferred income	13	47,200.00	70,800.00
Total		3,244,633.44	3,475,428.44
CURRENT LIABILITIES			
Trade payables		1,084,369.75	1,382,070.10
Other liabilities		384,103.55	134,289.17
Accrued expenses	14	948,070.25	411,926.44
Total		2,416,543.55	1,928,285.71
TOTAL LIABILITIES		5,661,176.99	5,403,714.15
EQUITY AND LIABILITIES TOTAL		9,206,267.93	13,993,654.22

Consolidated Cash Flow Statement

	1 January – 31 December 2015 €000s	1 January – 31 December 2014 €000s
Cash flows from operating activities		
Profit/(Loss) for the financial period	(9,827.0)	(10,445.4)
Adjustments:		
Depreciation and amortisation according to plan	386.0	377.4
Other adjustments (income -/ expense +)	(497.9)	(410.3)
Financial income and expenses	544.1	2,645.8
Cash flows before change in working capital	(9,394.8)	(7,832.5)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	347.3	(80.0)
Increase (-) or decrease (+) in inventories	(174.8)	89.8
Increase (+) or decrease (-) in current interest-free payables	157.7	677.1
Cash flows from operations before financial items and taxes	(9,064.6)	(7,145.5)
Interest and other financial expenses paid	(544.0)	(639.6)
Cash flows from operating activities (A)	(9,608.6)	(7,785.2)
Cash flows from investing activities		
Investments in intangible and tangible assets	(380.1)	(859.7)
Cash flows from investments (B)	(380.1)	(859.7)
Cash flows from financing activities		
Share issue	5,280.0	18,818.4
Drawing of short-term loans (+)		
Drawing of long-term loans (+)	99.8	300.2
Cash flows from financing activities (C)	5,379.8	19,118.6
Change in cash in hand and at banks	(4,608.9)	10,473.7
Cash in hand and at banks in the beginning of the period	11,483.7	1,010.0
Cash in hand and at banks at end of the period	6,874.7	11,483.7

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

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.

Notes to the Financial Statements *continued*

1. Accounting Principles *continued*

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 costs that generate revenue in the future periods are capitalised and amortised over a five year period on a straight line basis.

Taxes

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

Notes for Profit and Loss Account

2. Net Sales

	2015 €	2014 €
NBS/NBT Systems	1,984,895.97	1,794,958.96
Other	542,974.33	415,478.50
Total	2,527,870.30	2,210,437.46

Net sales by geographical area

	2015 €	2014 €
Finland	138,425.15	539,282.70
Rest of Europe*	1,316,200.87	962,508.85
USA	750,161.18	673,200.25
Other	323,083.10	35,445.66
Total	2,527,870.30	2,210,437.46

* including Russia

3. Other Operating Income

	2015 €	2014 €
Other income	4,032.91	7,713.27
Government grants	73,619.00	126,345.80
Total	77,651.91	134,059.07

4. Personnel Expenses

	2015 €	2014 €
Wages and salaries	(3,292,343.09)	(2,965,246.04)
Pension expenses	(394,083.11)	(380,838.05)
Other social security expenses	(283,400.45)	(314,125.67)
Total	(3,969,826.65)	(3,660,209.77)

	2015 FTE	2014 FTE
Average number of personnel	32	33

Salaries and bonuses of directors

	2015 €	2014 €
CEO	296,117.94	304,964.84
Board of Directors	98,190.20	81,878.83
Total	394,308.14	345,798.18

Notes for Profit and Loss Account *continued*

5. Other Operating Expenses

	2015 €	2014 €
Multi-centre stroke trial direct costs	(3,699,273.19)	(2,096,435.44)
Legal and consulting services	(1,236,956.66)	(1,203,281.21)
Travel expenses	(670,316.18)	(492,990.78)
Development expenses	(241,370.41)	(396,285.77)
Marketing expenses	(203,347.45)	(344,948.49)
Premise costs	(182,317.52)	(162,265.56)
Voluntary social costs	(86,267.41)	(122,696.56)
Other	(1,523,286.38)	(679,572.58)
Total	(7,843,135.20)	(5,498,476.15)

Auditor's fees

	2015 €	2014 €
Audit	28,013.00	28,775.00
Total	28,013.00	28,775.00

6. Financial Income and Expenses

	2015 €	2014 €
Other interest income and other financial income	1,930,829.01	327,853.73
Interest and other financial expenses	(1,386,776.10)	(2,973,670.50)
Total	544,052.91	(2,645,816.76)

The increase in net expense during year 2014 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.

Notes for Balance Sheet

7. Intangible Assets

Development costs

	2015 €	2014 €
1 January	82,989.57	107,745.32
Increases	44,330.50	30,440.00
Planned depreciation	(50,592.90)	(55,195.75)
31 December	76,727.17	82,989.57

Intangible rights (Patents)

	2015 €	2014 €
1 January	443,965.71	323,634.86
Increases	333,213.37	296,613.38
Planned depreciation	(223,262.95)	(176,282.53)
31 December	553,916.13	443,965.71

8. Tangible Assets

Machinery and equipment

	2015 €	2014 €
1 January	442,460.38	55,646.78
Increase	2,567.17	532,687.88
Planned depreciation	(112,124.12)	(145,874.28)
31 December	332,903.43	442,460.38

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

Notes for Balance Sheet continued

10. Prepayments and Accrued Income

	2015 €	2014 €
Wage and salary receivables	0.00	0.00
Tekes grants	0.00	0.00
Other prepayments and accrued income	114,482.16	40,902.41
Total	114,482.16	40,902.41

11. Equity

	2015 €	2014 €
Share capital 1 January	80,000.00	28,570,652.72
Share issue	0.00	5,300,802.58
Reduction of share capital	0.00	(33,791,455.30)
Share capital 31 December	80,000.00	80,000.00
Share issue 1 January	0.00	1,775,332.90
Increases	0.00	3,525,469.60
Reductions	0.00	(5,300,802.50)
Share issue 31 December	0.00	0.00
Share premium account 1 January	0.00	63,230.00
Reduction of Share premium account	0.00	(63,230.00)
Share premium account 31 December	0.00	0.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	18,302,336.26	86.97
Increases	5,280,000.00	18,302,336.26
Reductions	0.00	(86.97)
Reserve for invested unrestricted equity 31 December	23,582,336.26	18,302,336.26
Retained earnings/(loss) 1 January	(9,792,396.20)	(32,791,399.32)
Reduction of share capital	0.00	33,791,455.30
Reduction of Share premium account	0.00	63,230.00
Adjustments for previous years	0.00	0.00
Translation difference	(497,870.56)	(410,287.94)
Profit/(loss) for the period	(9,826,978.57)	(10,445,394.24)
Retained earnings/(loss) 31 December	(20,117,245.33)	(9,792,396.20)
Total unrestricted equity	3,465,090.94	8,509,940.06
Total equity	3,545,090.94	8,589,940.06

11. Equity continued

Consolidated statement of changes in total equity

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December, 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

	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

* 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

	2015 €	2014 €
1 January	500,000.00	1,503,098.88
Increases	0.00	0.00
Reductions	0.00	(1,003,098.88)
31 December	500,000.00	500,000.00

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.

Notes for Balance Sheet continued

12. Capital Loans continued

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 2015

The company has on June 2, 2015 agreed on a new payment plan with Valtiokonttori related to February 8, 2001 signed capital loan agreement of EUR 500.0 thousand. The company paid on June 1, 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 amortization schedule. The accumulated accrued unpaid interest on the capital loans of the company amounted to EUR 22.2 thousand at 31 December 2015 and it has not been recognised as an expense in income statement or as a liability on the balance sheet.

	€
Interest paid 31 December 2015	198,262.00

13. Non-current Liabilities

Non-current liabilities

	2015 €	2014 €
Capital loans	500,000.00	500,000.00
Product development loans from TEKES	2,697,433.44	2,904,628.44
Deferred income	47,200.00	70,800.00
Total	3,244,633.44	3,475,428.44

Maturity of interest-bearing liabilities

	2015 €	2014 €
Interest-bearing liabilities total	3,504,413.44	3,404,628.44
Due later than 5 years	0.00	419,177.30

14. Accrued Expenses

	2015 €	2014 €
Holiday accrual	292,116.08	295,726.92
Accrued interest	11,128.82	11,109.42
Accrued pension expenses	36,598.06	73,481.28
Other accrued expenses	608,227.29	31,608.82
Total	948,070.25	411,926.44

15. Commitments

Leasing liabilities

	2015 €	2014 €
Due within next financial year	70,452.16	52,556.20
Due later	3,352.03	0.00
Total	73,804.19	52,556.20

16. Guarantees

	2015 €	2014 €
Rent deposits	30,985.21	30,985.21
Total	30,985.21	30,985.21

17. Shares of the Company

Shares of the Company consists of following share classes	2015 (pcs)	2014 (pcs)
A (1 vote/share)	8,010,758	7,130,758
	8,010,758	7,130,758

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	0.58
Ownership based on proportion of total number of issued shares and option rights*	7.58
Proportion of votes based on ownership of shares	0.58
Proportion of votes based on ownership of shares and option rights*	7.58

* Assuming that all stock options are exercised

*Parent Company Profit and Loss Statement
For the financial year ended 31 December 2015*

	Note	1 January – 31 December 2015 €	1 January – 31 December 2014 €
NET SALES		2,173,329.09	1,972,803.14
Work performed for own purpose and capitalised		44,330.50	30,440.00
Other operating income	2	741,645.34	126,512.17
Materials and services			
Materials			
Purchases during the financial year		(985,655.40)	(466,141.41)
Increase (+) decrease (-) in inventories		120,484.89	(131,549.29)
Total		(865,170.51)	(597,690.70)
Personnel expenses			
Wages and salaries		(2,200,151.32)	(2,105,940.44)
Social security expenses			
Pension expenses		(394,083.11)	(380,838.05)
Other social security expenses		(65,627.04)	(81,035.32)
Total		(2,659,861.47)	(2,567,813.81)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(383,261.58)	(377,352.56)
Total		(383,261.58)	(377,352.56)
Other operating expenses		(6,458,807.44)	(5,083,517.87)
OPERATING PROFIT/(LOSS)		(7,407,796.07)	(6,496,619.63)
Financial income and expenses	3		
Other interest income and other financial income		2,533,658.64	397,304.35
Interest and other financial expenses		(1,373,216.48)	(3,083,252.33)
Total		1,160,442.16	(2,685,947.98)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(6,247,353.91)	(9,182,567.61)

Parent Company Balance Sheet

For the financial year ended 31 December 2015

	Note	31 December 2015 €	31 December 2014 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
	4		
Development expenditure		76,727.17	82,989.57
Intangible rights		553,915.13	443,964.71
Total		630,642.30	526,954.28
Tangible assets			
	5		
Machinery and equipment		328,217.15	437,622.88
Total		328,217.15	437,622.88
Investments			
	6		
Investments in Group companies		408,896.52	408,896.52
Long-term receivables from Group companies		7,990,999.17	4,296,670.43
Other shares and similar rights of ownership		10,000.00	10,000.00
Total		8,409,895.69	4,715,566.95
NON-CURRENT ASSETS TOTAL		9,368,755.14	5,680,144.11
CURRENT ASSETS			
Inventories			
Raw materials and consumables		325,424.29	204,939.40
Total		325,424.29	204,939.40
Receivables			
Trade receivables		374,747.23	481,326.18
Short-term receivables from Group companies	7	1,104,459.03	910,032.19
Loan receivables		5,499.45	0.00
Prepayments and accrued income		46,329.49	13,776.73
Other receivables		132,794.01	284,615.79
Total		1,663,829.21	1,689,750.89
Cash in hand and at banks		6,549,137.90	11,139,090.02
CURRENT ASSETS TOTAL		8,538,391.40	13,033,780.31
ASSETS TOTAL		17,907,146.54	18,713,924.42

Parent Company Balance Sheet

continued

	Note	31 December 2015 €	31 December 2014 €
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		23,582,336.26	18,302,336.26
Retained earnings/(loss)		(5,186,697.58)	3,995,870.03
Profit/(loss) for the financial year		(6,247,353.91)	(9,182,567.61)
TOTAL EQUITY		12,228,284.77	13,195,638.68
LIABILITIES			
NON-CURRENT LIABILITIES			
Capital loans		500,000.00	500,000.00
Other interest-bearing loans		2,697,433.44	2,904,628.44
Deferred income		47,200.00	70,800.00
Total		3,244,633.44	3,475,428.44
CURRENT LIABILITIES			
Trade payables		852,059.38	1,089,741.88
Payables to Group companies	9	320,650.34	422,678.29
Other liabilities		360,565.20	134,184.94
Accrued expenses		900,953.41	396,252.19
Total		2,434,228.33	2,042,857.30
TOTAL LIABILITIES		5,985,841.77	5,518,285.74
EQUITY AND LIABILITIES TOTAL		17,907,146.54	18,713,924.42

Parent Company Cash Flow Statement

	1 January – 31 December 2015 €000s	1 January – 31 December 2014 €000s
Cash flows from operating activities		
Profit/(loss) for the financial period	(6,247.4)	(9,182.6)
Adjustments:		
Depreciation and amortisation according to plan	383.3	377.4
Other adjustments (income -/ expense +)		
Financial income and expenses	(1,160.4)	2,685.9
Cash flows before change in working capital	(7,024.5)	(6,119.3)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(3,668.4)	(2,097.7)
Increase (-) or decrease (+) in inventories	(120.5)	131.5
Increase (+) or decrease (-) in current interest-free payables	60.8	918.7
Cash flows from operations before financial items and taxes	(10,752.6)	(7,166.7)
Interest and other financial expenses paid	1,160.4	(679.8)
Cash flows from operating activities (A)	(9,592.2)	(7,846.4)
Cash flows from investing activities		
Investments in intangible and tangible assets	(377.5)	(857.9)
Cash flows from investments (B)	(377.5)	(857.9)
Cash flows from financing activities		
Share issue	5,280.0	18,818.4
Drawing of long-term loans (+)	99.8	300.2
Cash flows from financing activities (C)	5,379.8	19,118.6
Change in cash in hand and at banks	(4,590.0)	10,414.3
Cash in hand and at banks in the beginning of the period	11,139.1	724.8
Cash in hand and at banks at end of the period	6,549.1	11,139.1

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.

2. Other Operating Income

	2015 €	2014 €
Other income	668,026.34	166.37
Government grants	73,619.00	126,345.80
Total	741,645.34	126,512.17

3. Financial Income and Expenses

	2015 €	2014 €
Other interest income and other financial income	2,533,658.64	397,304.35
Interest and other financial expenses	(1,373,216.48)	(3,083,252.33)
Total	1,160,442.16	(2,685,947.98)

4. Intangible Assets

Development costs

	2015 €	2014 €
1 January	82,989.57	(107,745.32)
Increase	44,330.50	30,440
Planned depreciation	(50,592.90)	(55,195.75)
31 December	76,727.17	82,989.57

Intangible rights (Patents)

	2015 €	2014 €
1 January	443,964.71	323,633.86
Increases	333,213.37	296,613.38
Planned depreciation	(223,262.95)	(176,282.55)
31 December	553,915.13	443,964.69

5. Tangible Assets

Machinery and equipment

	2015 €	2014 €
1 January	437,622.88	52,686.66
Increase	0.0	530,811.49
Planned depreciation	(109,405.73)	(145,874.28)
31 December	328,217.15	437,622.88

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

	2015 €	2014 €
Nexstim Inc. loan receivables	7,730,365.57	4,059,242.14
Nexstim Germany GmbH loan receivables	150,000.00	150,000.00
Nexstim Ltd loan receivables	110,633.60	87,428.29
Total	7,990,999.17	4,296,670.43

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

	2015 €	2014 €
Nexstim Inc. accounts receivables	346,317.67	509,530.19
Nexstim Germany GmbH accounts receivables	565,914.56	334,320.00
Nexstim Ltd accounts receivables	5,513.22	0.00
Nexstim Inc. interest receivables	180,619.29	57,771.95
Nexstim Germany GmbH interest receivables	3,620.06	8,410.05
Nexstim Ltd interest receivables	2,474.23	0.00
Total	1,104,459.03	910,032.19

Notes to the Parent Company Financial Statements

continued

8. Equity

	2015 €	2014 €
Share capital 1 January	80,000.00	28,570,652.72
Share issue	0.00	5,300,802.58
Reduction of share capital	0.00	(33,791,455.30)
Share capital 31 December	80,000.00	80,000.00
Share issue 1 January	0.00	1,775,332.90
Increases	0.00	3,525,469.60
Reductions	0.00	(5,300,802.50)
Share issue 31 December	0.00	0.00
Share premium account 1 January	0.00	63,230.00
Reduction of share premium account	0.00	(63,230.00)
Share premium account 31 December	0.00	0.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	18,302,336.26	86.97
Increases	5,280,000.00	18,302,336.26
Reductions	0.00	(86.97)
Reserve for invested unrestricted equity 31 December	23,582,336.26	18,302,336.26
Retained earnings/(loss) 1 January	(5,186,697.58)	(29,858,815.27)
Adjustments for previous years	0.00	33,791,455.30
Translation difference	0.00	63,230.00
Profit/(loss) for the period	(6,247,353.91)	(9,182,567.61)
Retained earnings/(loss) 31 December	(11,434,051.49)	(5,186,697.58)
Total unrestricted equity	12,148,284.77	13,115,638.68
Total equity	12,228,284.77	13,195,638.68

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. 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

	2015 €	2014 €
Nexstim Inc. accounts payables	320,650.34	422,678.29
Total	320,650.34	422,678.29

10. Commitments

Leasing liabilities

	2015 €	2014 €
Due within next financial year	4,644.00	1,764.00
Due later	3,096.00	0.00
Total	7,740.00	1,764.00

11. Guarantees

	2015 €	2014 €
Rent deposits	30,985.21	30,985.21
Total	30,985.21	30,985.21

List of Accounting Books

December 31, 2015

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

Signing the Annual Statement

Helsinki 29 February, 2016

Martin Jamieson
Chairman of the Board

Olli Riikkala
Deputy Chairman 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

Juliet Thompson
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 29 February, 2016

Martin Grandell
KHT
PricewaterhouseCoopers Oy, KHT-yhteisö

Auditor's Report

To the Annual General Meeting of Nexstim Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Nexstim Plc for the year ended 31 December, 2015. 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.

Emphasis of Matter

We draw attention to the Board of Director's Report which describes that the current cash and cash generated from sales is estimated to be sufficient to finance the company's existing clinical development trials until the final results in September 2016 and that after September 2016 the company will need additional financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Helsinki 29 February, 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant

