

Innovations that create a better life

Annual Report and Accounts 2021



Nexstim

Nexstim is a Finnish, globally operating growth-oriented medical technology company. Nexstim has developed a world-leading non-invasive brain stimulation technology for navigated transcranial magnetic stimulation (nTMS) with highly sophisticated 3D navigation providing accurate and personalised targeting of the TMS to the specific area of the brain.

Our Mission →

We enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders.

Our Vision →

Our innovations create a possibility for a better life. With our technological know-how, we set a new standard for the treatment of challenging brain diseases and disorders.

Our Values →

- > Science and clinical evidence
- > Financial success
- > Passion and commitment
- > Ethics and responsibility

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Highlights for 2021

Net Sales Growth

56%
(2020: 22.9%)

Net Sales

EUR 6.4m
(2020: EUR 4.1m)

Diagnostics Business Revenue

EUR 3.7m
+ 71.4% (2020: EUR 2.2m)

Therapy Business Revenue

EUR 2.7m
+ 37.9% (2020: EUR 2.0m)

Operational Highlights

- > Net sales growth of 56% in 2021 compared to 2020
- > Successful, oversubscribed rights issue of approximately EUR 6.6 million in Spring 2021
- > First positive Result for the Period in H2 in the history of the Company
- > Treatment data of 200 patients in anonymous patient registry reached
- > Continuation of two pilot studies in treatment of severe depression and chronic neuropathic pain
- > Cooperation with two clinics in key therapy markets announced

What's Inside



Dr. Leena Niemistö
Chair of the Board

2021 was another year of growth and important steps for Nexstim. In addition to operational advancements this year, we welcomed two new members to the Board of Directors: Timo Hildén and Tero Weckroth.

Nexstim's competitive advantage lies in our state-of-the-art technology. Navigated TMS offers unique possibilities in both diagnostic and therapeutic use. In 2021, we succeeded at gaining more information on the potential of the technology, offering our customers new possibilities in using our systems and strengthening our position in the TMS market by engaging in new strategic partnerships. These actions, among others, are examples of how we constantly work on bringing long-term value to our shareholders.

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At a Glance

Smart. Focused. Drug-Free.

Who We Are →

Nexstim is a Finnish medical technology company operating in the international market, whose neuronavigation TMS technology platform (transcranial magnetic stimulation, TMS) enables individual treatment and diagnosis of patients with severe brain diseases and disorders. Nexstim offers solutions for non-invasive brain stimulation in diagnostic (NBS system) and therapy applications (NBT[®] system).

What We Do →

Diagnostics Business (NBS)



> Pre-Operative Mapping

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

SmartFocus[®] nTMS mapping with Nexstim's NBS (Navigated Brain Stimulation) system is used when the tumour is thought to be close to important motor and language areas in the patient's brain. SmartFocus[®] brain maps are useful when deciding the treatment option.

The Nexstim NBS system is the only FDA cleared and CE marked navigated TMS system for presurgical mapping of the speech and motor cortices of the brain.

Therapy Business (NBT[®])



> Depression > Chronic Neuropathic Pain

If pharmaceuticals are not working or a non-drug option is wanted, SmartFocus[®] nTMS conducted with Nexstim's NBT[®] (Navigated Brain Therapy) system might be the answer for treatment of major depressive disorder or for chronic neuropathic pain.

It is important that TMS targets consistently the right location in the patient's brain. We at Nexstim use the latest science – 3D brain imaging and proven navigation of the TMS – to be able to personalise the stimulation target and level for each patient and their unique brain anatomy.

Nexstim NBT[®] system is FDA cleared for the treatment of major depressive disorder and CE marked for the treatment of major depression and chronic neuropathic pain.

How We Do It →



View

Displays 3D view of your brain from MRI scan



Measure

Personalises the therapy to your brain state



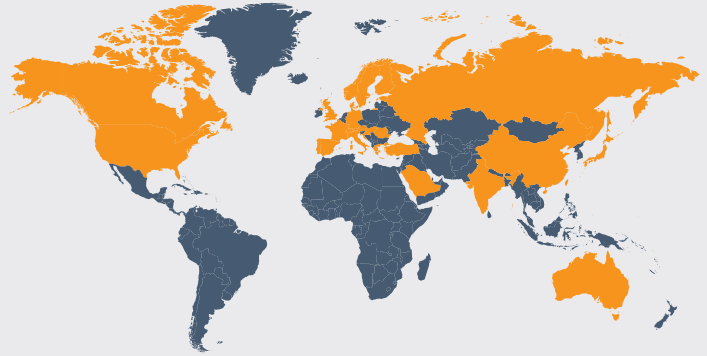
Target

Pinpoints the therapy target in your brain

Where We Operate →

Over 200 NBS systems and over 50 systems that include the functionalities of an NBT® system have been delivered to facilities worldwide for neurosurgical planning, multiple therapies, and research. Headquartered in Helsinki, Finland, Nexstim has subsidiaries in the United States (Nexstim, Inc.) and in Germany (Nexstim Germany GmbH).

■ Countries where we have customers	Austria	Finland	India	Spain
	Australia	France	Italy	Sweden
	Belgium	Germany	Japan	Switzerland
	Canada	Greece	Norway	Taiwan
	Croatia	Hong Kong/	Romania	Turkey
	Denmark	China	Russia	UK
	Estonia	Hungary	Saudi Arabia	USA



The Technology: SmartFocus® nTMS

Transcranial magnetic stimulation (TMS) is a non-invasive neuromodulation technique whereby pulses of electromagnetic fields target and interact with specific brain regions from outside the head.

Nexstim's SmartFocus® nTMS technology uses sophisticated navigation tools and 3D modelling which enables it to consider the unique shape and conductivity of each patient's brain. It uses this information to determine the location and orientation of the maximum induced E-field in the brain. Based on this, the system user can give the stimulation to the intended spot with accuracy in the millimetre range.

In addition, the advanced algorithms of SmartFocus® nTMS enable the stimulation dose to be quickly and accurately determined for each patient using their own neurophysiological readings.



NBS5 +

In October 2021, Nexstim launched the NBS 5+ in the United States. This new system configuration, that is also available to European customers, adds the NBT software option to the NBS system. This means that the NBS 5+ enables the delivery of both diagnostic and therapeutic applications in the same system.

This new combined option aims to increase multi-departmental utilisation of systems and facilitate innovation that may lead to future new therapeutic indications for both mental health and neurological conditions.



Treat

See the therapy on target – feel confident



Repeat

Your vital data are saved – ready for your next session

Investment Case

Why Invest in Nexstim?

Nexstim's growth is supported by the unique technology used in two business areas, characteristics and potential of the medical technology industry, as well as Nexstim's goal of financial success, including emphasis on recurring revenue. Nexstim's experienced team of professionals focuses on setting a new standard for the treatment of challenging brain diseases and disorders.



Medical technology growth company in a defensive industry

- > Nexstim is a Finnish, internationally operating medical technology company.
- > We focus on both diagnostic and therapy applications for challenging brain diseases and disorders.



Megatrends support our growth

- > We aim to improve treatment outcomes for severe brain diseases and disorders.
- > Due to ageing populations, the number of brain disease cases is increasing, and societies have a need for more effective and faster treatment.
- > Technological developments enable new forms of treatment in mental health and chronic pain, among other things.



Focus on the long-term shareholder value

- > Nexstim is an investment opportunity due to increased operational efficiency and improved economy.
- > Successful scaling of the technology platform: two strong business areas, of which therapy business built alongside diagnostics since 2018.



Unique scalable technology platform

- > Our neuronavigated TMS technology enables accurate brain mapping and treatment of patients with challenging brain diseases and disorders.
- > Our technology platform scales to a variety of applications where accuracy and repeatability are required.



Commercial product portfolio in a strongly regulated industry

- > We operate in a highly regulated business environment with strong competitive entry barriers.
- > Our systems are approved by key authorities.
- > Over 200 NBS systems and over 50 systems that include the functionalities of an NBT[®] system have been delivered to facilities worldwide for neurosurgical planning, multiple therapies, and research.



Recurring revenue supports our growth

- > Our business is built on a solid base and the systems have key regulatory approvals.
- > Our recurring revenue is growing, creating stability and offering a new kind of predictability.
- > Our goal is financial success and minimising future capital needs - we want to develop and evolve.



Strong organisation and committed team of experts

- > Our Board and management team have extensive experience in the industry and strong evidence of both research and business development.
- > Nexstim is a desired employer among the experts in the industry.

Chief Executive's Statement

Year of Historical Growth

Our business has continued to adapt very well to the changes in the operating environment caused by the COVID-19 pandemic. In 2021, we saw historical progress both strategically and measured by key financial metrics.



Mikko Karvinen
Chief Executive Officer

113%

Growth in Company's
Net System Sales

56%

Decrease of Operating Loss

In the full year 2021, our net sales grew by 55.5% to a new record level being EUR 6.4 million. The growth of net sales was sped up by a particularly good system sale rate, accounting for EUR 3.7 million of the total net sales in 2021, an increase of 113.0%.

In terms of operational business, 2021 was our first full year of executing our renewed strategy. We continued with focused investments into sales growth in both the Diagnostics and Therapy businesses. We also focused strongly on developing the service business and increasing the utilisation rate of the installed base. In the Diagnostics Business, commercial development takes place both through our own direct sales (USA and Germany) and globally through distributor partnerships.

When it comes to the Diagnostics Business, releasing the NBS5 + system in the United States was one of the highlights of the year. As a result of the release our customers in the United States now have access to the new configuration that adds the NBT® software option, enabling the delivery of diagnostic and therapeutic applications in the same system. Importantly, this new offering allows the US market to have all FDA 510(k) indications within the same system. We also recruited new members to our US sales team to support the future growth of the Diagnostics Business.

“The focus areas of new partnerships are in terms of strategic investments into services organisations particularly on the large U.S. market, but also in partnership possibilities in a targeted manner in the EU and in Asian markets.”

Mikko Karvinen

Chief Executive Officer

In 2022, we continue our work to increase the number of NBT® systems installed for use in the treatment of MDD, and we are doing this in line with our renewed strategy, primarily together with valued partners. The focus areas of new partnerships are in terms of strategic investments into services organisations particularly on the large US market, but also in partnership possibilities in a targeted manner in the EU and in Asian markets. The agreement of strategic alliance with and a minority ownership in PNC Management Services, LLC., that was signed at the end of 2021, is the first concrete step on this important strategic development path. Nexstim enables TMS treatments for patients with major depressive disorder (MDD), and this partnership allows us to work close to patients to get more accurate information from the patient interface. We are excited about the partnership together with Dr Kuluva and his clinic as we believe this type of collaboration offers us great possibilities for further growth in the future. We look forward to working together with Dr Kuluva's expert team to make the Nexstim TMS technology available to a growing number of patients in California.

At the same time, our goal is to continue to raise awareness of our NBT® system in the market. We aim to do this by increasing the number of patients with MDD treated with NBT® systems. As the number of patients increases and research data on pilot trials of new accelerated treatment protocols accumulate, we will be able to gather more clinical data to demonstrate the usefulness of our unique systems to numerous depressed patients. This information is used to support our marketing and we believe it will increase the rollout of NBT® systems. We also aim to continue to leverage our strong network of leading key opinion leaders (KOLs) and patient registry treatment data. In February 2022 we reported the clinical outcomes of the first 311 patients who had completed NBT® therapy for treatment of MDD at clinical sites in the US. About 50% of the patients completing the treatment achieved clinical remission and 77% obtained a clinical response at the end of treatment. We will continue to collect this valuable patient registry data during year 2022.

In February 2022, we announced the licensing of our technology related to our NBT® system to Magnus Medical, Inc. with total estimated value of the agreement of approximately EUR 17 million. Until the five-year royalty period of the licence agreement starts, we will continue our operations as usual, focusing on progress in the implementation of our strategy. The licence agreement offers unique possibilities for Nexstim, including financial benefits, remarkable advancement in ensuring the widest possible patient use of our technology and as a chance for us to allocate our resources to other business areas during the royalty period.

I want to thank Nexstim's customers, personnel, partners, and investors for enabling this record-breaking strong year 2021. At Nexstim, we purposefully continue our work to enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders. We strongly believe that our work will support long-term growth in shareholder value in the form of stronger competitive advantages, rapid growth, and better financial results.

Review of 2021 →

Q1

- > First results of pilot study in treating severe depression at Kuopio University Hospital
- > Subscription rights issue of EUR 6.6 million announced

Q2

- > Annual General Meeting decides on two new members of the Board of Directors, Timo Hildén and Tero Weckroth
- > Nexstim granted authorisation for commercial distribution of NBS system in Australia

Q3

- > Clinical outcomes of 208 patients in Nexstim's anonymous patient registry announced
- > Continuation of pilot study at Kuopio University Hospital announced

Q4

- > NBS 5+ system released in the United States
- > Cooperation with Finnish private clinic announced
- > Strategic investment into a management services organisation of a California-based private clinic announced
- > Results of the pilot study in chronic pain treatment at Helsinki University Hospital announced

Market Overview

Growing Markets with Unmet Needs

Diagnostics Business Opportunity

- Nexstim's NBS system is commercialised for mainly pre-surgical mapping, serving as a non-invasive and accurate motor and speech mapping tool.
- The management of Nexstim estimates that the potential aggregate market for the NBS system in the US and EU amounts to approximately EUR 240 million¹, based on the assumption of only one NBS device for pre-surgical mapping is per practice and there would be 1,200 practices using such device with price of such system being EUR 200 thousand.
- In addition, the average price of consumables and price for annual servicing during the expected operational life of seven years of the equipment, i.e., in aggregate EUR 24 million annually (covering both the US and EU areas) may be added to such potential aggregate market.
- The estimate is not the annual value of the whole market but rather the current total market potential based on a total number of approximately 1,200 neurosurgical practices performing 36 thousand annual brain tumour operations as well as 65 thousand epilepsy and 30 thousand Parkinson's disease related operations. The clinical operational life of the NBS system is estimated at seven years, after which the device would need to be renewed.

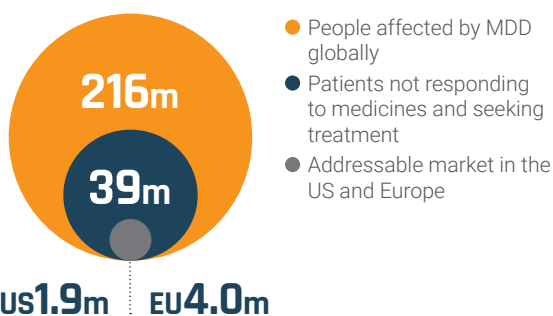
1. Nexstim market research, by Practical Management Solutions and Insights, PMSI Inc, London, UK, 2018.

Therapy Business Opportunity

- With its NBT[®] system, Nexstim is targeting the depression therapy and chronic neuropathic pain markets due to their size and significant unmet needs.
- **Major depressive disorder (MDD)** affects approximately 2-5%² of the population in developed countries which represents about 216 million people. Of those that seek treatment, 39 million do not respond to standard therapy³. Management estimates that approximately 1.9 million people are eligible for TMS treatment in the US and 4 million in the EU⁴.
- If all these patients receive treatment at the treatment cost of circa USD 300 (in the US) and circa USD 250 (in the EU), this would imply an aggregate market potential of EUR 40 billion.
- **Chronic neuropathic pain** is a common indication estimated to affect up to 6-7% of general population⁵. There are about 10 million addressable neuropathic pain patients in the US and Europe⁶.
- The response to pharmacological therapies is often suboptimal with only 30-40% patients experiencing satisfactory pain relief⁷. Additional therapeutic modalities are therefore needed.

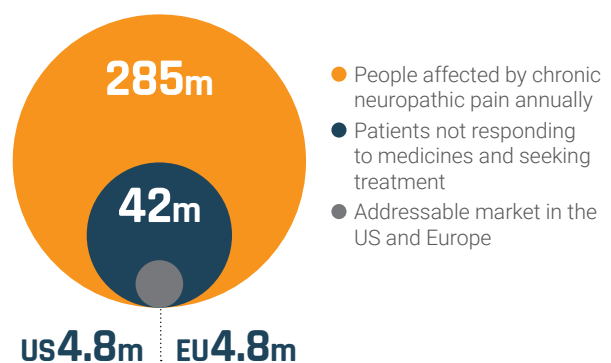
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- Do not seek treatment: 51.6% of 12-month cases received healthcare treatment for MDD (Kessler RC, Berglund P, Demler O, et al. The Epidemiology of Major Depressive Disorder Results From the National Comorbidity Survey Replication (NCS-R). *JAMA*. 2003;289(23):3095–3105. About 30% of all people with depression don't respond adequately to the available treatments <http://time.com/4876098/new-hope-for-depression/>.
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- Attal N, et al. EFNS guidelines on pharmacological treatment of neuropathic pain. *Eur J Neurol* 2006;13:1153–69.

Therapy Business: MDD Market Size Estimate⁸ (Patients)



⁸ PMSI Consulting analysis, expert interviews, and estimates.

Therapy Business: Chronic Neuropathic Pain Market Size Estimate⁸ (Patients)



Key trends that drive our growth →

Trend 1

Ageing population

Due to the trend of ageing populations, brain diseases are becoming more common.

The world's population is ageing in an unprecedented way¹. In especially Europe and Northern America, the proportion of persons aged 65 or over is estimated to grow notably, from around 18 percent in 2019 to as much as 25 percent by 2050.

The ageing of population means a decrease in the proportion working age population¹, resulting in the need for effective solutions in healthcare due to cost and workforce pressures. Older age is also a main risk factor in developing a brain tumor² as it is for also chronic pain³.

Response

At Nexstim, we are committed to offering solutions that help improve treatment results of severe brain diseases and disorders. Our products enable the diagnostics and treatment of some of the health conditions that become more common in societies as populations age.

Nexstim's NBS system is an FDA cleared and CE marked navigated TMS system for pre-surgical mapping of the speech and motor cortices of the brain. The NBT[®] system is CE marked for the treatment of chronic neuropathic pain. Nexstim also offers the possibility of acquiring a system that combines the capabilities of the NBS and NBT[®] systems.

1. United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019: Highlights (ST/ESA/SER.A/423). https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf.
2. Cancer Research UK, <https://www.cancerresearchuk.org/about-cancer/brain-tumours/risks-causes>, Accessed January 2022.
3. Mills, S. et al. Chronic pain: a review of its epidemiology and associated factors in population-based studies. *British Journal of Anaesthesia*. Volume 123, ISSUE 2, e273-e283, August 01, 2019.
4. Breivik, H. et al. Survey of chronic pain in Europe: Prevalence, impact on daily life, and treatment. *European Journal of Pain* Volume 10, Issue 4, May 2006, Pages 287-333.
5. World Health Organization, <https://www.who.int/news-room/fact-sheets/detail/depression>, Accessed January 2022.
6. Thimbleby H. Technology and the future of healthcare. *J Public Health Res.* 2013;2(3):e28. Published 2013 Dec 1. doi: 10.4081/jphr.2013.e28.
7. Human Brain Project, <https://www.humanbrainproject.eu/en/follow-hbp/news/2021/10/14/marcello-massimini-and-pci-team-have-been-selected-second-hbp-innovation-award>, Accessed January 2022.

Trend 2

Healthcare cost and efficiency pressures

Healthcare cost and efficiency pressures lead to the need for accelerated treatment options.

Both depression and chronic pain are public health concerns that largely occur in the work-age population^{4,5}. To improve treatment of these conditions in a way that ensures as little negative effect on the social and working capabilities while managing healthcare costs, accelerated treatment aims to offer a solution.

Accelerated TMS treatment delivers a similar number of pulses and treatment sessions over a significantly shorter period of time. The reduction in total treatment from four to six weeks down to five days offers significant advantages in terms of access and patient acceptance. The accelerated treatments aim to enable patients to respond to treatment in a period of days rather than weeks and may be able to help patients with the most severe cases of depression as well as patients suffering from therapy resistant chronic neuropathic pain.

Response

Nexstim launched two pilot studies in 2020; one on the use of the accelerated iTBS therapy in treatment of severe depression and the other in treatment of chronic neuropathic pain.

First, encouraging results of the Kuopio University Hospital pilot study in depression were reported in March 2021, and the continuation of the pilot study was announced in August 2021. The patient treatments in the continued pilot are estimated to be completed in mid-2022.

The pilot study in chronic neuropathic pain was announced completed in December 2021. Although no clinically meaningful pain relief was observed in the five-patient pilot, we are happy that Helsinki University Hospital has successfully used Nexstim NBT[®] system in pain therapy for a long time already, with about half of the patients obtaining clinically meaningful pain relief. Nexstim continues aiming to find ways to help the group of patients.

Trend 3

Advancements in medical technology

Technological developments and active research enable wider and new applications in the treatment of challenging brain diseases and disorders.

Health technology will continue to significantly affect the nature of healthcare⁶, and Nexstim is excited to be one of the actors in medical technology bringing innovations available, creating chances for a better life for many patients.

Response

Nexstim collects anonymous data on clinical outcomes of rTMS therapy treatments in a data registry. In 2021, the number of completed treatments reached 200, offering important information for the Company in terms of the potential of the technology.

Nexstim has also put effort into studying the potential of accelerated TMS treatment protocols in TMS therapy. The pilot studies in treatment of depression as well as chronic neuropathic pain offer directional information on possible future developments of TMS treatments and technologies.

Nexstim delivered a system prototype during 2021 to the University of Milan. The system was developed to better suit the purpose of measuring the internal complexity of the brain in patients that suffer from some level of unconsciousness following a severe brain injury. A research project utilising the Nexstim SmartFocus[®] TMS technology was awarded the Human Brain Project (HBP) Innovation Award⁷. Professor Marcello Massimini and his team from the Department of Clinical and Biomedical Sciences at the University of Milan were given the award for their work on researching and developing a way to diagnose disorders of consciousness after brain injuries.

As a new product category, Nexstim offers customers a possibility to acquire an NBS system that also includes the software of the NBT[®] system. This new combined option aims to increase multi-departmental utilisation of systems and facilitate innovation that may lead to future new therapeutic indications for both mental health and neurological conditions.

In addition to advances in technology, Nexstim aims to advance the reach of TMS treatments by acquiring new customers, entering new markets and by establishing partnerships in different areas.

Our Strategy

Delivering on Our Strategic Goals

Nexstim's strategy was updated in 2020. Year 2021 was the first full year of executing the new strategy that extends to year 2024.

Key Strategic Objectives 2021



- 1** Focus on achieving profitable revenue growth and strict management of operating expenses
- 2** Report first results from the two new pilot studies in treating severe depression and/or chronic pain patients
- 3** Develop and execute a deeper profitable partnership business model in the key therapy markets together with valued partners
- 4** Patient data registry of over 200 completed treatment sessions of depression patients
- 5** Secure funding to progress towards the Company's strategic vision from capital markets and/or through strategic partnerships

Progress During 2021 Year

Net sales increased by 56% in 2021 compared to 2020. In addition to acquiring new customers, focus on growing recurring revenue from existing customers. First ever positive Result for the Period achieved in H2 2021.

Nexstim reported initial results of the two pilot studies using accelerated treatment protocols. The initial results of the first 10 patients treated for severe depression at Kuopio University Hospital were reported in March 2021 and the pilot will be continued in 2022. Results from the five-patient trial studying chronic neuropathic pain treatment at Helsinki University Hospital were reported in December 2021.

In November 2021, Nexstim announced cooperation with Recuror, a private clinic located in Finland. Also, in December 2021 it was announced that Nexstim's subsidiary Nexstim, Inc. will make a strategic investment of approximately EUR 0.5 million in a management services organisation of a California-based clinic that offers treatments with the Nexstim system.

In August 2021, it was announced that the number of patients in Nexstim's anonymous patient registry had reached 208. With a remission rate of 50.5% and a 76.0% clinical response rate, the outcomes were considered very good.

Nexstim organised a subscription rights issue of EUR 6.6 million in the Spring of 2021 to support the growth and executing the renewed strategy of the Company.

Strategic Objectives 2022

- > Continued profitable net sales growth, leading to our first operating profit-making financial year while also minimising future capital needs
- > Expansion of Nexstim's network of exclusive partner clinics, especially in the United States

Stakeholder Engagement

Our Stakeholders

At Nexstim we know that stakeholder engagement is critical for managing our business and its impact and success. Our stakeholder groups include, but are not limited to, shareholders, customers, employees, and business partners. By understanding all of them and listening to their feedback we are able to incorporate their views and needs in our decision-making.



Shareholders



Why we engage

- > We highly value constant interaction with our shareholders.
- > Our priority is to keep our shareholders up to date on relevant events. Nexstim complies with the disclosure obligations when it comes to providing accurate and reliable information on where the Company is on a financial and operational level.

How we engage

- > With shareholders, our most frequent channels of interaction include the release of Company announcements and press releases, through which we provide information on, for example, legal and financial events as well as recent significant sales.
- > We use our social media channels to distribute our announcements, as well as any relevant content that appears in the media.
- > We attend and organise investor events, both in-person and virtual, to present accurate information on the Company and our recent progress, as well as to interact with shareholders directly.
- > Our Chair of the Board of Directors as well as our CEO are continuously available to discuss matters of concern.
- > The investor section of our website provides our shareholders with up-to-date information on Nexstim, including, for example, financial reports and presentations.

Stakeholder areas of interest

- > Strategy
- > Business and financial performance

Customers



Why we engage

- > Emphasising engagement with customers benefits both Nexstim and our customer clinics and hospitals by aiming at a high utilization rate of our systems, providing effective treatments and help to as many patients as possible.
- > We want to encourage our customers to engage in research projects, finding new ways to develop and use the Nexstim systems.
- > Customer feedback is highly valuable to us as it gives us information on what the current needs of our customers are, and how we can keep on developing our products and services to provide our customers with the most suitable solutions.

How we engage

- > Our training and support staff interact with our customers whenever needed.
- > We conduct customer feedback surveys annually.
- > We communicate with our customers on research projects to develop our technology further and to be able to help more patients.
- > Our product manuals and other material are always available to customers through our online platform.

Stakeholder areas of interest

- > Application possibilities of current product
- > Research and development projects

Employees



Why we engage

- > Our employees are our most valuable asset, and we believe that motivated employees help the Company to success.
- > We want to maintain an environment that is low-hierarchy and open to discussion and feedback.
- > The COVID-19 pandemic has increased the amount of remote work at Nexstim, creating a need for new tools and approaches to support employee well-being and a steady information flow.

How we engage

- > We utilise different internal communications channels such as the intranet, internal groups on messaging platforms and town hall meetings.
- > We conduct an employee survey annually and continuously seek for ways to further develop our employee engagement.
- > Every employee has their individual development plan reviewed and renewed at least once a year as part of a development discussion.
- > We offer stock option plans for our employees.

Stakeholder areas of interest

- > Being heard, informed, and included in current Company events
- > Personal development

Business partners



Why we engage

- > Our business partners operate in different geographical areas, offering Nexstim access to local markets and customers.
- > It is important that our distributors have the most accurate and recent information on Nexstim's technology and products.
- > The information flow must work both ways in order to have partnerships working as effectively as possible; gathering feedback from business partners and hearing about the latest news from each market is crucial.

How we engage

- > We organise virtual meetings and online training sessions.
- > We share marketing materials and social media posts for business partners to be able to share information on Nexstim and the products.
- > As with our customers, our business partners always have access to the latest information on Nexstim and each product on our online platform.
- > Our sales staff ensure a constant and open dialogue with each business partner.

Stakeholder areas of interest

- > Steady flow of information
- > Easy access to marketing and other material

For all our stakeholders, we have opened a Whistleblowing channel starting 1 January, 2022. The system provides all employees and external stakeholders with a possibility to report suspicions of misconduct that could affect individuals, our Company, the society or the environment.

Examples of Nexstim Users

User Interviews



Therapy →

Recuror

Recuror is a private psychiatry centre founded in 2021 and located in Turku, Finland. It specialises in the treatment of psychiatric illness and pain, and offers multidisciplinary, holistic treatment utilising the best technology. Recuror tailors its treatment packages for each patient individually based on their initial clinical examination and closely monitors the implementation of the treatment. As the first private clinic in Finland, Recuror also offers patients repetitive transcranial magnetic stimulation therapy (rTMS).

What kind of patients do you treat with the Nexstim NBT® system?

According to the Finnish Current Care Guidelines, repetitive transcranial magnetic stimulation (rTMS) is suitable for the treatment of both acute and drug-resistant depression. We are starting by treating these groups of patients. In addition, the NBT® system is suitable for the treatment of patients with chronic pain. We are currently developing a treatment pathway for this and will also start rTMS treatments for these patients in the early Spring 2022.

Could you describe your team's experiences on the cooperation with Nexstim so far?

Working with Nexstim has been straightforward. Deployment has been smooth with Nexstim user training and Nexstim digital training materials. Support services have worked well. Cooperation in marketing has also contributed to making our operations known.



← Diagnostics

Haukeland University Hospital

The Nexstim NBS system in Bergen, Norway is located at the Clinical Neurophysiology Department at Haukeland University Hospital. It is a small department that specialises in EEG, EMG, interoperative neurophysiological monitoring, polysomnography, and more. Dr. Tom Eichele, PhD, Head of Clinical Neurophysiology, tells us about the team's experiences.

For what do you use the Nexstim system?

The Nexstim TMS system, that was installed in June 2021, is an exciting addition to our methods. We use the system for pre-operative motor- and speech mapping of patients with brain lesions and tumours and hope to expand the use in the coming years.

What are your and your team's overall experiences of using the Nexstim system?

Our experience is still limited, but we have a good impression of the system so far and are looking forward to exploring it more. The service provided by the Nexstim team has been excellent.

“Our team has enjoyed the state-of-the-art feel of true neuro-navigation with the Nexstim system.”

Joshua Kuluva
MD, Neurologist and Psychiatrist,
President of the Piedmont
Neuroscience Center



Therapy →

Piedmont Neuroscience Center

Piedmont Neuroscience Center is a cutting-edge multidisciplinary clinic located in California, United States, that treats individuals with chronic neurologic and psychiatric conditions with a strong focus on transcranial magnetic stimulation (TMS). They have experts in neurology, psychiatry, neurosurgery, physical therapy and psychology who collaborate to help the overall care of patients while thinking about the various aspects of their condition.

Piedmont Neuroscience Center acquired a Nexstim NBS 5+ system after its release in the United States in late 2021. While the clinic uses evidence-based medicine to help treat conventional indications with TMS, they are also exploring the use of TMS in novel conditions such as mild cognitive impairment, chronic pain, migraines, traumatic brain injury, as well as to aid in post-stroke recovery. Joshua Kuluva, MD, Neurologist and Psychiatrist, President of the Piedmont Neuroscience Center, talks about the experiences of the clinic on the use of Nexstim SmartFocus® TMS.

How many patients per day do you treat with the Nexstim NBS 5+ system?

Presently, we treat about two to four patients per day with TMS. Our aim is to grow to six to eight patients per day in Spring 2022. The eventual goal is to treat 16 patients per day. At some point, a second system may also be useful to help assist with novel indications.

What has been your experience of using the Nexstim system so far?

Our team has enjoyed the state-of-the-art feel of true neuro-navigation with the Nexstim system. The real-time experience of being able to see where patients are getting stimulated has been magical and assisted with the overall experience of the patients and staff. We feel like we are just scratching the surface of what we can do with the Nexstim system and look forward to the practice growing.

Board of Directors



Dr. Leena Niemistö
Chair of the Board

Leena Niemistö has been Chair of the Nexstim Board since November 2019. She is a healthcare professional with over 30 years of clinical and leadership experience. Leena holds an MD and a PhD from the University of Helsinki and has specialised in physical and rehabilitation medicine. She also has a doctorate in the treatment of chronic back pain. Leena also holds a Dr. Admin. Sc. hc from Vaasa University.

Leena worked as CEO of a private healthcare company Dextra (years 2003-2016) and deputy CEO in a social and healthcare company Pihlajalinna (years 2013-2016). Currently she is a member of the Board of Directors in several publicly listed companies. She is also an active investor in several healthtech growth companies. Niemistö's investment company is the largest shareholder of Nexstim.



Martin Forss
Member of the Board

Martin Forss has been a member of the Board since November 2019. He is an entrepreneur, investor and board professional in small and mid-sized companies. He is also known as an experienced service business executive. His latest operative responsibility was as CEO of the private dentistry company Oral Hammaslääkärit.

Martin holds a Master of Science degree (Econ) and has experience working with both listed companies and many private equity owned companies throughout his executive operative career.



Timo Hildén
Member of the Board

Timo Hildén has been a member of the Board since May 2021. He is a medical technology professional with decades of experience from various health technology companies. In the most recent years, Timo has worked as CEO, President and more recently Advisor for Revenio Group Oyj, currently serving Kointe Health Oy as a board member and advisor and Nukute Oy as chairman of the Board of Directors. Timo spent over 20 years in various leadership positions at Thermo Fisher Scientific.

Timo holds a Master of Science degree from the Helsinki School of Economics. He has an impressive track record especially in international sales, product management and conducting profit growth strategies.



Tero Weckroth
Member of the Board

Tero Weckroth has been a member of the Board since May 2021. He is an experienced professional in the fields of finance and the pharmaceutical industry. Currently, he runs his own investment and consultancy company and serves as a board member in multiple growth companies. Tero has extensive experience of managing international teams in the pharmaceutical and financial industries. Tero's expertise is in solving complex management issues regarding regulatory/legal challenges and business interests.

Tero holds degrees in Business Administration (MBA) and Pharmacy (M.Sc.) plus additional studies in natural sciences and international politics.



Management Team



Mikko Karvinen
CEO

Mikko Karvinen started as Nexstim's CEO in February 2020. He joined Nexstim as CFO in August 2014. He has previously held CFO and deputy CEO positions at two Nasdaq Helsinki listed tech firms: Innofactor Oyj and SSH Communications Security Oyj. Prior experience also includes various financial management positions in Vaisala Oyj in their offices in both Finland and in the US.

Mikko holds a Master of Science degree from the Helsinki School of Economics and an Executive MBA from Aalto University, Helsinki.



Steve Beller
Vice President and General Manager, North America

Steve Beller joined Nexstim in 2017. He has extensive experience in the US neurostimulation market where he was most recently Area Vice-President at Abbott Neuromodulation, managing a team of over 170 people in the Western half of the US.

Prior to this, Steve held Senior Director and Regional Sales Director roles at St Jude Medical Neuromodulation before it was acquired by Abbott. He holds a BA in political science at Texas A&M University.



Henri Hannula
Vice President, International Sales and Marketing

Henri Hannula has risen through the ranks holding key leadership positions since joining Nexstim in 2001. He assumed the role of Vice President, Sales Europe in 2013.

Henri has been vital in the growth of Nexstim and has authored multiple articles on navigated transcranial magnetic stimulation published in peer-reviewed journals. He holds a Master of Science degree from Helsinki University of Technology, Finland.



Joonas Juukslahti
CFO

Joonas Juukslahti started as Nexstim's CFO in February 2020. Joonas joined Nexstim in May 2014 as Business Controller and has been a key part of the Nexstim finance team.

Joonas holds a Master of Science with a major in Accounting and Finance from Turku School of Economics.



Gustaf Järnefelt
Vice President, R&D

Gustaf Järnefelt has served as the Vice President, R&D since joining Nexstim in 2008. Prior to joining Nexstim, he spent 18 years with Instrumentarium then GE Healthcare serving several Manager, Director and General Manager roles in design, R&D, engineering and business integration. He has spent more than five years abroad on assignment in the United States leading the Configured Patient Monitoring Business unit for Instrumentarium in Louisville, Colorado. Gustaf is, alone or with others, an inventor in 15 patent families.

Gustaf has an education background from both Karlsruhe Germany Universität TH Karlsruhe (Institut für Werkzeugmaschinen und Betriebstechnik) and Helsinki University of Technology and holds a Master of Science from Helsinki University of Technology.



Hanna Kotola
Vice President Legal, Quality & Regulatory Affairs

Hanna is an experienced international executive having previously held Group Corporate Counsel, Senior Legal Counsel and Legal Counsel roles at Polar Electro Oy, Digita Oy and Nokia Oyj.

Hanna holds a Candidate of Laws degree from University of Helsinki, Finland and an International Business Management Master's degree from Arcada – University of Applied Sciences.



Jarmo Laine, MD
Vice President, Medical Affairs

Jarmo Laine, MD, brings an extensive background as a licensed physician, with specialities in pediatrics, R&D and laboratory services. He holds an MD and PhD from the University of Helsinki, Finland and an MBA from Helsinki University of Technology. Dr. Laine worked and trained throughout various hospitals in Finland and completed his post-doctoral research fellowship at Harvard Medical School in Boston, Massachusetts.

Prior to joining Nexstim in 2008, he held several leadership positions with the Finnish Red Cross Blood Service. Dr. Laine has over 60 publications in international journals in the fields of organ/cell transplantation, pediatric nephrology, cell biology and navigated brain stimulation. In addition, he holds seven patents, with multiple filings currently in progress in the field of stem cell therapies and navigated transcranial magnetic stimulation.

Chair's Statement

Year of Growth

Dr. Leena Niemistö has been Nexstim's Chair of the Board of Directors since November 2019. With extensive experience of the healthcare industry and corporate management, her personal mission is to help Finnish healthtech companies to develop precise and cost-effective diagnostic and treatment methods for patients suffering from chronic disorders.



Dr. Leena Niemistö
Chair of the Board

“Nexstim's state-of-the-art navigated TMS technology continues to be at the centre of all efforts to grow as a company.”

2021 was a year of growth and great progress for Nexstim. I am proud to say that the Nexstim team succeeded at reaching the ambitious objectives set for the year and we are in an excellent position to continue the work in 2022.

Nexstim's state-of-the-art navigated TMS technology continues to be at the centre of all efforts to grow as a company. To use the progress of 2021 as an example, record revenue levels, pilot studies in treatment of chronic neuropathic pain and severe depression, partnerships with clinics, positive progress in the growing patient registry and product development all begin with the idea of getting the most potential out of our technology. These efforts result in being able to serve customers, patients and investors to our greatest capability.

In May of 2021, we welcomed two new members to the Board of Directors: Timo Hildén and Tero Weckroth. We greatly value the expertise and new points of view they bring to the work we do at Nexstim. I want to thank the Nexstim team and all of our stakeholders for the important work done in 2021.

In 2022, the focus will be on building value through continuing profitable net sales growth and expanding our network of exclusive partner clinics.

Dr. Leena Niemistö
Chair of the Board of Directors

Nexstim Plc Report of the Board of Directors

Nexstim Group

Nexstim is a Finnish, globally operating medical technology company. Our mission is to enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders.

Nexstim has developed a world-leading non-invasive brain stimulation technology called SmartFocus®. It is a navigated transcranial magnetic stimulation (nTMS) technology with highly sophisticated 3D navigation providing accurate and personalised targeting of the TMS to the specific area of the brain. This unique technology allows the required area of the brain to be stimulated accurately and individually.

The SmartFocus® TMS technology is used in NBT® (Navigated Brain Therapy) system developed by Nexstim. Marketing and distribution of the equipment for the treatment of severe depression in the United States has been authorised by the FDA. In Europe, the NBT® system is CE marked for the treatment of major depression and chronic neuropathic pain.

In addition, Nexstim is promoting its SmartFocus®-based Navigated Brain Stimulation (NBS) system for diagnostic applications. The NBS system is the only FDA-cleared and CE-marked navigated TMS system for the pre-surgical mapping of the speech and motor cortices of the brain.

The year 2021 was one of rapid growth for Nexstim, and it was the best financial year in the company's history in terms of net sales, operating result and result for the period. Our business operations have continued to adapt very well to the changes caused by the COVID-19 pandemic in the operating environment, and our total net sales reached EUR 6.4 million (4.1) during the 2021 financial year. The company's solvency and cash position improved significantly in 2021, mainly due to the rights issue executed in spring 2021, as well as improved profitability.

During the financial year, the company sold eight new NBT® systems – five to North America and three to Europe and the rest of the world – for the treatment of severe depression. At the end of the financial year, our global installed base in the therapy business was 51 systems: 21 in North America and 30 in Europe and the rest of the world. These are used for the treatment of depression and chronic neuropathic pain, and include both NBT and NBS systems. In the United States, the systems have been delivered to clinics for the treatment of severe depression. In Europe and the rest of the world, they are used for the treatment of both severe depression and chronic neuropathic pain. In addition to the above-mentioned commercial systems, multiple NBT® systems are used globally in world-renowned universities and other research institutions, as well as for reference and other key opinion leader (KOL) purposes.

Nexstim's NBS systems are used for pre-surgical diagnostics in brain surgery. During the financial year, the company sold 16 new NBS systems: 5 to North America and 11 to Europe. The sales and marketing of Nexstim's NBS systems have primarily been targeted at universities and teaching hospitals with a strong KOL presence in the fields of neurosurgery and radiology. At the date of this report Nexstim has sold a total of approximately 200 NBS systems.

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

The registered name of the issuer is Nexstim Oyj (the "Company") (in Swedish Nexstim Abp and in English Nexstim Plc). The Company is a public limited company (in Swedish: publikt aktieföretag) 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 has two fully owned and operative subsidiaries. Nexstim Inc. has been established under Delaware state laws in the US in 2008. Nexstim Germany GmbH has been established under German law in 2008. The company does not have permanent offices in Germany.

Nexstim Plc shares are listed on the Nasdaq First North Growth Market Finland and Sweden.

Key Figures of the Group

EUR in thousands	1/12/2021 12 months	1/12/2020 12 months	Change %
Net sales	6,397.5	4,114.0	55.5 %
Gross margin	5,262.0	3,139.1	67.6 %
Gross margin %	82.3 %	76.3 %	
Personnel expenses	(4,347.8)	(3,731.5)	16.5 %
Other operating expenses	(3,083.3)	(2,429.3)	26.9 %
Operating result	(1,452.2)	(3,332.7)	(56.4 %)
Profit for the period	(832.1)	(4,121.6)	(79.8 %)
Earnings per share *	(0.14)	(1.54)	(91.1 %)
Diluted earnings per share (EUR) *	(0.13)	(1.42)	(91.1 %)
Cash flows from operating activities	(2,109.0)	(2,724.7)	(29.2 %)
Cash in hand and at bank	5,194.7	3,455.8	50.3 %
Total equity	3,202.7	(1,469.1)	
Equity ratio (%)	34.7 %	(28.3 %)	

* The number of shares used in the calculation of earnings per share have been adjusted for share reduction of shares on 17 May 2021, in which the number of shares was divided by 100.

Nexstim Plc Report of the Board of Directors continued

Financial Review

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

Operating Results

Net Sales

Net sales between 1 January and 31 December 2021 were EUR 6,397.5 thousand (4,114.0), with an increase of 55.5%. Total net sales consist of system sales in the diagnostics and therapy businesses and recurring revenue.

Between 1 January and 31 December 2021, system sales represented EUR 3,721.3 thousand (1,747.3) of total net sales, with an increase of 113.0%. Recurring revenues were EUR 2,676.2 thousand (2,366.6), with an increase of 13.1%.

Net sales in the diagnostics business between 1 January and 31 December 2021 were EUR 3,705.5 thousand (2,162.2), with an increase of 71.4%. This included EUR 2,800.5 thousand (1,467.1) in system sales and EUR 905.0 thousand (695.1) in recurring revenue.

Net sales in the therapy business between 1 January and 31 December 2021 were EUR 2,692.0 thousand (1,951.8), with an increase of 37.9%. This included EUR 920.8 thousand (280.2) in system sales and EUR 1,771.2 thousand (1,671.6) in recurring revenue.

Net sales adjusted for currency exchange rates between 1 January and 31 December 2021 were EUR 6,470.5 thousand. Net sales growth adjusted for currency exchange rates was 55.95%, which is 0.44 percentage points higher than the reported growth.

Significant items in the operating result

Capitalised fixed assets between 1 January and 31 December 2021 totalled EUR 958.5 thousand (38.9), consisting of capitalised development costs. The fixed assets capitalised during the financial year are mainly related to the further development of the company's commercialised products.

Other operating income between 1 January and 31 December 2021 was EUR 201.9 thousand (50.5), which mainly consisted of state subsidies granted to Nexstim Inc. due to the COVID-19 crisis.

Material and service expenses between 1 January and 31 December 2021 totalled EUR -1,135.5 thousand (-974.9).

Personnel expenses between 1 January and 31 December 2021 totalled EUR 4,347.8 thousand (-3,731.5). The increase was mainly due to personnel changes, as well as to non-recurring cost-saving measures implemented in the comparative periods.

Other operating expenses between 1 January and 31 December 2021 totalled EUR -3,083.3 thousand (-2,429.3). The increase was due to increased sales and marketing activities, project-like external product development work, and non-recurring cost-saving measures implemented in the comparative period.

Operating Result

The operating result between 1 January and 31 December 2021 was EUR -1,452.2 thousand (-3,332.7). The operating loss decreased by 56.4%.

Financial Income and Expenses

Net financial income and expenses between 1 January and 31 December 2021 amounted to an income of EUR 718.9 thousand (-259.5). Financial expenses consisted mainly of loan interest payments and costs related to the rights issue. Financial income consisted mainly of exchange gains related to loans to subsidiaries. Exchange rate differences arise because the operating currency of Nexstim Inc., a subsidiary of the Group, is the US dollar, and because Nexstim Plc, the parent company, has provided funding to Nexstim Inc. by means of a dollar-denominated loan.

Profit for the period

The operating result between 1 January and 31 December 2021 was EUR -832.1 thousand (-4,121.6). The operating loss decreased by 79.8%.

Financial Position

Non-current Assets

The company's non-current assets were EUR 2,011.9 thousand (846.9). Intangible assets amounted to EUR 1,122.3 thousand, consisting mainly of capitalised development costs and intellectual property rights. Tangible assets amounted to EUR 434.9 thousand, and consisted mainly of NBT® systems used for business operations. Investments totalled EUR 454.7 thousand, consisting of a strategic investment in the service company of a Californian partner clinic (PNC Management Services, LLC).

Current Assets

The company's current assets amounted to EUR 8,027.8 thousand (5,384.5). The change in current assets was mainly due to an increase in inventory, cash assets, and accounts receivables.

Total Equity

Consolidated shareholders' equity totalled EUR 3,202.7 thousand (-1,469.1). The equity ratio increased significantly, to 34.7% (-28.3), following an increase in equity. The increase in equity was mainly due to the EUR 6.6 million rights issue carried out in spring 2021.

Liabilities

Non-current Liabilities

The company's non-current liabilities totalled EUR 3,274.2 thousand (3,891.9). Its non-current liabilities mainly consist of interest-bearing long-term product development loans from Business Finland. During the financial year, the company fully repaid its loan from Kreos.

Current Liabilities

The company's current liabilities totalled EUR 3,562.7 thousand (3,808.6). Its current liabilities mainly consist of loans from financial institutions, prepayments received, trade payables, and accrued expenses.

Financing and Liquidity

Liquid assets, consisting of cash in hand and at bank, totalled EUR 5,194.7 thousand (3,455.8). The company's solvency and cash position improved significantly in 2021, mainly due to the rights issue executed in spring 2021, as well as improved profitability. In addition, a signing fee of around EUR 3.5 million from Magnus Medical in February 2022 has further improved the company's solvency and cash position. The company is not currently planning any new financing rounds.

The company's net cash flow from operating activities during the financial year was EUR -2,109.0 thousand (-2,724.7). The cash flow from operating activities was also affected by the fact that, because of the global component shortage, the company increased its inventory of products for sale and components tied to production, and made advance payments in the amount of EUR 479.4 thousand to ensure the continuity of production.

Cash flow from investing activities in the financial year was EUR -1,608.5 thousand (9.5). The increase mainly consisted of capitalised development costs, EUR 958.5 thousand, and an investment in the service company of a partner clinic in the United States, EUR 454.7 thousand.

Cash flow from financing activities in the financial year was EUR 5,456.3 thousand (1,904.9), and mainly consisted of the net income from the share issue in spring 2021, as well as of loan withdrawals and repayments. The repayments of the loan from Kreos totalled EUR 988.9 thousand in the financial year, and the loan was fully repaid on 31 December 2021.

Organisation and Personnel

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

The Company is organised into five operative functions:

- Clinical;
- Research & Development (R&D);
- Operations;
- Sales & Marketing including After Sales and Service;
- Administration, including Finance, Legal Affairs, Quality and Regulatory Affairs.

At the end of the financial year on 31 December 2021, the Nexstim Group had 35 permanent employees. Nexstim Plc (the parent company) had 26 permanent employees on 31 December 2021. Between 1 January and 31 December 2021, the Nexstim Group had an average of 34 permanent employees (2020: 33).

Strategy**Nexstim's Mission**

We enable personalised and effective therapies and diagnostics for challenging brain diseases and disorders.

Nexstim's Vision

Our innovations create opportunities for a better life. Through our technology expertise, we create a new standard for the treatment of challenging brain diseases and disorders.

Nexstim's Values

- Science and clinical evidence
- Financial success
- Passion and commitment
- Ethics and responsibility

Strategic Objectives for Year 2022

- Continued profitable revenue growth, leading to our first operating profit-making financial year while also minimising future equity needs
- Expansion of Nexstim's network of exclusive partner clinics, especially in the United States

Major Events in the Financial Period

On 20 January 2021, the company announced decisions made by its Shareholders' Nomination Board. Rohan Hoare, who had served as a member of Nexstim's Board of Directors since 2016, and Tomas Holmberg, who had served as a member of Nexstim's Board of Directors since 2017, had announced that they would no longer be available for the 2021–2022 period. At its meeting, the Shareholders' Nomination Board decided to propose to the Annual General Meeting that Timo Hildén and Tero Weckroth be elected as new members of the Board of Directors.

Nexstim Plc Report of the Board of Directors continued

On 8 February 2021, the company invited its shareholders to an Extraordinary General Meeting (EGM) to be held on 1 March 2021 to decide on the Board of Directors' authorisations to issue shares, option rights, and special rights.

After the EGM on 1 March 2021, the company announced the decisions made by the EGM. The EGM authorised the Board of Directors to decide on the company's share issues and the issue of option rights and other special rights entitling their holders to shares. Based on the authorisation, a maximum of 220,000,000 shares can be issued to meet financial needs, develop the capital structure, reduce or minimise debt, and implement possible mergers and acquisitions, as well as for other purposes of the company; and a maximum of 19,500,000 shares can be issued to implement the Board members' share plan and the management's and employees' long-term incentive plans, make arrangements related to the provision of incentives, and pay the Board of Directors' fees. In addition, the authorisation concerned the issue of a maximum of 5,000,000 shares to meet the company's future financing needs (e.g., rewards to be paid in shares in Nexstim for investors who make a significant subscription commitment in connection with a possible share issue), develop the capital structure, reduce or minimise debt, or implement any mergers and acquisitions, as well as for other purposes of the company.

On 3 March 2021, the company presented an overview of the results of a pilot study carried out at Kuopio University Hospital. The company reported that the five-day treatment period for ten patients suffering from severe depression had been completed using the accelerated iTBS protocol with Nexstim's NBT® system. The treatment had alleviated the symptoms for all ten patients in accordance with the Hamilton Depression Rating Scale (HAMD-17). Their scores had decreased by 37% on average ($p < 0.001$) from the start level. One (10%) of the ten patients reached clinical remission, and three (30%) achieved clinical response, meaning an improvement of more than 50% on the scale. Two (29%) of the seven patients who made their five-week follow-up visit were in clinical remission, and three (43%) had achieved clinical response, compared with the HAMD-17 score at the start level.

On 8 March 2021, the company announced that its Board of Directors had decided to carry out a rights issue of around EUR 6.6 million, based on the authorisation granted by the Extraordinary General Meeting.

On 8 March 2021, the company announced, referring to its company release published earlier on the same day concerning the rights issue, that it had prepared an EU growth prospectus concerning the issue. The Financial Supervisory Authority approved the prospectus on 8 March 2021. The company's Board of Directors decided to publish the EU growth prospectus on 8 March 2021, and the prospectus was notified to Sweden.

On 7 April 2021, the company announced that, according to the final result of the rights issue, which ended on 29 March 2021 in Sweden and on 31 March in Finland, the issue was oversubscribed, and the subscription rate was 178.13% in relation to the shares offered. With the share issue, Nexstim raised around EUR 6.6 million in gross funds, which, after the deduction of the fees and expenses related to the share issue, amounted to around EUR 6.4 million.

On 7 April 2021, the company announced, with regard to the rights issue published on 8 March 2021, that subscription guarantees had been given to the company. Of the company's largest shareholders, Ossi Haapaniemi, Kyösti Kakkonen, Leena Niemistö, and their related-party companies/book-entry accounts, as well as certain members of the company's Board of Directors and Management Team, had made a commitment in connection with the above-mentioned rights issue, on certain conditions, to subscribe for around 47.83% of the shares. In line with the terms of the subscription commitments, the company granted a subscription guarantee reward to the shareholders who had made a commitment. The reward corresponded to a maximum of 4% of the total subscription commitment, meaning 4,205,236 shares in the company without consideration. After the new shares had been entered into the Trade Register, the total number of shares in the company was 663,639,370.

On 7 April 2021, the company announced, with regard to the 2021 rights issue, that its Board of Directors had decided to reduce the subscription prices of the company's current option programmes (2016B-C, 2018A-B, and 2020A-C) so that the relative subscription prices of the option rights held by the holders of these option rights would remain unchanged after the rights issue. With regard to the 2020A-C option programme, the Board of Directors decided to change the number of options under the new option programme established on 10 June 2020 for the employees, management, and other stakeholders of Nexstim Plc and its subsidiaries based on the authorisation granted by the Extraordinary General Meeting on 1 March 2021. The amended option terms and subscription prices are available on the company's website at www.nexstim.com/investors/share-information/.

On 15 April 2021, the company announced that its Annual General Meeting would be held on 11 May 2021. The company's Board of Directors decided on an exceptional general meeting procedure based on the temporary law approved by the Finnish Parliament on 15 September 2020. Shareholders and their proxies were able to participate in the meeting and exercise their rights only by voting in advance and presenting counterproposals and questions in advance in accordance with the invitation and other company guidelines.

The company's Annual General Meeting (AGM) was held on 11 May 2021. After the AGM, the company announced the following decisions made by the AGM:

- The AGM adopted the company's financial statements, including its consolidated financial statements, for 2020, and decided that no dividend be paid, and that the loss for the financial year (1 January to 31 December 2020) be recorded in the loss account. The AGM decided to discharge the members of the Board of Directors and the CEO from liability for the 2020 financial year (1 January to 31 December 2020).
- The following decisions were made concerning the Board of Directors' fees: for the period ending at the close of the 2022 Annual General Meeting, EUR 36,000 will be paid to the Chair of the Board, and EUR 25,200 to the members of the Board. The members of the Shareholders' Nomination Board will not be compensated for serving as members of the Nomination Board. The restricted share plan introduced in 2016 will be extended by one year for a sixth vesting period (2021–2022) for the members elected to the Board of Directors of Nexstim Plc on conditions that are presented at www.nexstim.com.
- In terms of share rewards, the AGM decided, in accordance with the Nomination Board's proposal, that EUR 24,000 will be paid to the Chair of the Board of Directors and EUR 16,800 to each member of the Board of Directors for the 2021–2022 vesting period. The granted reward will be converted into restricted share units at the beginning of the vesting period in 2021. It is strongly recommended that the participants hold shares paid as rewards for as long as their mandate as a member of the Board continues.
- The AGM decided that the Board of Directors consists of four members. Martin Forss and Leena Niemistö continued as Board members, and Tero Weckroth and Timo Hildén were elected as new members of the Board. Leena Niemistö was elected as Chair of the Board.

- PricewaterhouseCoopers Oy, Authorised Public Accountants, was re-elected as the auditor, with Enel Sintonen as the principal auditor. A reasonable fee will be paid to the auditor.
- The AGM decided to reduce the number of shares in the company, without reducing the share capital, by issuing new shares and acquiring the company's own shares so that 100 shares corresponded to one share after the share reduction arrangement had been completed. The purpose was to increase the value of an individual share, and thereby create more favourable conditions for trading and improve the reliability of share value formation. The new shares were issued on 14 May 2021, and the annulment of shares and the new total number of shares were entered into the Trade Register by 17 May 2021.

On 14 May 2021, the company announced the total number of shares in the company after the completion of the first phase of the share reduction. To make each shareholder's book-entry account divisible by 100, the company issued 349,350 shares. On 14 May 2021, the company redeemed from all shareholders, without consideration, the number of shares required for the 100:1 redemption ratio in order to execute the share reduction. The company annulled these 657,349,011 shares. In addition, in accordance with a decision made by the AGM, a total of 3,500 new shares were issued to shareholders who owned shares entered into the securities system of Euroclear Sweden either under an asset manager or directly under the shareholder, or nominee-registered shares entered into the book-entry register of Euroclear Finland, and whose number of shares was not divisible by 100. After the annulment of shares and the issue of the above-mentioned 3,500 shares, the total number of shares in the company was 6,643,389.

On 17 May 2021, the company announced the registration of the reduced number of shares. In accordance with the decisions made by the Board of Directors on 14 May 2021 concerning the issue of new shares and the acquisition and annulment of the company's own shares, the new total number of shares in the company (6,643,389) was entered into the Trade Register on Saturday 15 May 2021. Trading in the company's shares under the new total number of shares began on the Nasdaq Helsinki and the Nasdaq Stockholm on 17 May 2021 under a new ISIN code (FI4000506811).

On 19 May 2021, the company announced a share issue/transfer of shares in connection with the reduction of the number of shares in the company. Regarding the issue of 350,000 new shares to the company without consideration, in accordance with the AGM's decision made on 11 May 2021, meaning 3,500 shares after the share reduction, the company had issued, or transferred, a total of 32 treasury shares to receiving shareholders without consideration so that the number of shares held by these shareholders was divisible by 100. This share issue/transfer only concerned all receiving shareholders who owned shares registered directly in the securities system of Euroclear Sweden AB (meaning that the shares are not nominee-registered) to the extent that was required to make the shareholders' holding in the company divisible by 100. The transfer of the shares from the company to the receiving shareholders took place and was entered into book-entry accounts by 24 May 2021.

On 21 May 2021, the company announced a share issue/transfer and the annulment of shares in connection with the reduction of the number of shares in the company. In accordance with a decision made by the AGM, and with how the decision was further specified by the Board of Directors on 21 May 2021, based on the redemption ratio and condition mentioned above, the company had issued, or transferred, a total of 695 treasury shares to receiving shareholders without consideration so that the number of shares owned by the receiving shareholders was divisible by 100. This share issue/transfer only concerned all receiving shareholders who owned nominee-registered shares entered into the book-entry register of Euroclear Finland Ltd or the securities system of Euroclear Sweden AB to the extent that was required to make the shareholders' holding in the company divisible by 100. In addition, a total of 2,773 treasury shares were annulled in accordance with a decision made by the Board of Directors on 21 May 2021. The transfer of the shares from the company to the receiving shareholders took place and was entered into book-entry accounts by 24 May 2021. The final number of shares entered into the Trade Register after the annulment of shares mentioned above – that is, the number of shares after the arrangements related to the share reduction – was entered into the Trade Register on 24 May 2021 (estimate). After the annulment of shares, the total number of shares in the company was 6,640,616.

On 24 May 2021, the company announced the registration of the reduced number of shares (final phase). In accordance with the decisions made by the Board of Directors concerning the free share issue/transfer and the annulment of the remaining shares (as described in more detail in the company release issued on that date), the annulment of 2,773 shares and the total number of shares in the company (6,640,616) had by then been entered into the Trade Register after the arrangements related to reducing the number of shares.

On 25 May 2021, the company announced it had extended its contract with the Canadian Health Solutions Group, which is its distributor in Canada. The contract was extended by five years. It continues to focus on the distribution of Nexstim's NBT[®] systems for the treatment of severe depression. In connection with extending the contract, the distributor ordered three NBT[®] systems, as well as head trackers.

On 14 June 2021, the Company announced that, based on the authorisations granted by the Company's Annual General Meeting and the restricted share plan approved by the AGM on 26 March 2016, the Company's Board of Directors had decided to issue a total of 46,057 new shares without consideration to the members of the Board of Directors. Leena Niemistö received 12,960 shares, Martin Forsss received 8,316 shares, Rohan Hoare received 13,260 shares, and Tomas Holmberg received 11,521 shares based on the gross reward determined by the AGM on 30 April 2020 for the 2020–2021 vesting period. The new shares were listed on 18 June 2021. After the share issue, the total number of registered shares in the company was 6,686,673.

On 14 June 2021, the company announced that its Board of Directors had decided to convert 11,011 2020A options held by the company into 2020B options, and 18,819 2020A options into 2020C options. As a result of this conversion decision:

- A total of 206,011 options are marked with 2020B. Of these options, 179,557 have been allocated to the management and personnel, and 26,454 continue to be held by the company.
- A total of 213,819 options are marked with 2020C. Of these options, 187,365 have been all allocated to the management and personnel, and 26,454 continue to be held by the company.
- In addition, a total of 165,170 options are marked with 2020A, and these have been allocated to the management and personnel.
- The amended terms and conditions for stock options under the 2020 programme are available on the Company's website at www.nexstim.com/investors.

Nexstim Plc Report of the Board of Directors continued

On 14 June 2021, the Company announced that its Board of Directors had decided to permanently and irrevocably annul ten 2016B options held by the company, and to terminate the company's 2013A option programme.

On 1 July 2021, the company provided an update concerning a pilot study on the use of the accelerated iTBS protocol for the treatment of therapy-resistant chronic neuropathic pain using Nexstim's NBT[®] equipment at Helsinki University Hospital. According to the announcement, the treatment of patients under the study had started as planned, and the treatment of several patients had already been completed. However, the company estimates that the treatment of some patients will continue during the third quarter of 2021. The company is continuously monitoring the development of the pandemic situation. If the situation becomes considerably worse, it may affect the recruitment and treatment of patients. As previously announced, the results of the study will be published as soon as they become available.

On 13 August 2021, the company organised a live webinar for the media, investors, and analysts. Mikko Karvinen, CEO, and Joonas Juoksolahti, CFO, presented the company's financial and operational results.

On 23 August 2021, the company announced the continuation of a pilot study on the treatment of severe depression at Kuopio University Hospital. The accelerated iTBS protocol would be tested with a further 20 patients. The treatment of patients under the extended study was expected to be completed in mid-2022.

On 29 September 2021, the company provided an update concerning a pilot study on the use of the accelerated iTBS protocol for the treatment of chronic neuropathic pain at Helsinki University Hospital. The company announced that, with the exception of one patient, the treatment of the five patients participating in the pilot study had been completed, and that the results would be published as soon as they became available.

On 8 November 2021, the company announced that it would annul a total of 2,169 2020A option rights that it had obtained in connection with the termination of employment relationships. Following the annulment, the company did not hold option rights under this option programme.

On 22 November 2021, the company announced that Nexstim Inc., its subsidiary in the United States, had signed an agreement on strategic co-operation and a minority interest in PNC Management Services, LLC. The value of the investment was estimated at around EUR 0.5 million, and it was financed using cash assets. As part of the arrangement, PNC Management Services, LLC purchased a Nexstim system for the treatment of major depressive disorder at the Piedmont Neuroscience Center. The clinic would co-operate closely with Nexstim and provide the company with anonymised treatment data for the patient register.

On 15 December, the company announced the results of pilot studies on the treatment of chronic pain at Helsinki University Hospital. None of the five patients experienced severe adverse effects or clinically significant pain relief. All the patients had suffered from chronic neuropathic pain for at least two years, and had undergone several treatment attempts.

On 21 December 2021, the company announced it would publish the following financial information in 2022:

The 2021 Financial Statements Bulletin and the half-year report for July–December 2021 (H2) on Monday 28 February 2022. The half-year report for January–June 2022 (H1) on Friday 12 August 2022. Nexstim's Annual Report for 2021 will be published on 8 March 2022, when it will also become available on the Company's website. The Annual General Meeting is tentatively scheduled to be held on 31 March 2022 at 10 am.

On 3 January 2022, the company announced that Nexstim Inc., its subsidiary in the United States, had completed the arrangement concerning strategic co-operation and a minority interest in PNC Management Services, LLC on 31 December 2021. The arrangement had been announced on 22 November 2021. The value of the investment was around EUR 0.5 million, and it was financed using cash assets.

Major Events After the Financial Year

On 14 February 2022, the company announced that it had signed an agreement on licensing its proprietary technology to Magnus Medical, Inc. a medical technology company in the United States. The total value of the licence agreement is estimated at around EUR 19 million (around EUR 17 million).

Future Outlook

Based on its business forecast, the Company expects its net sales to continue to grow during 2022 and the operating result for the financial year will be positive.

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 statements and in the annual reports of the Board of Directors. The half-yearly reports only present the changes in short-term risks.

The Company has updated its estimates on working capital and going concern. More information about the updated estimate is available in this report under the section "Financing and Liquidity".

Risks relating to the Company and its business operations:

- The Company has a history of operating losses and the operations may never become profitable.
- Funding received from Business Finland may become repayable prematurely and additional funding may not be available.
- Not all of the Company's products have an established market position.
- The Company's products will require certain authorisations before commercialisation, such as FDA clearance for the sales and marketing of the NBT[®] System for the treatment of chronic neuropathic pain and not all the required approvals or permits have yet been granted, so there is no certainty that such approvals and permits will be granted or successfully maintained.
- The Company may not be able to get the reimbursement codes and reimbursement coverage for new indications.
- Healthcare providers and hospitals may not adopt the Company's technology and treatment modality in the estimated manner or extent required for the Company to become profitable.
- The Company may divest a part of its business operations (including intellectual property rights and/or R&D personnel) or may be delisted in connection with a transaction but there is no certainty that such divestment or other transaction would be completed successfully or completed at all.
- The Company's operations may be interrupted due to problems associated with its suppliers.
- The Company may not be able to maintain the required certifications or approvals.
- The Company may not be able to sufficiently protect or enforce its intellectual property rights.
- The Company may infringe third party intellectual property rights or claims may be made against the Company on such infringements.
- Markets do not necessarily develop to the desired direction or extent, and 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.
- Writedown of Group internal receivables or subsidiary shares may weaken the parent Company equity or result in parent Company equity becoming negative.
- The Company may not be able to utilise all its tax losses.
- There may be changes in reported profitability or financial position due to changes in accounting regulation or possible future decision to start to apply International Financial Reporting Standards.
- The Company may become subject to product liability claims and other claims.
- The Company may in the future be involved in litigation and arbitration proceedings.
- The Company may be adversely affected by financial difficulties or bankruptcy of one or more of its customers, partners, suppliers or other counterparties.
- The Company is reliant on its information systems.
- The Company is reliant on its ability to recruit and retain relevant key personnel.
- The Company is reliant on its ability to find and retain research and co-operation partners.
- The Company has limited experience in sales, marketing and distribution.
- The Company must comply with complex legislation and regulations applicable to its business, and any breach of such legislation or regulations may have onerous consequences.
- The insurance coverage of the Company may not be comprehensive, and the Company may not be fully insured against all risks.
- The Company may be adversely affected by increasing costs in the health technology industry and cost efficiencies in healthcare.
- The Company could encounter difficulties in refinancing its debt.
- The Company will need a substantial amount of additional financing in the future in order to continue the commercialisation of its NBT[®] System.
- The ongoing COVID-19 pandemic is a significant health and macro-economic risk which can affect the health of the Nexstim Group's personnel as well as the Group's operations.

Risks relating to the shares:

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

Risks relating to general economic conditions:

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

Nexstim Plc Report of the Board of Directors continued

Shares and Shareowners

On 31 December 2021, the fully paid-up share capital of Nexstim Plc amounted to EUR 80,000.00, consisting of 6,686,673 shares (2020: 4,396,228). Adjusted for the dilution effect, the total number of shares at the end of the reporting period was 7,271,594 (2020: 4,788,348). The shares have no nominal value. Nexstim has one series of shares (ISIN code: FI4000506811). Nexstim did not hold any treasury shares at the end of the financial year. Each share entitles its holder to one vote at the General Meetings of Nexstim Plc. The shares are issued under the laws of Finland. The numbers of shares have been adjusted for the share reduction implemented on 17 May 2021, in which the number of shares was divided by 100.

The average number of shares between 1 January and 31 December 2021 was 6,068,462 (2020: 2,676,931). Adjusted for the dilution effect, the average number of shares between 1 January and 31 December 2021 was 6,603,426 (2020: 2,904,203). The numbers of shares have been adjusted for the share reduction implemented on 17 May 2021, in which the number of shares was divided by 100.

Nexstim Plc's shares are listed on the Nasdaq First North Growth Market Finland and Sweden. Share price information from the Nasdaq First North Growth Market Finland (EUR) and the Nasdaq First North Growth Market Sweden (SEK) is presented below. The numbers and prices of shares have been adjusted for the share reduction implemented on 17 May 2021, in which the number of shares was divided by 100.

Between 1 January and 31 December 2021, the highest price of the Company's share was EUR 9.63 (2020: EUR 10.70) and SEK 97.90 (2020: SEK 105.00), the lowest price was EUR 3.41 (2020: EUR 0.50) and SEK 32.80 (2020: SEK 7.30), and the average price was EUR 5.84 (2020: EUR 2.06) and SEK 64.84 (2020: SEK 22.80). The closing price on 31 December 2021 was EUR 4.78 (2020: EUR 9.80) and SEK 48.40 (2020: SEK 98.40).

In public trading between 1 January and 31 December 2021, a total of 8,108,785 shares were traded, which corresponds to 165% of the average number of shares during the period in question.

The market value of the share capital at the closing price on 31 December 2021 (EUR 4.78 and SEK 48.40) was EUR 31,962 thousand (2020: 43,083) and SEK 323,635 (2020: 432,589).

On 31 December 2021, Nexstim Plc had a total of 580 warrants outstanding, with a share-specific subscription price of EUR 32.00. In addition, stock option rights amounted to a total 584,341 shares, with a share-specific subscription price of EUR 1.00 to EUR 23.00. More detailed information about outstanding warrants and option rights is available on company website www.nexstim.com/investors/share-information/.

The following authorisations had been granted to Nexstim Plc's Board of Directors by 31 December 2021.

Total authorisations: 1,318,778 shares (see the excerpts from the decisions made by the 2021 Annual General Meeting below; the numbers and prices of shares have been adjusted for the share reduction implemented on 17 May 2021, in which the number of shares was divided by 100.)

On 1 March 2021, the Extraordinary General Meeting decided to authorise the Board of Directors to decide on the issue of new shares, with or without consideration, as follows:

The authorisation concerns a maximum of 2,200,000 new shares. New shares may be issued to the Company's shareholders proportionate to their current holdings in the Company or by way of derogation from the shareholders' pre-emptive right, through one or more directed share issues, if the Company has a weighty financial reason for doing so, such as developing its capital structure, reducing or minimising debt, implementing acquisitions, or implementing other arrangements related to the development of the Company's business operations, investment financing, or operations, or if the procedure is carried out as part of the Company's remuneration and compensation system. The Board of Directors will decide on the terms and extent of share issues.

Based on and within the limits of the authorisation, the Board of Directors may also decide on the issue of option rights or other special rights (in one or more instalments), in accordance with chapter 10, section 1 of the Limited Liability Companies Act, parallel to or instead of share issues. The subscription price of new shares can be recorded, in part or in full, in the reserve for invested unrestricted equity or the share capital in a manner determined by the Board of Directors. The Board of Directors has the right to decide on the terms and conditions of share issues, as well as option rights or other special rights entitling their holders to shares. The authorisation in accordance with the proposal will be valid for one year from the date of the Extraordinary General Meeting. The remaining authorisation covers a maximum of 1,887 shares.

On 1 March 2021, the Extraordinary General Meeting authorised the Board of Directors to decide on share issues and the issue of options rights and other special rights entitling their holders to shares as follows:

The authorisation concerns new shares in the company or treasury shares. Based on and within the limits of the authorisation, the Board of Directors may also decide on the issue of option rights or other special rights, in accordance with chapter 10, section 1 of the Limited Liability Companies Act, parallel to or instead of share issues. The authorisation concerns a maximum of 50,000 shares in total. Shares, option rights, and/or other special rights entitling their holders to shares can be issued in one or more instalments.

The Board of Directors was authorised to decide on all the terms and conditions of share issues, as well as the terms and conditions of the issue of option rights and special rights. The Board of Directors is authorised to decide on a directed share issue and issue of the special rights entitling their holders to shares in deviation from the shareholders' pre-emptive right, provided that there is a weighty financial reason for the Company to do so. New shares may also be issued without consideration if the Company has a weighty financial reason to do so, taking account the interests of the Company and all its shareholders.

The authorisation does not replace the registered authorisations previously granted by the Annual General Meeting concerning the issue of shares, option rights, and other special rights entitling their holders to shares. The authorisation is valid for one (1) year from the decision of the Extraordinary General Meeting. The authorisation can be used to meet the Company's future financing needs (e.g. rewards to be paid in shares in the Company for investors who make a significant subscription commitment in connection with a possible share issue), develop the capital structure, reduce or minimise debt, or implement any mergers and acquisitions, as well as other purposes of the company. The remaining authorisation covers a maximum of 7,948 shares.

On 11 May 2021, the Annual General Meeting unanimously decided to approve the following authorisation based on the Board of Directors proposal:

The Board of Directors was authorised to decide on (i) the issue of new shares, and/or (ii) the transfer of treasury shares, and/or (iii) the issue of special rights under chapter 10, section 1 of the Limited Liability Companies Act on the following conditions:

New shares may be issued and treasury shares may be transferred (i) to the Company's shareholders in proportion to their current shareholding in the Company, or (ii) through a directed share issue, by way of derogation from the shareholders' pre-emptive right, if the Company has a weighty financial reason to do so, such as using shares as consideration in possible acquisitions or other arrangements related to the Company's business operations (including an arrangement to reduce the number of shares), or the financing of investments. New shares can also be issued without consideration to the Company itself. Paid and free share issues: New shares can be issued and treasury shares can be transferred either against consideration (paid share issue) or without consideration (free share issue). A directed share issue can be free only if there is a weighty financial reason for such an issue, taking into account the interests of the Company and all its shareholders.

The authorisation entitles the Board of Directors to decide on the issue of new shares and/or the transfer of treasury shares so that the maximum number of shares to be issued and/or transferred is 1,300,000. The number of shares covered by the authorisation will change in accordance with the approval of proposals for reducing the number of shares. Under chapter 10, section 1 of the Limited Liability Companies Act, the Board of Directors may issue special rights entitling their holders to new shares or treasury shares against consideration. Such a right may also be issued to a creditor of the Company so that the right involves an obligation for the creditor to use the receivable to offset the subscription price (convertible bond).

The total number of new shares subscribed for and treasury shares transferred under the special rights issued by the Company can be no higher than 1,300,000, which is included in the maximum number mentioned above under "Maximum number of shares". The number of shares covered by the authorisation will change in accordance with the approval of proposals for reducing the number of shares. The subscription price of the new shares and the amount to be paid for treasury shares must be recorded in the reserve for invested unrestricted equity. The Board of Directors will decide on all other matters related to authorisations. The authorisations will be valid for eighteen (18) months from the decision of the Annual General Meeting. The authorisations do not invalidate previously granted authorisations to decide on share issues and the issue of special rights entitling their holders. The remaining authorisation covers a maximum of 1,300,000 shares.

On 11 May 2021, the Annual General Meeting unanimously decided to approve the following authorisation based on the Board of Directors proposal:

The Board of Directors was authorised to decide on (i) the issue of new shares, and/or (ii) the transfer of treasury shares, and/or (iii) the issue of special rights under chapter 10, section 1 of the Limited Liability Companies Act on the following conditions:

The authorisation concerns new shares in the company or treasury shares. Based on and within the limits of the authorisation, the Board of Directors may also decide on the issue of option rights or other special rights under chapter 10, section 1 of the Limited Liability Companies Act, parallel to or instead of share issues.

New shares can also be issued without consideration to the Company itself. Paid and free share issues: New shares can be issued and treasury shares can be transferred either against consideration (paid share issue) or without consideration (free share issue). A directed share issue can be free only if there is a weighty financial reason for such an issue, taking into account the interests of the Company and all its shareholders.

A maximum of 55,000 shares may be issued under the authorisation. Shares, option rights, and/or other special rights entitling their holders to shares can be issued in one or more instalments. The Board of Directors is authorised to resolve on all terms for the share issues and the terms for the granting of the option rights and other special rights entitling to shares. The Board of Directors is authorised to decide on a directed share issue and issue of the special rights entitling their holders to shares in deviation from the shareholders' pre-emptive right, provided that there is a weighty financial reason for the Company to do so. The authorisation is valid for five (5) years from the decision of the Annual General Meeting. The authorisation can be used to implement the Board members' restricted share plan and the management's and employees' long-term incentive plans. The authorisation can also be used to make arrangements related to the provision of incentives, and to pay the Board of Directors' fees. The authorisations do not invalidate previously granted authorisations to decide on share issues and the issue of special rights entitling their holders. The remaining authorisation covers a maximum of 8,943 shares.

Nexstim Plc Report of the Board of Directors continued

Major Shareholders

According to the register of shareholders maintained by Euroclear Finland Ltd, the holdings of Nexstim Plc's 20 largest shareholders on 31 December 2021 were as follows:

	Shareholder	No. of shares	Holding %
1.	Kaikaehenni Oy	1,022,416	15.29
2.	Euroclear Bank Sa/Nv	942,029	14.09
3.	Haapaniemi Ossi	589,222	8.81
4.	Joensuun Kauppa ja Kone Oy	240,241	3.59
5.	Kalksten Properties Koy	114,124	1.71
6.	Syrjänen Eva Annika Elisabeth	110,940	1.66
7.	Wetrock Capital & Consulting Oy	101,573	1.52
8.	Valjakka Juha Matti	83,810	1.25
9.	Clearstream Banking S.A.	70,581	1.06
10.	Kakkonen Kari Heikki Ilmari	69,649	1.04
11.	Niukkanen Pentti Juhani	65,000	0.97
12.	Salmela Veijo Ensio	45,966	0.69
13.	K22 Finance Oy	43,549	0.65
14.	Jokinen Jukka Erkki	40,000	0.60
15.	Filen Harri Johannes	38,551	0.58
16.	Kaukoranta Eero Onni	34,326	0.51
17.	Kivinen Harri Juhani	30,200	0.45
18.	Pettersson Jan uha	30,000	0.45
19.	Skandinaviska Enskilda Banken AB	29,775	0.45
20.	Matril Oy	25,884	0.39

* Nominee registered shareholders

Board of Directors and the Company's Management

Board of Directors

The following were members of Nexstim Plc's Board of Directors during 2021: Leena Niemistö (Chair), Martin Forss, Timo Hildén and Tero Weckroth (Hildén and Weckroth from 11 May 2021). The Board of Directors convened 20 times during 2021.

CEO

Mikko Karvinen acted as CEO of Nexstim Plc and the Group during 2021.

Management Team

The Nexstim Group's Management Teams consisted of the following members during 2021: Mikko Karvinen (CEO), Steve Beller (Vice President and General Manager, North America), Henri Hannula (Vice President, International Sales and Marketing), Joonas Juokslahti (CFO), Gustaf Järnefelt (Vice President, R&D), Hanna Kotola (Vice President, Legal Affairs), Jarmo Laine (Vice President, Medical Affairs).

Board of Directors' Proposal on the Dividend

Since its establishment, 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 development of its business. The Company is committed to a very stringent dividend policy, which is tied to its results and financial standing. The Company does not expect to be able to distribute dividends in the near future. In the event dividends are distributed, all shares will be entitled to equal dividends.

At the end of the 2021 financial year, the distributable assets of the Group's parent company were EUR 15,168,082.19. The Board of Directors proposes that Nexstim Plc should not pay any dividend for the financial period of 2021.

Consolidated Financial Statements

Profit and Loss Statement

For the financial year ended 31 December 2021

EURO	Note	1 January – 31 December 2021	1 January – 31 December 2020
NET SALES	2	6,397,516.50	4,113,959.23
Capitalised fixed assets		958,496.00	5,558.00
Other operating income	3	201,904.41	50,463.89
Materials and services			
Materials			
Purchases during the financial year		(1,674,051.03)	(936,212.35)
Increase (+) decrease (-) in inventories		538,537.78	(38,657.87)
Total		(1,135,513.25)	(974,870.22)
Personnel expenses	4		
Wages and salaries		(3,662,637.43)	(3,121,963.72)
Social security expenses			
Pension expenses		(407,916.27)	(302,587.06)
Other social security expenses		(277,244.84)	(306,978.70)
Total		(4,347,798.54)	(3,731,529.48)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(443,475.75)	(366,950.11)
Total		(443,475.75)	(366,950.11)
Other operating expenses	5	(3,083,329.73)	(2,429,349.41)
OPERATING RESULT		(1,452,200.54)	(3,332,718.10)
Financial income and expenses	6	718,945.82	(783,920.03)
Total		718,945.82	(783,920.03)
PROFIT/(LOSS) BEFORE TAXES		(733,254.54)	(4,116,638.13)
Income taxes		(98,851.85)	(4,977.40)
PROFIT/(LOSS) FOR THE PERIOD		(832,106.39)	(4,121,615.53)

Consolidated Financial Statements continued

Balance Sheet

EURO	Note	31 December 2021	31 December 2020
NON-CURRENT ASSETS			
Intangible assets	7		
Development expenditure		845,578.26	50,106.95
Intangible rights		276,680.30	282,033.03
Total		1,122,258.56	332,139.98
Tangible assets	8		
Machinery and equipment		434,908.32	514,717.81
Total		434,908.32	514,717.81
Investments			
Interests in associated companies	9	454,705.99	0.00
Total		454,705.99	0.00
NON-CURRENT ASSETS TOTAL		2,011,872.87	846,857.79
CURRENT ASSETS			
Inventories			
Raw materials and consumables		984,961.94	446,424.16
Total		984,961.94	446,424.16
Receivables			
Trade receivables		1,441,924.34	962,966.23
Prepayments and accrued income	10	200,050.84	249,997.09
Other receivables		206,225.36	269,262.61
Total		1,848,200.54	1,482,225.93
Cash in hand and at banks		5,194,660.46	3,455,832.41
CURRENT ASSETS TOTAL		8,027,822.94	5,384,482.50
ASSETS TOTAL		10,039,695.81	6,231,340.29

EURO	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
EQUITY			
	11		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		54,917,753.84	48,310,731.49
Retained earnings		(50,962,922.63)	(45,738,251.56)
Profit/Loss for the financial year		(832,106.39)	(4,121,615.53)
TOTAL EQUITY		3,202,724.82	(1,469,135.60)
LIABILITIES			
NON-CURRENT LIABILITIES			
Other interest-bearing loans	13	3,274,224.35	3,891,858.86
Total		3,274,224.35	3,891,858.86
CURRENT LIABILITIES			
Loans from financial institutions		619,394.00	1,152,460.44
Trade payables		255,038.82	198,083.52
Other liabilities		1,870,837.38	1,592,392.28
Accrued expenses	14	817,476.44	865,680.79
Total		3,562,746.64	3,808,617.03
TOTAL LIABILITIES		6,836,970.99	7,700,475.89
EQUITY AND LIABILITIES TOTAL		10,039,695.81	6,231,340.29

Consolidated Financial Statements continued

Consolidated Cash Flow Statement

	Note	1 January – 31 December 2021	1 January – 31 December 2020
Cash flows from operating activities			
Profit/Loss for the financial period		(832,106.39)	(4,121,615.53)
Adjustments:			
Depreciation and amortisation according to plan		443,475.75	366,950.11
Other adjustments (income -/ expense +)		(1,106,355.54)	255,004.95
Financial income and expenses		(902,767.50)	783,920.03
Cash flows before change in working capital		(2,397,753.68)	(2,715,740.44)
Change in working capital:			
Increase (-) or decrease (+) in current receivables		817,864.58	(300,868.30)
Increase (-) or decrease (+) in inventories		(538,537.78)	38,657.87
Increase (-) or decrease (+) in long-term receivables		22,519.93	(147,237.39)
Increase (+) or decrease (-) in current interest-free payables		287,196.05	538,361.75
Cash flows from operations before financial items and taxes		(1,808,710.90)	2,586,826.51
Interest and other financial expenses paid		(300,291.62)	(137,898.30)
Cash flows from operating activities (A)		(2,109,002.52)	(2,724,724.81)
Cash flows from investing activities			
Investments in intangible and tangible assets		(1,608,490.83)	9,514.25
Cash flows from investing activities (B)		(1,608,490.83)	9,514.25
Cash flows from financing activities			
Share issue		6,607,022.35	2,224,086.44
Drawing (+) or repayment (-) of short-term loans		(533,066.44)	163,889.24
Drawing (+) or repayment (-) of long-term loans		(617,634.51)	(483,108.32)
Cash flows from financing activities		5,456,321.40	1,904,867.36
Change in cash in hand and at banks		1,738,828.05	(810,343.20)
Cash in hand and at banks at beginning of the period		3,455,832.41	4,266,175.61
Cash in hand and at banks at end of the period		5,194,660.46	3,455,832.41

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 arising from translation, as well as from the translation of the shareholders' equity of foreign subsidiaries, are presented under "Retained earnings" on the consolidated balance sheet.

Associated companies are included in the consolidated financial statements. Associated companies are companies in which the Group exercises considerable influence, but which are not controlled by the Group. In the Nexstim Group, considerable influence is based on shareholding or an agreement that produces 20–50% of the voting rights. Investments in associated companies are subject to the equity method in the consolidated financial statements, and are initially recognised at acquisition cost. The Group's share of the profits and losses of associated companies after their acquisition is recognised in the profit and loss statement. The book value of investments is adjusted for changes accumulated after the acquisition. If the Group's share of an associated company's loss is equal to or greater than its share of the associated company, the Group will not recognise any additional loss.

Valuation Principles and Methods

Intangible and tangible assets in non-current assets are recognised at acquisition cost on the balance sheet, less depreciation and amortisation according to plan. Capitalised development costs are amortised over a five-year or seven-year period on a straight-line basis. Depreciation and amortisation of intangible and tangible assets are calculated 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	5-7	Straight-line
Machinery and equipment		25% depreciation of residual value

Investments and non-current financial assets have been recognised in the balance sheet at the lower of acquisition price and fair value. Inventories are stated at the lower of cost and net realisable value. The acquisition cost is determined using the first-in, first-out (FIFO) method. The acquisition cost includes variable acquisition costs.

Items Denominated in Foreign Currency

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

Revenue Recognition

Revenue on products sold is recognised upon delivery of the goods. Revenue on service agreements is recognised on an accrual 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- or seven-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 Statement

2. Net Sales

	2021 €	2020 €
NBS System sales	2,800,508.68	1,467,127.33
NBT® System sales	920,833.82	280,192.68
NBS Recurring revenue	905,021.83	695,053.46
NBT® Recurring revenue	1,771,152.16	1,671,585.76
Total	6,397,516.50	4,113,959.23

Net Sales by Geographical Area

	2021 €	2020 €
Finland	995,618.62	619,300.42
Rest of Europe*	2,317,577.71	1,591,727.24
North America	2,841,770.18	1,874,131.57
Other	242,550.00	28,800.00
Total	6,397,516.50	4,113,959.23

* including Russia

3. Other Operating Income

	2021 €	2020 €
Other income	2,265.57	15,463.89
Government grants	199,638.84	35,000.00
Total	201,904.41	50,463.89

4. Personnel Expenses

	2021 €	2020 €
Wages and salaries	(3,662,637.43)	(3,121,963.72)
Pension expenses	(407,916.27)	(302,587.06)
Other social security expenses	(277,244.84)	(306,978.7)
Total	(4,347,798.54)	(3,731,529.48)

	2021	2020
Average number of personnel	34	33

	2021 €	2020 €
Salaries and bonuses of Directors		
CEO	(288,000.00)	(411,447.10)*
Board of Directors	(112,950.00)	(121,050.00)
Total	(400,950.00)	(532,947.10)

*Mikko Karvinen (from 21 February 2020) and Martin Jamieson (until 11 February 2020) served as CEO of Nexstim Plc and the Group during 2020. Includes severance payment received by Martin Jamieson during the period between February 2020 and August 2020.

5. Other Operating Expenses

	2021 €	2020 €
Travel expenses	(254,210.90)	(249,409.70)
Administration expenses	(899,269.63)	(379,381.96)
R&D	(884,011.77)	(368,273.97)
Legal and consulting fees	(306,328.39)	(164,926.19)
Marketing expenses	(148,379.40)	(144,596.85)
ICT expenses	(160,323.26)	(203,617.92)
Facility expenses	(146,406.34)	(145,533.79)
Voluntary social costs	(87,256.25)	(107,668.75)
Other	(197,143.79)	(665,940.28)
Total	(3,083,329.73)	(2,429,349.41)

	2021 €	2020 €
Auditor's fees		
Audit	(37,000.00)	(35,000.00)
Non-audit services	(30,496.50)	(7,315.96)
Total	(67,496.50)	(42,315.96)

6. Financial Income and Expenses

	2021 €	2020 €
Other interest income and other financial income	2,014,400.54	1,936,824.11
Interest and other financial expenses	(1,295,454.72)	(2,755,582.81)
Total	718,945.82	(783,920.03)

Notes for Balance Sheet

7. Intangible Assets

	2021 €	2020 €
Development expenditure		
Book value on 1 January	50,106.95	73,668.72
Increases	958,496.00	5,558.00
Depreciation and amortisation according to plan	(163,024.69)	(29,119.77)
Book value on 31 December	845,578.26	50,106.95

	2021 €	2020 €
Intangible rights (Patents)		
Book value on 1 January	282,033.03	290,265.68
Increase	130,128.89	158,025.09
Depreciation and amortisation according to plan	(135,481.62)	(166,257.74)
Book value on 31 December	276,680.30	282,033.03

8. Tangible Assets

	2021 €	2020 €
Machinery and equipment		
Book value on 1 January	514,717.81	859,387.75
Increase	65,159.95	0.00
Decrease	0.00	(173,097.34)
Depreciation and amortisation according to plan	(144,969.44)	(171,572.60)
Book value on 31 December	434,908.32	514,717.81

9. Subsidiaries And Associated Companies Of The Group

Holdings in Group Undertakings

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

	2021	2020
Interests in associated companies		
Book value on 1 January	0.00	0.00
Increase	454,705.99	0.00
Book value on 31 December	454,705.99	0.00

Shares of the associated companies consist of a strategic investment in the service company of a Californian partner clinic (PNC Management Services, LLC).

10. Prepayments and Accrued Income

	2021 €	2020 €
Machinery and equipment		
Other prepayments and accrued	200,050.84	249,997.09
Total	200,050.84	249,997.09

11. Total Equity

	2021 €	2020 €
Share capital 1 January	80,000.00	80,000.00
Share issue		
Reduction of share capital		
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	48,310,731.49	46,086,645.05
Increase	6,607,022.35	2,224,086.44
Decrease	0.00	0.00
Reserve for invested unrestricted equity 31 December	54,917,753.84	48,310,731.49
Retained earnings/losses 1 January	(49,859,867.09)	(46,906,709.21)
Translation difference	(1,103,055.54)	1,168,457.65
Profit/Loss for the period	(832,106.39)	(4,121,615.53)
Retained earnings/losses 31 December	(51,795,029.02)	(49,859,867.09)
Total unrestricted equity	2,277,146.56	(1,549,135.60)
Total equity	3,202,724.82	(1,469,135.60)

Consolidated Statement of Changes in Total Equity (Thousand Euro)

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December 2021	80.0	0.0	0.0	48,310.7	(49,859.9)	(1,469.1)
Issue of shares				6,607.0		6,607.0
Profit/(Loss) for the period					(832.1)	(832.1)
Translation difference					(1,103.1)	(1,103.1)
Equity on 31 December 2021	80.0	0.0	0.0	54,917.8	(51,795.0)	3,202.7

	Share capital	Share issue	Share premium account	Reserve for invested unrestricted equity	Retained earnings	Equity total
Equity on 31 December 2019	80.0	0.0	0.0	46,086.6	(46,906.7)	(740.1)
Issue of shares				2,224.1		2,224.1
Profit/Loss for the period					(4,121.6)	(4,121.6)
Translation difference					1,168.5	1,168.5
Equity on 31 December 2020	80.0	0.0	0.0	48,310.7	(49,859.9)	(1,469.1)

Notes for Balance Sheet continued

12. Capital Loans

	2021 €	2020 €
Book value on 1 January	0.00	100,000.00
Increase	0.00	0.00
Decrease	0.00	(100,000.00)
Book value on 31 December	0.00	0.00

13. Non-current Liabilities

	2021 €	2020 €
Product development loans from TEKES	3,259,674.44	3,689,268.44
Other long-term liabilities	14,549.91	202,590.42
Total	3,274,224.35	3,891,858.86

Holdings in Group Undertakings

	2021 €	2020 €
Interest-bearing liabilities total	3,259,674.44	3,689,268.44
Due later than five years	242,880.00	390,290.19

14. Accrued Expenses

	2021 €	2020 €
Holiday accrual	317,100.23	300,537.90
Accrued interest	15,066.07	138,045.40
Accrued pension expenses	45,184.30	34,837.08
Other accrued expenses	440,125.78	392,260.41
Total	817,476.44	865,680.79

15. Commitments

	2021 €	2020 €
Leasing liabilities		
Due within next financial year	66,242.12	63,701.03
Due later	0.00	0.00
Total	66,242.12	63,701.03

16. Guarantees

	2021 €	2020 €
Rent deposits	41,753.61	41,610.82
Total	41,753.61	41,610.82

17. Shares of the Company

Shares of the Company consist of the following share classes:	2021 (pcs)	2020 (pcs)
A (1 vote per share)	6,686,673	4,396,228
	6,686,673	4,396,228

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

18. Stock Options and Warrants

On the balance sheet date, the Company had seven option programmes: 2016B, 2016C, 2018A, 2018B, 2020A, 2020B and 2020C. On the date of this report, the Company held a total of 163,001 2020A option rights, 206,011 2020B option rights, and 213,819 2020C options rights under the respective option programmes. All other option rights have been granted without consideration. The stock options will be offered to the key personnel and management of the Company and its subsidiaries for incentive and commitment purposes. The stock options may not be transferred to a third party and may not be given as a pledge without the approval of the Board of Directors of the Company.

In connection with the share reverse split on 26 November 2018, where the number of shares was decreased 30-fold, the amounts were decreased and subscription prices of option rights were increased respectively, and the maximum amounts were adjusted. With regard to the rights issue that ended on 24 April 2020 in Sweden and on 26 April 2020 in Finland, Nexstim's Board of Directors decided to reduce the subscription prices of the company's current option programmes (2016B-C) so that the relative subscription prices of the option rights held by the holders of these option rights would remain unchanged after the rights issue. With respect to the stock option programme 2018, the subscription right cut-off date of rights issue in question took place during the pricing period of option rights 2018A and the pricing of option rights 2018A has been calculated based on the Nasdaq Helsinki post-rights-issue adjusted historical share prices of Nexstim Plc (NXTMH). Pursuant to the subscription such rights issue which ended on 25 May 2020 in Sweden and on 27 May 2020 in Finland, the Board of Directors on 10 June 2020 resolved to amend the share subscription prices of the Company's stock option programs 2016B-C and 2020A-B so that the share subscription price of such stock option programmes is comparable to the price prior the subscription rights issue. The company has carried out a rights issue, which ended in Sweden on 29 March 2021 and in Finland on 31 March 2021, as well as a directed share issue in accordance with the company release issued on 7 April 2021. With regard to these, the Board of Directors decided on 7 April 2021 to decrease the Company's share-specific subscription prices for option programmes 2016B-C, 2018A-B and 2020A-C. In accordance with the terms and conditions of the option programmes, the share-specific subscription prices will be adjusted so that the relative subscription prices of the option rights held by the holders of these option rights remain unchanged after the share issues in question.

On 17 May 2021, the AGM decided to reduce the number of shares in the Company, without reducing the share capital, by issuing new shares and acquiring the company's own shares so that one share corresponded to 100 shares after the share reduction arrangement had been completed. The maximum amounts and subscription prices of the option programmes were adjusted accordingly.

Option scheme	Subscription price/share	Maximum amount of option rights	Subscription period
2016B	EUR 18.00	900 shares	1.7.2020-15.12.2024
2016C	EUR 23.00	556 shares	1.7.2021-15.12.2025
2018A	EUR 5.00	27 shares	1.7.2022-15.12.2027
2018B	EUR 1.00	27 shares	1.7.2023-15.12.2028
2020A	EUR 2.00	163,001 shares	1.7.2022-15.12.2027
2020B	EUR 7.00	206,011 shares	1.7.2023-15.12.2028
2020C	*	213,819 shares	1.7.2024-15.12.2029

* The subscription price for the 2020C option rights is the volume-weighted average price of the share on the Nasdaq Helsinki over twenty (20) trading days following the release date of the Company's financial statements for 2021.

Holdings of the Board of Directors and management team	(%)
Ownership based on proportion of total number of issued shares	17.55
Ownership based on proportion of total number of issued shares and option rights*	20.83
Proportion of votes based on ownership of shares	17.55
Proportion of votes based on ownership of shares and option rights*	20.83

*Assuming that all stock options are exercised.

The financing arrangement with Kreos Capital approved by the AGM on 28 March 2018 also includes issuing warrants over new shares in Nexstim. The maximum number of new shares under the warrants in question is 580, as further specified in the warrant agreement amended the share reduction on 26 November 2018, taking into account the share reduction that took place on May 17, 2021, in which the number of shares was divided by 100.

With regard to the rights issue that ended on 24 April 2019 in Sweden and on 26 April 2021 in Finland and the Company's existing warrant agreements, the Board of Directors decided on 23 May 2019 to amend the terms of warrants (special rights entitling their holders to shares) so that the share-specific subscription price against a warrant was decreased. With regard to the rights issue that ended on 25 May 2020 in Sweden and on 27 May 2021 in Finland and the Company's existing warrant agreements, the Board of Directors decided on 10 June 2021 to amend the terms of warrants (special rights entitling their holders to shares) so that the share-specific subscription price against a warrant was decreased. With regard to the rights issue that ended on 29 March 2021 in Sweden and on 31 March 2021 in Finland and the Company's directed share issue in accordance with the company release issued on 7 April 2021, the Board of Directors decided on 7 April 2021 to amend the terms of warrants (special rights entitling their holders to shares) so that the share-specific subscription price against a warrant was decreased. In accordance with the terms and conditions of the warrant agreements, the share-specific subscription prices will be adjusted so that the relative subscription prices of the warrants held by the holders of these rights will remain unchanged. On 17 May 2021, the AGM decided to reduce the number of shares in the Company, without reducing the share capital, by issuing new shares and acquiring the company's own shares so that one share corresponded to 100 shares after the share reduction arrangement had been completed. The maximum amounts and subscription prices of the warrants were adjusted accordingly.

Notes for Balance Sheet continued

Warrant	Exercise price/share	Maximum amount of warrants	Expiry date
KREOS	EUR 32.00	580 shares	13 July 2022

The total number of warrants outstanding the end of 2021 was 580. KREOS warrants were issued as part of the loan drawn from Kreos Capital on 19 June 2018.

19. Restricted Share Unit Plans

The 2016 Annual General Meeting decided that a restricted share unit plan be implemented for selected members of the Board of Directors of Nexstim Plc, the terms and conditions of which can be found at www.nexstim.com. The plan includes four vesting periods, which correspond to the following terms of office of the members of the Board of Directors: 2016–2017, 2017–2018, 2018–2020, 2020–2021, and 2021–22.

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

The target group of the plan will be those members of the Board of Directors who are independent of the Company. Such member is however not required to be independent from the shareholders of the Company. The reward allocations in 2022 will be determined as a Euro value.

Allocation for Board Members for the Vesting Period 2021-2022

In accordance with the proposal of the Nomination Board, the Annual General Meeting decided that for a Board member, the gross value of the reward for the vesting period 2021-2022 will be as follows:

Chair: EUR 24,000

Members of the Board of Directors: EUR 16,800

The granted reward will be converted into restricted share units at the beginning of the vesting period in 2021. The conversion of the granted reward into restricted share units will be based on the trade volume weighted price of the Company's share on the Nasdaq Helsinki during the twenty (20) trading days following the release date of the Company's financial statements for 2020 quotation. In the plan, one restricted share unit corresponds to one Company share. The value of the payable reward will be determined on the basis of the share price on the book-entry registration date of the paid shares.

The rewards from the plan will be paid to the Board members in the Company's shares within four weeks of the Annual General Meeting of Shareholders in 2022. The Company will withhold taxes and employment related expenses from the cash proportion of the reward as per the law in force. Should a Board member cease to be a member of the Board before the end of a vesting period, no reward will be paid to him/her on that basis.

Reward Payment for Board Members for the Vesting Period 2020-2021

Based on the authorisations granted by the Annual General Meeting on 11 May 2021 and the restricted share plan approved by the Annual General Meeting on 26 March 2021, the Company's Board of Directors has today decided to issue a total of 46,057 new shares without consideration to the members of the Board of Directors. Leena Niemistö will receive 12,960 shares, Martin Forss will receive 8,316 shares, Rohan Hoare will receive 13,260 shares, and Tomas Holmberg will receive 11,521 shares based on the gross reward determined by the AGM on 30 April 2020 for the 2020–2021 vesting period.

20. Major Events After the Financial Year

On 14 February 2022, the company announced that it had signed an agreement on licensing its proprietary technology to Magnus Medical, Inc, a medical technology company in the United States. The total value of the licence agreement is estimated at around EUR 19 million (around EUR 17 million).

Parent Company Financial Statements

Profit and Loss Statement

For the financial year ended 31 December 2021

EURO	Note	1 January – 31 December 2021	1 January – 31 December 2020
NET SALES		5,632,336.03	3,042,798.39
Work performed for own purpose and capitalised		958,496.00	5,558.00
Other operating income	2	398,051.00	453,116.38
Materials and services			
Materials			
Purchases during the financial year		(1,711,096.98)	(890,461.98)
Increase (+) decrease (-) in inventories		464,080.47	691.94
Total		(1,247,016.51)	(889,770.04)
Personnel expenses			
Wages and salaries		(2,589,521.57)	(2,100,691.27)
Social security expenses			
Pension expenses		(407,916.27)	(302,587.06)
Other social security expenses		(61,098.90)	(62,917.95)
Total		(3,058,536.74)	(2,466,196.28)
Depreciation and amortisation			
Depreciation and amortisation according to plan		(348,134.33)	(252,176.91)
Total		(348,134.33)	(252,176.91)
Other operating expenses		(2,306,449.83)	(1,826,365.67)
OPERATING RESULT		28,745.62	(1,933,036.13)
Financial income and expenses	3	2,215,009.82	(206,417.27)
Impairment on investments in non-current assets		(5,191,783.17)	0.00
Total		(2,975,512.55)	(206,417.27)
PROFIT/LOSS FOR THE FINANCIAL YEAR		(2,946,766.93)	(2,139,453.40)

Parent Company Financial Statements continued

Balance Sheet

EURO	Note	1 January – 31 December 2021	1 January – 31 December 2020
NON-CURRENT ASSETS			
Intangible assets	4		
Development expenditure		845,578.26	50,106.95
Intangible rights		276,679.30	282,032.03
Total		1,122,257.56	332,138.98
Tangible assets	5		
Machinery and equipment		148,884.17	170,398.19
Total		148,884.17	170,398.19
Investments	6		
Investments in Group companies		2,745,921.47	408,896.52
Long-term receivables from group companies		10,154,153.75	13,169,256.38
Total		12,900,085.22	13,578,152.90
NON-CURRENT ASSETS TOTAL		14,171,226.95	14,080,690.07
CURRENT ASSETS			
Inventories			
Raw materials and consumables		887,166.69	423,086.22
Total		887,166.69	423,086.22
Receivables			
Trade receivables		605,794.83	317,138.05
Short-term receivables from Group companies	7	1,635,930.16	1,761,209.60
Prepayments and accrued income		168,578.20	211,644.69
Other receivables		196,582.30	157,851.26
Total		2,606,885.49	2,447,843.60
Cash in hand and at banks		4,042,459.22	2,124,413.57
CURRENT ASSETS TOTAL		7,536,511.40	4,995,343.39
ASSETS TOTAL		21,707,728.35	19,076,033.46

EURO	Note	1 January – 31 December 2021	1 January – 31 December 2020
EQUITY AND LIABILITIES			
EQUITY			
	8		
Share capital		80,000.00	80,000.00
Reserve for invested unrestricted equity		54,917,753.84	48,310,731.49
Retained earnings		(35,957,326.46)	(33,817,873.06)
Profit/Loss for the financial period		(2,946,766.93)	(2,139,453.40)
TOTAL EQUITY		16,093,660.45	12,433,405.03
LIABILITIES			
NON-CURRENT LIABILITIES			
Other interest-bearing loans		3,259,674.44	3,689,268.44
Total		3,259,674.44	3,689,268.44
CURRENT LIABILITIES			
Loans from financial institutions		619,394.00	1,152,460.44
Received prepayments		422,499.75	680,454.01
Trade payables		421,182.85	252,784.46
Other liabilities		98,913.66	84,051.97
Accrued expenses		792,403.20	783,609.11
Total		2,354,393.46	2,953,359.99
TOTAL LIABILITIES		5,614,067.90	6,642,628.43
EQUITY AND LIABILITIES TOTAL		21,707,728.35	19,076,033.46

Parent Company Financial Statements

Consolidated Cash Flow Statement

	1 January – 31 December 2021	1 January – 31 December 2020
Cash flows from operating activities		
Profit/Loss for the period	(2,946,766.93)	(2,139,453.40)
Adjustments:		
Depreciation and amortisation according to plan	348,134.33	252,176.91
Other adjustments (income -/ expense +)	0.00	(913,452.70)
Financial income and expenses	3,285,264.41	(206,417.27)
Cash flows before change in working capital	686,631.81	(3,007,146.46)
Change in working capital:		
Increase (-) or decrease (+) in current receivables	(1,993,529.07)	(1,296,489.44)
Increase (-) or decrease (+) in inventories	(464,080.47)	(691.94)
Increase (+) or decrease (-) in current interest-free payables	(65,900.09)	363,273.79
Cash flows from operations before financial items and taxes	(1,836,877.82)	(3,941,054.05)
Interest and other financial expenses paid	(773,960.35)	395,852.55
Cash flows from operating activities (A)	(2,610,838.17)	(3,545,201.50)
Cash flows from investing activities		
Investments in intangible and tangible assets	(1,115,478.09)	(207,009.14)
Cash flows from investing activities (B)	(1,115,478.09)	207,009.14
Cash flows from financing activities		
Share issue	6,607,022.35	2,224,086.44
Drawing (+) or repayment (-) of long-term loans	189,800.00	(685,698.74)
Drawing (+) or repayment (-) of short-term loans	(1,152,460.44)	163,889.24
Cash flows from financing activities (C)	5,644,361.91	1,702,276.94
Change in cash in hand and at banks	1,918,045.65	(2,049,933.70)
Cash in hand and at banks at beginning of the period	2,124,413.57	4,174,347.27
Cash in hand and at banks at end of the period	4,042,459.22	2,124,413.57

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 in accordance with the Nexstim Group accounting principles. Parent Company notes to the financial statements are presented where they differ from the notes of the Group consolidated financial statements.

Notes for Profit and Loss Statement

2. Other Operating Income

	2021 €	2020 €
Other income	383,051.00	418,116.38
Government grants	15,000.00	35,000.00
Total	398,051.00	453,116.38

3. Financial Income and Expenses

	2021 €	2020 €
Other interest income and other financial income	3,509,855.79	3,457,892.36
Interest and other financial expenses	(1,293,585.17)	(3,664,309.63)
Impairment on investments in non-current assets	(5,191,783.17)	0.00
Total	(2,975,512.55)	(206,417.27)

Notes for Balance Sheet

4. Intangible Assets

Development Costs	2021 €	2020 €
Book value on 1 January	50,106.95	73,668.72
Increase	958,496.00	5,558.00
Depreciation and amortisation according to plan	(163,024.69)	(29,119.77)
Book value on 31 December	845,578.26	50,106.95

Intangible Rights (Patents)	2021 €	2020 €
Book value on 1 January	282,032.03	290,264.68
Increase	130,128.89	158,025.09
Depreciation and amortisation according to plan	(135,481.62)	(166,257.74)
Book value on 31 December	276,679.30	282,032.03

5. Tangible Assets

Machinery and Equipment	2021 €	2020 €
Book value on 1 January	170,398.19	183,771.54
Increase	28,114.00	43,426.05
Decrease	0.00	0.00
Depreciation and amortisation according to plan	(49,628.02)	(56,799.40)
Book value on 31 December	148,884.17	170,398.19

6. Investments

Holdings in Group Undertakings

Name	Domicile	%	Book value
Nexstim Inc.	The United States of America	100%	635.72
Nexstim Germany GmbH	Germany	100%	25,000.00

Other Investments in Group Companies

Name	Domicile	Book value
Nexstim Germany GmbH	Investment in unrestricted equity	382,000.00
Nexstim, Inc.	Investment in unrestricted equity	2,338,285.75

During the financial year, the parent company made an investment of EUR 7,528,808.12 in invested unrestricted equity, converting long-term debt into equity. For the investment in question, an impairment provision of EUR 5,191,783.17 was recognised for the 2021 financial year.

Long-term Receivables from Group Companies

	2021 €	2020 €
Nexstim Inc. loan receivables	9,854,153.75	12,869,256.38
Nexstim Germany GmbH loan receivables	300,000.00	300,000.00
Total	10,154,153.75	13,169,256.38

The parent company has EUR 11.8 million in outstanding long-term and short-term receivables from its subsidiaries. The financial statements have been prepared on the assumption that the receivables from the subsidiaries will be fully received. The full realisation of the items in question depends on the financial success and results of the subsidiaries.

7. Short-term Receivables from Group Companies

	2021 €	2020 €
Nexstim Germany GmbH accounts receivables	1,415,899.25	1,653,002.89
Nexstim Germany GmbH interest receivables	220,030.91	108,206.71
Nexstim Germany GmbH	1,635,930.16	1,761,209.60

8. Total Equity

	2021 €	2020 €
Share capital 1 January	80,000.00	80,000.00
Share issue	0.00	0.00
Reduction of share capital	0.00	0.00
Share capital 31 December	80,000.00	80,000.00
Total restricted equity	80,000.00	80,000.00
Reserve for invested unrestricted equity 1 January	48,310,731.49	46,086,645.05
Increases	6,607,022.35	2,224,086.44
Reductions	0.00	0.00
Reserve for invested unrestricted equity 31 December	54,917,753.84	48,310,731.49
Retained earnings/(loss) 1 January	(35,957,326.46)	(33,817,873.06)
Adjustments for previous years	0.00	0.00
Translation difference	0.00	0.00
Profit/(Loss) for the period	(2,946,766.93)	(2,139,453.40)
Retained earnings/(loss) 31 December	(38,904,093.39)	(35,957,326.46)
Total unrestricted equity	15,168,082.19	12,353,405.03
Total equity	16,093,660.45	12,433,405.03

9. Commitments

	2021 €	2020 €
Leasing Liabilities		
Due within next financial year	3,193.32	3,193.32
Due later	6,386.64	6,386.64
Total	9,579.96	9,579.96

10. Guarantees

	2021 €	2020 €
Rent deposits	39,899.47	39,899.47
Total	39,899.47	39,899.47

Nexstim Plc

Signing of the Annual Statement

Helsinki 28 February 2022

Dr. Leena Niemistö
Chair of the Board

Timo Hildén
Member of the Board

Martin Forss
Member of the Board

Tero Weckroth
Member of the Board

Mikko Karvinen
CEO

Auditor signature

Auditor's report has been given with this date:
Helsinki 28 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Enel Sintonen
Authorised Public Accountant (KHT)

Report on the Audit of the Financial Statements (Translation of the Finnish Original) To the Annual General Meeting of Nexstim Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the Group's and the Company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have Audited

We have audited the financial statements of Nexstim Plc (business identity code 162888-1) for the financial period 1 January – 31 December 2021. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the Parent Company.

Basis for Opinion

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

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

Independence

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

Emphasis of Matter - Parent company receivables from subsidiaries

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

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

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

In our opinion


- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 28 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Enel Sintonen
Authorised Public Accountant (KHT)



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