

HALF-YEAR FINANCIAL REPORT 2017

FOR JANUARY 1–JUNE 30, 2017



nixu
cybersecurity.

Unofficial translation - Company release on August 17, 2017 at 8:30 a.m.

Half-yearly report for January 1–June 30, 2016 (unaudited)

Strong organic growth accelerated Nixu's overall growth

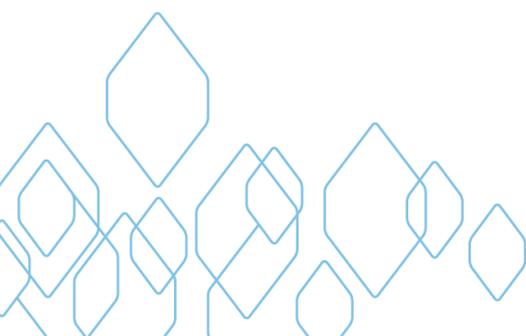
Highlights from January–June 2017:

- Revenue: EUR 14,622 thousand (January–June 2016: 10,143), change +44%. Organic growth +25%.
- EBITDA: EUR 800 thousand (107), change 644%, percentage of revenue 5% (1%).
- EBIT: EUR 332 thousand (-434), percentage of revenue 2% (-4%). EBIT was negatively affected by a goodwill amortization of EUR 368 thousand (469).
- Nixu acquired Expert Solution Support Center B.V., a company specializing in digital identity management support services.
- Nixu acquired the Swedish digital forensics company Bitsec AB.
- The number of employees exceeded 300.
- As planned, EBITDA was affected by strategic investments in the internationalization and development of technology-based services.

Financial guidance for 2017

Nixu will strive to continue its growth faster than its market while maintaining profitability. Our medium-term goal is to achieve an annual revenue growth rate of above 15 percent and an EBITDA margin of above 10 percent.

Thanks to our strong organic growth and the acquisitions carried out in 2016 and 2017, we expect our revenue to grow more than 40% from the 2016 level (EUR 21.6 million). We will continue to invest in growth during the financial period.



Key figures

EUR 1,000	1-6/2017	1-6/2016	Change, %	1-12/2016
Revenue	14,621.6	10,143.5	44.1 %	21,577.7
EBITDA	800.2	107.5	644.5 %	772.7
EBITDA, % of net sales	5.5 %	1.1 %		3.6 %
EBIT ¹	332.0	-433.5		115.6
EBIT, % of net sales	2.3 %	-4.3 %		0.5 %
Profit/loss for the period ¹	34.0	-522.0		-241.6
Earnings per share (EUR)	0.01	-0.08		-0.04
Earnings before goodwill amortization ²	401.5	-53.5		247.8
Earnings per share before goodwill amortization ² (EUR)	0.06	-0.01		0.04
Number of shares at the end of the period	6,491,198	6,162,035		6,364,835
Average number of shares	6,338,524	6,137,035		6,238,435

¹Due to the changed goodwill amortization period, figures from period Jan–Jun 2016 are incompatible with those of previous years.

The company has decided to change the amortization period for goodwill from 5 years to 10 years from the beginning of fiscal year 2016.

²On June 30, 2017, consolidated goodwill amounted to EUR 11,044.19. Goodwill is amortized on a straight-line basis over ten years.

In Jan–Jun 2017, the recorded goodwill amortization amounted to EUR 367,50 thousand (in Jan–Jun 2016: EUR 468,5).

EUR 1,000	30.6.2017	30.6.2016	Change, %
Equity ratio, %	36.3 %	46.5 %	
Net interest-bearing debt	2,933.3	-466.1	
Net gearing, %	31.1 %	-6.6 %	
Personnel at the end of the review period	301	196	53.6 %

Petri Kairinen, CEO of Nixu:

Our growth in this six-month period was very high (+44%), thanks to both strong organic growth (+25%) and the acquisitions made (+19%). At the same time the number of Nixu's employees exceeded the threshold of 300 people; we have succeeded in growing as a substantial cybersecurity service company on a European scale. Even though our investments in the execution of our growth strategy are still ongoing, our profitability also improved significantly from last year.

Nixu's growth strategy rests on three key elements: (1) expansion to markets beyond Finland, particularly in Northern Europe, (2) growing scalable, technology-based services, and (3) the ability to offer the best workplace for cybersecurity professionals.

In the past six-month period, we successfully improved on each of the three targets. In June, the proportion of monthly sales from countries other than Finland had risen to 35% of our total revenue, compared to 15% in June last year. This leap consists of both new sales to customers located outside Finland and the non-Finnish customer accounts that we obtained as a result of our acquisitions. During the period under review, two new acquisitions were made: The multinational Expert Solution Support Center B.V. (ESSC) and the mainly Swedish-based Bitsec AB. With these acquisitions, Nixu's operating area has become decidedly international. The acquisition of Bitsec helped us to expand our expertise in the field of digital forensics, which is one of the most specialized areas of cybersecurity. Bitsec's revenue will be consolidated to that of Nixu from July onwards, which helps to increase the proportion of international sales even further.

The ESSC and Bitsec acquisitions were mainly financed through debt drawn in accordance with the financing agreement published in May. The financing agreement makes it possible for Nixu to execute one more acquisition of a similar scale once we find a suitable company that fits our strategy.

With respect to scalable services, we have continued our investments in our Nixu Cyber Defense Center service. Nixu CDC won a number of important new customers during the review period. It is also clear that a service such as this is in demand, since we have detected and tackled several data breaches for our customers who use the service. For the time being, we are focusing in getting the Finnish market going. In fall, we will aim to market this service more determinedly to our customers also outside Finland.

As regards our Best Workplace strategy, we are continuing to strengthen Nixu's open, low-hierarchy culture, invest in leadership training and skills, and actively seek particularly exciting customer assignments. Finding, developing and retaining the best cybersecurity experts will be an increasingly important task for Nixu in the future.

I am extremely happy with our development over the past three years, as we have succeeded, both organically and through acquisitions, in building a substantial technology-independent cybersecurity partner for companies on a European scale. In international terms, we are now a strong player not only in Finland, but also in Sweden and the Netherlands. Strengthening our operating model and building international cooperation within Nixu will be our next key operational steps.

Strategy

As society as a whole is becoming more digital, it is inevitable that different operators have an increasing need to develop and offer different digital services to their stakeholders. Services are also becoming predominantly cloud-based, which means that traditional information security, which relies on antivirus software and firewalls, is no longer sufficient for controlling the ever-increasing cyber risks.

Nixu's mission is to keep the digital society running. We pursue this mission by offering a wide range of cybersecurity services to key stakeholders in both the public and the private sectors. Nixu wants to be a true cybersecurity partner for its clients, providing comprehensive services that will allow them to implement new digital services safely, despite the cyber threats.

The main goal of Nixu's growth strategy is to be the best workplace for information security professionals and the number one choice as a cybersecurity partner in Northern Europe.

Our growth strategy is defined by three strategic development areas:

1. Through internationalization, the company aims to expand its available market to include corporations that have their main office in Northern Europe. Nixu's goal is to utilize local consultants and sales resources in each key metropolitan area near its clients, benefiting from the group's entire range of services and production capabilities during customer assignments. Nixu will expand its market share in Northern Europe either through acquisitions or by establishing new subsidiaries. The key to success in all operations is creating a homogenous and congenial corporate culture across the entire group.
2. Nixu is strongly committed to developing scalable, technology-based continuous services (such as the Nixu Cyber Defense Center), which can be seamlessly integrated into the company's consultation business. These services ensure that Nixu has the resources and capabilities required for being a truly comprehensive cybersecurity partner for its clients. These services also secure lasting customer relationships and give Nixu a competitive edge over competitors acting purely in a consulting capacity. From a business standpoint, these services provide superior scaling of revenue and EBITDA versus the number of personnel. The technological component of the services is based on the best commercial solutions provided by our partners, as well as solutions developed internally for special needs.
3. Our third strategic development area consists of skills development, skills base expansion, and cybersecurity expert recruitment and cultivation. Nixu is increasingly engaged in various international research projects, the results of which we can utilize directly in our own customer projects. To ensure its ability to grow, Nixu has started to promote its visibility as an employer among students.

Our various trainee programs, in turn, ensure access to a sufficient, skilled workforce. By ensuring internal job rotation, Nixu is able to expand the skillset of its employees and provide new challenges to experienced cybersecurity experts who consider working at the company.

Revenue and profit, January–June 2017

Nixu Group's revenue stood at EUR 14,621.6 thousand (Jan–Jun 2016: 10,143.5). Compared to same period last year, revenue increased by 44.1%. The most significant factors contributing to the growth of the Group revenue were strong organic growth of 25% and the acquisitions made last year, which grew Nixu by 19%.

Other operating income amounted to EUR 252.5 thousand (443.6). Other operating income fell by 44% due to a smaller number of research projects with Tekes, the Finnish Funding Agency for Innovation.

Nixu's EBITDA in the six-month period was EUR 800.2 thousand (107.5). EBITDA increased by 644% on previous year due to larger revenue and an improved utilization rate.

Nixu's EBIT in the six-month period was EUR 332.0 thousand (-433.5).

The profit for the financial period of January–June 2017 was EUR 34.0 thousand (-522.0). The profit before the goodwill amortization was EUR 441.7 thousand (-53.5).

As the goodwill amortization period was changed in the 2016 financial period, the EBIT and the profit for the financial period are not comparable with those of previous periods. Based on successes in personnel and client retention after acquisition deals and positive growth in the company's business, the company decided to extend the planned goodwill amortization period from five to ten years. Goodwill amortization in the six-month period amounted to EUR 367.5 thousand (468.5). In the first half-year financial report in 2016, goodwill amortization was reported in line with the previous amortization policy.

The Group's effective tax rate has increased due to loss-making operations in the Netherlands (Nixu B.V.) and non-deductible goodwill amortization.

Financing and investments

On June 30, 2017, Nixu Group's balance sheet totaled EUR 25,971 thousand (15,252). Nixu Corporation acquired the entire stock capital of Expert Solution Support Center B.V. on May 31, 2017 and respectively Bitsec Holding AB on June 30, 2017, which increased the total value of the balance sheet.

On May 29, 2017, Nixu Corporation made a financing agreement with a total value of EUR 8.5 million for five to six years, with Nordea and Finnvera as principal organizers. In

addition to this EUR 8.5 million loan agreement, the company has a credit facility of EUR 1 million. The loans include standard covenant conditions on the equity ratio and EBITDA. By June 30, 2017, a total of EUR 5.9 million worth of loans under the financing agreement have been drawn to finance the above acquisitions and strengthen the company's working capital.

Personnel, executives, and management

At the end of the half-year period, the Group had 301 (196) employees, showing an increase of 105 employees. The large increase in the number of personnel is explained particularly by organic growth as well as the acquisitions of Expert Solution Support Center B.V. and Bitsec Holding AB.

Nixu's Corporate Management Team includes Chief Executive Officer Petri Kairinen, Chief Financial Officer Janne Kärkkäinen, Chief Commercial Officer Valtteri Peltomäki, and Chief Development Officer Kim Westerlund.

2017 Annual General Meeting

Nixu Corporation's Annual General Meeting (AGM) was held on April 19, 2017. The AGM approved the company's financial statements and discharged the members of the Board of Directors, CEO, and Deputy CEO of liability for the financial period January 1–December 31, 2016.

During the review period, Nixu Corporation's Board of Directors consisted of Kimmo Rasila (Chairman), Marko Kauppi (Deputy Chairman), Kati Hagros, Juhani Kaskeala, and Tuija Soanjärvi.

The AGM decided that the Chairman of the Board of Directors is to be paid EUR 2,800 per month, the Deputy Chairman EUR 2,100 per month, and other Members of the Board EUR 1,400 per month. The Board of Directors' travel expenses shall be reimbursed in accordance with the company travel policy.

The AGM appointed PricewaterhouseCoopers Oy, an authorized public accountant firm, as the company's auditor (continuing in the position). The Auditor-in-Charge appointed by PWC was Heikki Lassila. The AGM agreed that the auditors shall be reimbursed against a reasonable invoice.

In line with the proposal by the Board of Directors, the AGM decided that the profit from the financial period ending on December 31, 2016 will be transferred to the retained earnings account and that no dividends will be paid for 2016.

The AGM authorized the Board of Directors to issue new shares and/or to dispose of internally held company shares at their own discretion pursuant to the following terms:

The AGM authorized the Board of Directors to buy back, at their own discretion, company stock in one or several rounds. Up to 120,000 shares can be acquired using the company’s unrestricted equity. By way of derogation from shareholders’ ownership proportions, shares may, in line with the terms and conditions of the company’s incentive schemes, be acquired from employees and CEOs of the company and its subsidiaries upon cessation of their employment. The purchase price of shares is the original subscription price paid to the company upon subscription, but no more than the price paid for the company shares in public trading on the day of acquisition.

The Board of Directors will decide upon the terms and conditions of buying company shares pursuant to the terms and conditions of the company’s incentive scheme. The authorization shall remain valid until the next Annual General Meeting.

At the end of the review period, the Board of Directors has the authorization of the October 30, 2014 Extraordinary General Meeting to decide upon one or several directed issues based on financial grounds material for the company, including stock exchange listing or obtaining funding for potential future acquisitions. The authorization shall remain valid until October 30, 2019. The Board has the authorization for issuing a further 1,926,746 shares.

Shares and shareholders

January-June 2017	Shares traded	Total value (EUR)	High (EUR)	Low (EUR)	Average price (EUR)	Latest (EUR)
NIXU	711,483	5,274,205.65	9.70	6.00	7.60	8.64

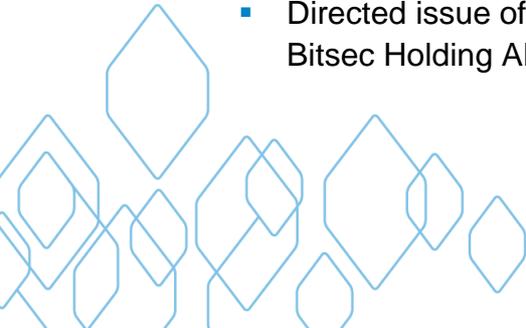
	30.6.2017	31.12.2016
Market Capitalizatio (EUR)	56,083,950.72	38,550,811.75
Number of Shareholders	2,762	2,498

Nixu has one share series. Each share entitles the holder to equal voting and dividend rights. On June 30, 2017, the total number shares was 6,491,198 (December 31, 2016: 6,372,035). The company holds 10,763 of its own shares.

The company’s share is listed on the Nasdaq First North marketplace in Helsinki, Finland.

Shares issued during the accounting period:

- Directed issue of 19,163 shares, launched to finance the acquisition cost of Expert Solution Support Center B.V.
- Directed issue of 100,000 shares, launched to finance the acquisition cost of Bitsec Holding AB



Risks and uncertainties

The company has made international growth investments in line with its strategy. If customer acquisition in new markets turns out to be more difficult than expected, the company's entry into new markets may considerably compromise the company's profitability. If the company does not manage to attract a sufficient customer base, some of its international operations may have to be discontinued.

As part of its growth strategy, the company has started investing heavily in its continuous scalable services business. The business models, methods, and the promised service levels in the services business are different from those in the consultation business. Implementing these changes can be challenging, potentially causing substantial direct and indirect adverse consequences for Nixu.

Moreover, the company's growth expectations are heavily based on skilled personnel. If the company is unable to recruit the planned number of information security experts and keep them on its payroll, the development of the company's revenue may suffer.

Increased economic growth as well as the rapidly increasing demand in the cybersecurity market may result in wage inflation, which, in turn, can have a material impact on the costs incurred by service companies.

Nixu's business requires great trust from its clients. Information security attacks on our clients' systems and potential problems in Nixu's services may result in substantial direct and indirect adverse consequences for Nixu.

Unexpected delays and extra work are typical for big solution delivery projects, adding uncertainty which may incur costs that the company must bear in part or in full. Moreover, Nixu may not always be able to allocate personnel resources, schedule tasks for long-term projects, or plan its operations according to its predictions.

Even though Nixu's strategy relies mainly on organic growth, the company is also constantly searching for growth opportunities from acquisitions. However, there might not be companies available which would support Nixu's strategy or otherwise be compatible with its operations. Moreover, there is no guarantee that Nixu would manage to successfully integrate any company it acquires into its business or achieve the strategic goals or synergy benefits expected from the acquisition. Consequently, there is no guarantee that acquisitions would generate the expected revenue or profit. Acquisitions may also present unexpected risks and latent responsibilities for which the company has been unable to prepare. Exploring acquisition opportunities and going through with the actual deals can tie up substantial management resources, which can have an adverse effect on the company's core business.

If the future returns from consolidated goodwill do not match current expectations, it may be possible that the consolidated goodwill amortization period must be changed or an impairment charge might be required.

Company funding involves common covenants, which, if breached, may have an adverse effect on its financial position.

Events after the accounting period

There have been no material events concerning the company since the end of the accounting period.

Accounting principles

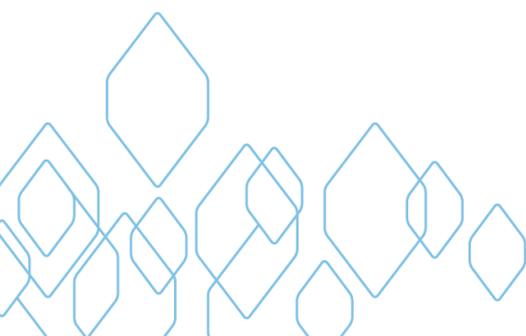
The financial statements release has been prepared in accordance with the laws of Finland and the generally accepted Finnish accounting principles. The figures included in the release have been audited. The information has been presented to the extent required in section 4.6 clause (e) of the First North Nordic Rulebook. The figures presented in this release have been rounded from exact figures.

Financial reporting in 2017

In addition to the half-year financial report and financial statements, Nixu provides revenue information of the first and the third quarter.

The company will publish its half-year financial report for January–June 2017 on Thursday, August 17, 2017. A conference call will be arranged at 10:30 on the same day.

The publication date for the company's 2017 financial statements release is Thursday, February 15, 2018.



Consolidated income statement (FAS)

EUR 1,000	1-6/2017	1-6/2016	1-12/2016
Revenue	14,621.6	10,143.5	21,577.7
Other operating income	252.5	443.6	598.8
Materials and services	-808.0	-849.1	-1,541.6
Personnel costs	-10,053.9	-7,352.9	-14,993.3
Other operating expenses	-3,212.1	-2,277.7	-4,869.0
Amortization, depreciation and impairments	-468.1	-541.0	-657.1
Operating profit/loss	332.0	-433.5	115.6
Financial income and expenses	-164.8	-18.7	-96.4
Profit/loss before taxes	167.3	-452.2	19.2
Income taxes	-133.3	-69.7	-260.8
Profit/loss for the accounting period	34.0	-522.0	-241.6
Earnings per share (EUR)	0.01	-0.08	-0.04
Number of shares at the end of the period	6,491,198	6,162,035	6,364,835
Average number of shares	6,338,524	6,137,035	6,238,435

Consolidated balance sheet (FAS)

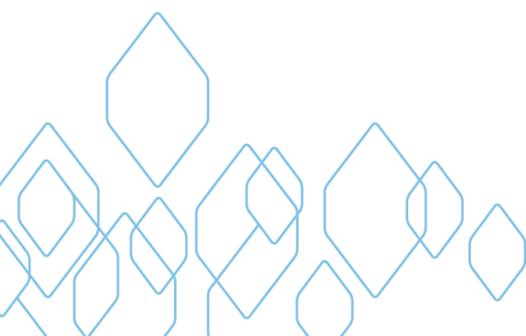
EUR 1,000	30.6.2017	30.6.2016	31.12.2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11,251.9	4,170.5	6,218.7
Tangible assets	446.6	306.3	376.7
NON-CURRENT ASSETS IN TOTAL	11,698.5	4,476.9	6,595.4
CURRENT ASSETS			
Receivables			
Non-current receivables	44.3	0.0	94.2
Current receivables	8,860.6	7,204.5	7,186.3
Financial securities	0.0	74.6	0.0
Cash in hand and at bank	5,368.0	3,496.0	2,717.7
CURRENT ASSETS IN TOTAL	14,273.0	10,775.1	9,998.2
ASSETS IN TOTAL	25,971.5	15,252.0	16,593.5
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	94.8	94.8	94.8
Invested unrestricted equity reserve	7,674.6	5,636.3	6,713.9
Retained profit/loss	1,620.3	1,889.9	1,875.2
Profit/loss for the accounting period	34.0	-522.0	-241.6
SHAREHOLDERS' EQUITY IN TOTAL	9,423.7	7,099.1	8,442.4
LIABILITIES			
Non-current liabilities	7,152.5	2,816.9	2,214.1
Current liabilities	9,395.3	5,336.0	5,937.1
LIABILITIES IN TOTAL	16,547.8	8,152.9	8,151.2
EQUITY AND LIABILITIES IN TOTAL	25,971.5	15,252.0	16,593.5

Consolidated cash flow statement (FAS)

EUR 1,000	1-6/2017	1-6/2016	1-12/2016
Profit before extraordinary items	167.3	-452.2	19.2
Amortization and depreciation	468.1	541.0	657.1
Taxes	-145.6	-81.4	-318.3
	71.5	0.0	0.0
Change in working capital ¹	603.5	-1,226.9	-977.9
Cash flow from operations	1,164.8	-1,219.6	-619.9
Investments ²	-3,988.2	-1,009.5	-2,356.6
Cash flow from investments	-3,988.2	-1,009.5	-2,356.6
Withdrawals of non-current loans	5,900.0	0.0	0.0
Repayments of non-current loans	-418.2	-358.2	-716.4
Cash proceeds from share issue	9.6	0.0	339.7
Dividends paid	0.0	-550.1	-550.1
Purchase of own shares	-17.7	0.0	-12.4
Net cash flow from financing	5,473.7	-908.3	-939.2
Change in liquid assets	2,650.3	-3,137.4	-3,915.7
Liquid assets at the start of the accounting period	2,717.7	6,633.3	6,633.3
Liquid assets at the end of the accounting period	5,368.0	3,496.0	2,717.7

¹Working capital for 1-6/2016 includes about 1.3 million euro of prepaid mandatory pension insurance.

²Cash payments of acquisitions less the cash in hand and at bank.



Consolidated Statement of Changes in Equity (FAS)

Statement of Changes in Equity January 1 - June 30, 2017

EUR 1 000	Shareholders' equity	Invested unrestricted equity reserve	Retained earnings	Total
January 1, 2017	94.8	6,713.9	1,633.6	8,442.4
Shares issue		960.6		960.6
Acquisition of own shares			-17.7	-17.7
Translation differences			-4.2	-4.2
Profit/loss for the period			34.0	34.0
June 30, 2017	94.8	7,674.6	1,645.7	9,415.1

Statement of Changes in Equity January 1 - June 30, 2016

EUR 1 000	Shareholders' equity	Invested unrestricted equity reserve	Retained earnings	Total
January 1, 2016	94.8	5,401.8	2,446.3	7,943.0
Shares issue		234.5		234.5
Dividend distribution			-550.1	-550.1
Acquisition of own shares				0.0
Translation differences			-6.3	-6.3
Profit/loss for the period			-522.0	-522.0
June 30, 2016	94.8	5,636.3	1,367.9	7,099.1

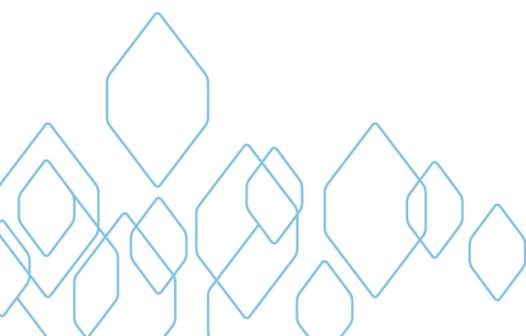
Statement of Changes in Equity January 1 - December 31, 2016

EUR 1 000	Shareholders' equity	Invested unrestricted equity reserve	Retained earnings	Total
January 1, 2016	94.8	5,401.8	2,446.3	7,943.0
Shares issue		1,312.1		1,312.1
Dividend distribution			-550.1	-550.1
Acquisition of own shares			-12.4	-12.4
Translation differences			-8.6	-8.6
Profit/loss for the period			-241.6	-241.6
December 31, 2016	94.8	6,713.9	1,633.6	8,442.4

Collaterals, contingent liabilities, and other commitments

EUR 1,000	30.6.2017	30.6.2016	31.12.2016
On own behalf			
Business mortgages	10,118.6	4,118.6	4,118.6
Leasing liabilities			
Due within the next 12 months	399.6	251.8	305.2
Due in more than 12 months	407.8	284.8	345.2
Total	807.3	536.6	650.4
Other commitments			
Rent liabilities	1,411.1	918.5	788.5
Rental security deposit accounts	140.5	140.5	138.6
Total	1,551.6	1,059.0	927.0

Business mortgages and the 50,000 shares of Bitsec Holding AB were used as collateral for Nixu Corporation's EUR 8.2 million financial institution loan and EUR 1.0 million credit facility. At the end of the review period, the credit facility has remained unused.



Calculation formulas

EBITDA	=	Operating profit + amortization expense + depreciation expense	
Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total}}$	x 100
Net interest- bearing debt	=	Non-current loans from financial institutions + current loans from financial institutions – financial securities – cash in hand and at bank	
iNet gearing (%)	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity}}$	x 100
Earnings per share	=	$\frac{\text{Profit/loss for the period}}{\text{Average number of outstanding shares in theaccounting period}}$	
Earnings per share before goodwill amortization	=	$\frac{\text{Profit/loss for the accounting period + goodwillamortization}}{\text{Average number of outstanding shares in theaccounting period}}$	

Espoo, August 17, 2017

Nixu Corporation
The Board of Directors

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Nixu in brief:

Nixu Corporation is a cybersecurity company. We work to improve our clients' cybersecurity in solution areas of Corporate IT, Digital Business and Industrial Internet. Our clients trust Nixu in projects where developing, implementing or assessing of information security is a must. We ensure the confidentiality of our clients' data, business continuity and ease-of-access to digital services through planning and mitigation of cybersecurity risks.

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