# FINANCIAL STATEMENTS RELEASE
# January 1–December 31, 2017 (IFRS)

Nixu Corporation

Company release, unofficial translation
March 8, 2018 at 8:30 a.m.

# Growth continued to accelerate with continuous services as the spearhead

## Key facts for July–December 2017:

- Revenue: EUR 17,711 thousand (July–December 2016: 11,408), change +55%. Organic growth +27%. All continuous services increased 151%.
- EBITDA: EUR 449 thousand (695), change -35%, percentage of revenue 3% (6%).
- Adjusted EBITDA: EUR 564 thousand (719), change -22 %, percentage of revenue 3% (6%).
- EBIT: EUR 78 thousand (484), change -84%, percentage of revenue 0% (4%).
- The company started preparations for listing on Nasdaq Helsinki’s Main Market.
- The company had a share issue of EUR 9,750 thousand, directed principally to international institutional investors.
- EBITDA was negatively affected by strategic investments in internationalization, preparations for listing on the main market and the development of technology-based services. The adjusted EBITDA was adjusted by costs related to preparations for listing, EUR 115 thousand (24).

## Highlights for January–December 2017:

- Revenue: EUR 32,279 thousand (21,487), change +50%. Organic growth: +25%. All continuous services increased 118%.
- EBITDA: EUR 1,106 thousand (805), change +37%, percentage of revenue 3% (4%).
- Adjusted EBITDA was EUR 1,375 thousand (866), change +59%, percentage of revenue 4% (4%).
- EBIT: EUR 492 thousand (437), change +13%, percentage of revenue 2% (2%).
- Nixu acquired Expert Solution Support Center B.V. (ESSC), a company specializing in digital identity management support services which operates in the Netherlands, Romania and the USA.
- Nixu acquired the Swedish digital forensics company Bitsec Holding AB and its subsidiaries (Bitsec).
- EBITDA was negatively affected by strategic investments in internationalization, preparations for listing on Nasdaq Helsinki’s Main Market and the development of technology-based services. The adjusted EBITDA was adjusted by costs related to acquisitions and preparations for listing, EUR 269 thousand (61).

## Financial instructions for 2018

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.

In accounting period 2018, Nixu is aiming to grow recognizably faster than its medium-term target, supported by acquisitions and strong organic growth. Nixu will also continue to invest in growth during the financial period and as a result EBITDA is expected to fall below the medium-term goal.

## Key figures

| EUR thousand | 7-12/2017 | 7-12/2016 | 1-12/2017 | 1-12/2016 |
|---|---|---|---|---|
| Revenue | 17,711 | 11,408 | 32,279 | 21,487 |
| Profit/loss for the period | -306 | 202 | -172 | 57 |
| Earnings per share (EUR) | -0.05 | 0.03 | -0.03 | 0.01 |
| EBITDA | 449 | 695 | 1,106 | 805 |
| EBITDA, % of net sales | 2.5 % | 6.1 % | 3.4 % | 3.7 % |
| Adjusted EBITDA[1] | 564 | 719 | 1,375 | 866 |
| Adjusted EBITDA, % of net sales[1] | 3.2 % | 6.3 % | 4.3 % | 4.0 % |
| EBIT | 78 | 484 | 492 | 437 |
| EBIT, % of net sales | 0.4 % | 4.2 % | 1.5 % | 2.0 % |
| Adjusted EBIT[1] | 192 | 508 | 761 | 498 |
| Adjusted EBIT %[1] | 1.1 % | 4.4 % | 2.4 % | 2.3 % |

[1] Extraordinary, non-recurring events that do not belong to normal business operations are handled as adjustment items.Such extraordinary items are, for example, non-recurring costs related to acquisitions and listing that are included in other operating expenses.

The non-recurring costs included in the operating profit of January–December 2017 were EUR 269 thousand (61). The non-recurring costs included in the operating profit of July–December 2017 were EUR 115 thousand (24).

| **EUR thousand** | **31 Dec 2017** | **31 Dec 2016** |
|---|---|---|
| Equity ratio, % | 51.4 % | 47.5 % |
| Net interest-bearing debt | -3,384 | 765 |
| Net gearing, % | -17.9 % | 9.3 % |

The information presented in the Financial Statements Review is unaudited.

## Petri Kairinen, CEO of Nixu: From a consultation company to a cybersecurity service company

2017 was not only a year of strong growth – about 50% – for Nixu, it was also a year of significant strategic development. We have made clear progress on our journey from a consultation company that charges for its services by the hour to our target: a scalable cybersecurity service company. This transformation is based on both introducing technology-based services to support our consultation operations and on the evolution of our consultation services from short assignments to longer-term, continuous service contracts that are not dependent on individual persons.

This is the first time we are publishing our revenue divided into four different types of services: managed security services, continuous services, project-based assignments, and the revenue from the sales of third-party licences. I'm glad to see that the share of all continuous services (managed security services and continuous services) of our revenue has reached 31% on an annual basis, rising by 118%. At the same time, it is also worth noting that Nixu's customer relationships are, in general, very lasting in nature: because we have a partnership with our customers, they choose us for one assignment after another.

The turnover of technology-based services mainly consists of the Nixu Cyber Defense Center (Nixu CDC) service, which has very quickly gained an excellent position in the Finnish market. By the end of 2017, we had secured 19 new clients in both Finland and Sweden, where, in the second half of the year, we were already involved in several digital forensics projects. In summer, we published the news that the Finnish Tax Administration had selected Nixu as its cyber detection partner.

Our international foothold has been strengthened, thanks to the ESSC and Bitsec acquisitions in the summer. In this context, we have learned that, for us, acquisitions are the best way to expand our international presence. In the future, acquisitions will likely continue to be our preferred means to enter new markets. Thanks to the acquisition of ESSC, our recognition in the Netherlands has improved, which will make gaining new clients easier. Support for the strong organic growth (122%) of the operations in the Netherlands (Nixu B.V.) continued to significantly affect Nixu's EBITDA.

We have also made notable investments in the facilitation of growth and the digitalisation of our operations. Even if these measures affect the EBITDA negatively in the short term, we have been able to secure the continued operative profitability between customer prices and salaries.

In 2017, in order to support our growth strategy, we started preparations for listing on Nasdaq Helsinki's Main Market. To secure the supply of capital, we carried out a share issue of about EUR 10 million, directed at international institutional investors. Thanks to this arrangement, we can continue acquisitions whenever we find a target that suits our strategy and our corporate culture.

As the business of our clients becomes increasingly digital while cyber threats are multiplying, it demonstrates clearly that companies need a versatile partner that focuses on cybersecurity, with professionals who are located close to the client. This trend, together with highly skilled, enthusiastic Nixu people, provides us a strong base for continued implementation of our growth strategy.

## Excellent results with determined implementation of growth strategy

Nixu’s growth strategy was published in 2014, when the company was first listed in Nasdaq Helsinki's First North Finland marketplace. 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.

It can be concluded that by the end of 2017, the company has made determined progress in implementing the strategy. Nixu has demonstrated sustained development in its strategic development areas, namely internationalization, continuous services, and the best workplace for cybersecurity professionals.

### Internationalization

Internationalization involves opening several local offices, allowing Nixu to serve regional clients directly and provide comprehensive cybersecurity services on a local basis.

The internationalization efforts began in earnest in 2015, when Nixu established a subsidiary in the Netherlands. In 2016, the company continued along the path to internationalization by joining forces with two Swedish information security companies, when Nixu acquired Europoint Networking AB and Safeside Solutions AB. In that year, Nixu founded a new subsidiary in the United States to ensure the ability to provide more efficient and effective local support for its clients.

In 2017, the internationalization took a leap forward when Nixu acquired ESSC, a Dutch company with global operations specializing in digital identity management support services, and Bitsec, a Swedish digital forensics company. By the end of 2017, Nixu had significant operations in Finland, Sweden, the Netherlands, Romania and the United States. Nixu is a global company that provides local services for its international clients. In 2017, the share of international sales grew significantly and reached 35% of the revenue of the Nixu Group.

### Continuous services

Nixu’s strategic target is to be a comprehensive cybersecurity partner for our clients. As part of this strategy, Nixu is building a portfolio of continuous, technology-based, scalable services. These managed services are seamlessly integrated in the company’s consultation operations. This is how Nixu secures its ability to be a true and holistic cybersecurity partner for its clients while ensuring lasting customer relationships and competitiveness in the international market.

In 2015, Nixu rolled out the Nixu Cyber Defense Center (Nixu CDC) service. This technology-based service package allows Nixu to provide its clients with a digital environment for real-time supervision and intrusion investigation and an up-to-date snapshot of their organizations’ web service threats. The CDC service is operational 24 hours a day, seven days a week.

In 2017, the demand for Nixu CDC continued its stable growth. Nixu secured several important new customers and expanded its customer base in Sweden.

The ESSC acquisition that also took place in 2017 stregthened Nixu’s experience in service-based deliveries and increased the revenue from continuous services.

### Best workplace

One of the three strategic development areas consists of the motivation and skills development of expert personnel and recruiting and cultivating new cybersecurity experts. As the demand for cybersecurity services has increased rapidly due to the increased digitalization of society and the number of global security breaches has exploded, the competition for the top experts in the field has become fierce. For this reason, the company is determinedly improving Nixu as a workplace and supports the professional development of its employees by constantly providing them opportunities for training and on-the-job learning.

In 2017, Nixu continued its investments in recruiting and its determined efforts to stregthen its values and the corporate culture and to develop the management work. NixuCode, the Nixu framework for culture and conduct, was rolled out internally to guide and support the day-to-day work of everyone at Nixu.

## Revenue and profit in January–December 2017

The Nixu Group's revenue stood at EUR 32,279 thousand (21,487). Compared to the previous review period, revenue increased by 50%. The most significant factors contributing to the group's increased revenue were the strong organic growth of 25% and the acquisitions that increased Nixu's revenue by 25%.

Development of net sales broken by the type of service was:

- Projects and assignments accounted for a 66% share of the revenue (76%) and increased 30% during the accounting period.
- All continuous services accounted for 31% of the revenue (21%) and increased 118% compared to the previous accounting period. All continuous services include:
    - Managed services, which accounted for 7% of the revenue (4%). Thanks to the success of Nixu Cyber Defense Center -service, managed services were the fastest growth area with their growth figure of 168%.
    - Continuous services accounted for a 24% share of the revenue (18%) and increased 108% over the previous year.
- Licenses accounted for 3% of the revenue (2%). The strong growth of 99% was particularly the result of the license sales that took place towards the end of the year.

Other operating income amounted to EUR 554 thousand (599). Other operating income fell by 7%.

Nixu's EBITDA was EUR 1,106 thousand (805). EBITDA increased by 37% over the previous year due to increased revenue. EBITDA was negatively affected by the loss-making international operations, of which the most significant was the negative EBITDA of EUR 638 thousand (743) of Nixu B.V.

The adjusted EBITDA was EUR 1,375 thousand (866). The adjusted EBITDA increased by 59%.  The adjustments, EUR 269 thousand (61), are related to the costs of acquisitions and preparations for listing.

Nixu's EBIT was EUR 492 thousand (437). In addition to the above, EBIT was affected by amortization of EUR 614 thousand (368).

Financial costs amounted to EUR 390 thousand (178). Financial expenses increased by 119% over the previous year due to the increase of interest-bearing debt and currency rate changes.

The earnings for the accounting period 2017 were EUR -157 thousand (57).

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

## Financing and investments

On December 31, 2017, the Nixu Group's balance sheet totaled EUR 36,752 thousand (17,376).

Nixu Corporation acquired the entire stock capital of Expert Solutions Support Center B.V. and Bitsec Holding AB on May 31, 2017 and June 30, 2017, respectively.

On May 29, 2017, Nixu Corporation made a financing agreement with a total value of EUR 8,500 thousand for 5 to 6 years. In addition to this, the company has a credit facility of EUR 1,000 thousand. The loans include standard covenant conditions on the equity ratio and gross operating margin. By December 31, 2017, a total of EUR 5,900 thousand of loans under the financing agreement have been drawn to finance the above acquisitions and strengthen the company's working capital.

On October 25, 2017, Nixu Corporation carried out an accelerated book-building share issue directed at institutional investors, where 750,000 shares were subscribed for the subscription price of EUR 13.00 per share. The cost-adjusted subscription amount of EUR 9,540 thousand has been recorded in Nixu Corporation's invested unrestricted equity reserve.

The company's cash in hand on December 31, 2017 was EUR 11,864 thousand (2,718). Net liabilities on December 31, 2017 amounted to EUR -3,384 thousand (765). The company has a strong financial position, ensuring its ability to invest in growth.

The net cash flow from operating activities was € -853 thousand (115) because of the increase of the working capital needs of the international operations.

## Personnel, leadership and management

At the end of the year, the Nixu Group had 323 (222) employees. The large increase in the number of personnel is explained both by organic growth and the acquisitions of Expert Solution Support Center B.V. and Bitsec Holding AB.

The most exciting customer assignments, the international community of top-notch professionals, and a comfortable work environment guarantee Nixu's experts the best workplace in the industry.

Nixu has grown strongly through both organic growth and acquisitions and expanded its operations into new markets. Despite this, the company has managed to maintain a low organizational structure with little bureaucracy. Community spirit is a key feature of the organization, and the importance of cooperation is built into the operating model, allowing Nixu to utilize its team's top expertise in a versatile manner.

In 2017, Nixu launched the NixuCode 270/360 survey, providing all Nixu employees an opportunity for self-development. Nixu undertook to donate to support education in developing countries with a sum corresponding to the number of responses received to the survey.

In 2017, Nixu measured work satisfaction with three Nixu Pulse surveys that yielded good results. The average overall grade was 3.4/4. Nixuans feel that they can work in their own way (average 3.5/4) and that work is valuable (average 3.4/4). Nixuans feel they have an opportunity to act in accordance with the values in their daily work (average 3.5/4), and that they are proud to work at Nixu (average 3.5/4).

Members of Nixu Corporation's Corporate Leadership Team were Chief Executive Officer Petri Kairinen, Chief Financial Officer Janne Kärkkäinen, Chief Commercial Officer Valtteri Peltomäki, Chief Development Officer Kim Westerlund and (as of October 5, 2017) Chief Personnel Officer Katja Müller.

### Key personnel figures

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Average number during the accounting period | 282 | 191 | 154 |
| Wages and salaries during the accounting period (EUR 1,000) | 17,318 | 12,207 | 9,075* |
| Average employment (years) | 3.9 | 4.2 | 5.3 |
| Average age (years) | 39.4 | 40.3 | 38.7 |
| Permanent employees | 95% | 95% | 92% |
| Part-time employees | 8% | 9% | 13% |
| Women's share of the group's personnel | 16% | 18% | 13% |

* Wages and salaries in the accounting period 2015 according to the FAS standard.

## Annual General Meeting 2017

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's travel policy.

The AGM appointed PricewaterhouseCoopers Oy, a firm of Authorized Public Accountants, as the company's auditor (continuing in the position), and PWC appointed Authorized Public Auditor Heikki Lassila as the Auditor-in-Charge. The AGM agreed that the auditors shall be reimbursed against a reasonable invoice.

The AGM approved the proposal of the Board of Directors that the profit from the accounting period that ended 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 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 the rules governing shareholder association and ownership, employee bonus shares can be acquired from employee shareholders upon termination 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 back company stock 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 acquiring funding for potential future acquisitions. The authorization is valid until October 30, 2019. The board has remaining authorization for 1,176,746 shares.

## Shares and shareholders

| NIXU | Shares traded | Total value (EUR) | High (EUR) | Low (EUR) | Average price (EUR) | Latest (EUR) |
|---|---|---|---|---|---|---|
| Jan–Jun 2017 | 711,483 | 5,274,206 | 9.70 | 6.00 | 7.60 | 8.64 |
| Jul–Dec 2017 | 1,030,397 | 11,944,608 | 14.45 | 8.30 | 10.89 | 11.00 |
| Jan–Dec 2017 | 1,741,880 | 17,218,814 | 14.45 | 6.00 | 9.26 | 11.00 |

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Market capitalization (EUR) | 79,525,985 | 38,550,812 |
| Number of shareholders | 3,141 | 2,498 |
| Total number of sales | 7,241,198 | 6,372,035 |
| Number of the company's own shares held by the company | 11,563 | 7,200 |
| (Treasury shares at the end of 1H17: 10,763) | | |

Nixu has one share series. Each share entitles the holder to equal voting and dividend rights.

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 ESSC
- Directed issue of 100,000 shares, launched to finance the acquisition cost of Bitsec
- Directed issue of 750,000 shares to institutional investors to safeguard the growth strategy

## Dividend proposal

On December 31, 2017, the parent company's assets subject to profit distribution amounted to EUR 20,265,613.74, of which the profit for the period amounts to EUR 246,149.66. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2017. The Board of Directors believes that instead of paying dividends, it is in the shareholders' interest to exploit the growth potential in the company's current markets.

Consequently, the dividend proposal deviates from the Nixu profit distribution policy: "Nixu strives to distribute 30-70 percent of its annual profit to shareholders."

There have been no significant changes in Nixu's financial status since the close of the accounting period.

## Risks and uncertainties

The company has made international growth investments according to 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 is unable 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 and retain the planned number of information security experts, 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 large 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 primarily on organic growth, the company is also constantly searching for growth opportunities from acquisitions. However, there may 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 succeed in integrating 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, a goodwill impairment may be required.

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

## Events after the review period

CEO Petri Kairinen resigned from his position as the market area leader for Finland, and the company's Chief Commercial Officer (CCO), Valtteri Peltomäki, was appointed for the position. Swedish Jesper Svegby was appointed as the new CCO and a member of the Corporate Leadership Team.

## Financial reporting in 2018

The planned date for the Annual General Meeting is Wednesday, April 25, 2018.

The company will publish its half-year financial report for January–June 2018 on Thursday, August 16, 2018. In addition to the half-year financial report and financial statements, Nixu publishes revenue information from the first and third quarters.

Nixu will organize a revenue briefing for analysts, portfolio managers and media representatives on March 8, 2018 at 9:30 a.m. in Helsingin Pörssitalo, address: Fabianinkatu 14, FI-00100 Helsinki, Finland.

The event can also be watched as a live webcast at https://nixu.videosync.fi/2018-03-08-result.

Espoo, March 7, 2018

Nixu Corporation

Board of Directors

# Consolidated Statement of Comprehensive income

| EUR thousand | 1 July - 31 Dec 2017 | 1 July - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| **Revenue** | **17,711** | **11,408** | **32,279** | **21,487** |
| Other operating income | 302 | 155 | 554 | 599 |
| Materials and services | -1,833 | -693 | -2,641 | -1,542 |
| Employee benefit expenses | -11,616 | -7,654 | -21,733 | -14,989 |
| Other operating expenses | -4,114 | -2,522 | -7,353 | -4,751 |
| Depreciation and amortization | -372 | -211 | -614 | -368 |
| **Operating result** | **78** | **484** | **492** | **437** |
| | | | | |
| Finance income | 0 | 8 | 0 | 36 |
| Finance expenses | -246 | -109 | -390 | -178 |
| Finance income and expenses, net | -246 | -102 | -390 | -142 |
| | | | | |
| **Result before taxes** | **-168** | **382** | **102** | **295** |
| | | | | |
| Income tax expense | -138 | -180 | -274 | -238 |
| **Result for the period** | **-306** | **202** | **-172** | **57** |
| | | | | |
| **Other comprehensive income** | | | | |
| | | | | |
| Items that may be reclassified to profit or loss: | | | | |
| Translation differences | -147 | 58 | -184 | 21 |
| **Other comprehensive income for the period, net of tax** | -147 | 58 | -184 | 21 |
| | | | | |
| **Total comprehensive income for the period** | **-453** | **259** | **-356** | **79** |
| | | | | |
| Result for the period attributable to: | | | | |
| Owners of the parent | -306 | 202 | -172 | 57 |
| **Result for the period** | **-306** | **202** | **-172** | **57** |
| | | | | |
| Total comprehensive income for the period attributable to: | | | | |
| Owners of the parent | -453 | 259 | -356 | 79 |
| **Total comprehensive income** | **-453** | **259** | **-356** | **79** |
| | | | | |
| **Earnings per share for profit attributable to the owners of the parent during the year** | | | | |
| | | | | |
| Basic and diluted earnings per share, EUR | -0.05 | 0.03 | -0.03 | 0.01 |

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# Consolidated Statement of Financial Position

| EUR thousand | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Goodwill | 9,764 | 5,570 |
| Other intangible assets | 2,315 | 1,002 |
| Tangible assets | 902 | 869 |
| Deferred tax assets | 41 | 26 |
| **Total non-current assets** | **13,023** | **7,466** |
| | | |
| **Current assets** | | |
| Trade receivables and other receivables | 11,716 | 7,092 |
| Loan receivables | 0 | 6 |
| Current income tax receivables | 149 | 94 |
| Cash and cash equivalents | 11,864 | 2,718 |
| **Total current assets** | **23,729** | **9,909** |
| | | |
| **Total assets** | **36,752** | **17,376** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 95 | 95 |
| Invested unrestricted equity reserve | 17,125 | 6,151 |
| Translation differences | -163 | 21 |
| Retained earnings | 2,016 | 1,881 |
| Result for the period | -172 | 57 |
| **Total equity attributable to owners of the parent** | **18,901** | **8,206** |
| | | |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Borrowings | 213 | 2,390 |
| Deferred tax liabilities | 310 | 216 |
| Other non-current liabilities | 16 | 0 |
| **Total non-current liabilities** | **539** | **2,606** |
| | | |
| **Current liabilities** | | |
| Borrowings | 8,267 | 1,093 |
| Trade payables and other payables | 9,002 | 5,379 |
| Current income tax liabilities | 43 | 93 |
| **Total current liabilities** | **17,311** | **6,564** |
| | | |
| **Total liabilities** | **17,851** | **9,170** |
| | | |
| **Total equity and liabilities** | **36,752** | **17,376** |

# Consolidated Statement of Cash Flows

| EUR thousand | 1 July - 31 Dec 2017 | 1 July - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Result for the period | -306 | 202 | -172 | 57 |
| Adjustments for: | | | | |
| Depreciation and amortization | 372 | 211 | 614 | 368 |
| Other non-cash adjustments | -38 | 7 | 51 | 7 |
| Finance income and expenses, net | 246 | 102 | 390 | 142 |
| Provisions | 0 | 0 | 0 | 0 |
| Income tax expense | 138 | 180 | 274 | 238 |
| Changes in working capital | | | | |
| Change in trade receivables and other receivables | -2,776 | -1,224 | -3,407 | -1,238 |
| Change in trade payables and other payables | 959 | 2,120 | 1,986 | 956 |
| Interests paid | -56 | -86 | -171 | -133 |
| Interests received | 0 | 7 | 0 | 36 |
| Other finance income and expenses, net | -3 | 0 | -3 | 0 |
| Income taxes paid | -270 | -237 | -416 | -318 |
| **Net cash flows generated from operating activities** | **-1,734** | **1,284** | **-853** | **115** |
| **Cash flows from investing activities** | | | | |
| Purchases of tangible assets | -104 | -196 | -122 | -196 |
| Purchases of intangible assets | -64 | -112 | -64 | -112 |
| Payments for business acquistions, net of cash aquired | -396 | -1,634 | -4,005 | -2,606 |
| Proceeds from loans receivable | 6 | 0 | 6 | 0 |
| **Net cash from investing activites** | **-559** | **-1,942** | **-4,186** | **-2,914** |
| **Cash flows from financing activities** | | | | |
| Proceeds from issues of shares and other equity securities | 9,553 | 340 | 9,644 | 340 |
| Proceeds from borrowings | 0 | 0 | 5,850 | 0 |
| Repayments of borrowings | -609 | -358 | -1,027 | -716 |
| Dividend distribution | 0 | 0 | 0 | -550 |
| Purchase of own shares | -2 | -12 | -20 | -12 |
| Finance lease payments | -128 | -103 | -233 | -188 |
| **Net cash from financing activities** | **8,814** | **-134** | **14,214** | **-1,128** |
| **Net decrease(-)/increase in cash and cash equivalents** | **6,521** | **-792** | **9,175** | **-3,926** |
| Cash and cash equivalents at the beginning of the period | 5,368 | 3,496 | 2,718 | 6,633 |
| Exchange gains/losses (-) on cash and cash equivalents | -25 | 14 | -29 | 11 |
| **Cash and cash equivalents at the end of period** | **11,864** | **2,718** | **11,864** | **2,718** |

# Statement of Changes in Equity

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| EUR thousand | Share capital | Invested unrestricted equity | Cumulative translation difference | Retained earnings | Total | Total equity |
| **Equity at 1 Jan 2016 (FAS)** | 95 | 5,402 | 0 | 2,446 | **7,943** | **7,943** |
| Impact of adoption of IFRS | 0 | 0 | 0 | -10 | **-10** | **-10** |
| **Equity at 1 Jan 2016 (IFRS)** | 95 | 5,402 | 0 | 2,437 | **7,933** | **7,933** |
| Result for the period | | | | 57 | **57** | **57** |
| Other comprehensive income for the period: | | | | | | |
| Translation differences | | | 21 | 0 | **21** | **21** |
| **Total comprehensive income for the period** | **0** | **0** | **21** | **57** | **79** | **79** |
| **Transactions with owners:** | | | | | | |
| Share issue | | 750 | | | **750** | **750** |
| Share based payments to employees | | | | 7 | **7** | **7** |
| Dividend distribution | | | | -550 | **-550** | **-550** |
| Purchase of treasure shares | | | | -12 | **-12** | **-12** |
| **Total transactions with owners:** | **0** | **750** | **0** | **-556** | **194** | **194** |
| **Equity at 31 Dec 2016** | **95** | **6,151** | **21** | **1,939** | **8,206** | **8,206** |
| **Equity at 1 Jan 2017** | **95** | **6,151** | **21** | **1,939** | **8,206** | **8,206** |
| Result for the period | | | | -172 | **-172** | **-172** |
| Other comprehensive income for the period: | | | | | | |
| Translation differences | | | -184 | | **-184** | **-184** |
| **Total comprehensive income for the period** | **0** | **0** | **-184** | **-172** | **-356** | **-356** |
| **Transactions with owners:** | | | | | | |
| Issue of shares as consideration for a business combination | | 1,024 | | | **1,024** | **1,024** |
| Share issue deducted with transaction costs | | 9,540 | | | **9,540** | **9,540** |
| Share issue related to 2016 share-based compensation | | 410 | | | **410** | **410** |
| Share based payments to employees | | | | 77 | **77** | **77** |
| **Total transactions with owners:** | **0** | **10,974** | **0** | **77** | **11,051** | **11,051** |
| **Equity at 31 Dec 2017** | **95** | **17,125** | **-163** | **1,844** | **18,901** | **18,901** |

# 1 Notes to the Financial Statements Review

*About this Review*

These consolidated interim financial statements comprise of Nixu Corporation (”the Company”) or (”parent”) and its subsidiaries (together referred to as the “Group” or “Nixu”). Nixu Corporation’s shares are listed on the Nasdaq First North stock market. The parent company is domiciled in Espoo and the registered address is Keilaranta 15, 02150 Espoo.

Notes to the Financial Statements Review have been grouped as follows:

- Results for the period
- People
- Acquisitions and changes in group structure
- Interest-bearing net debt and equity
- Other relevant notes

## 1.1 Basis of preparation

This Financial Statements Review has been prepared in accordance with IAS 34 Interim Financial Reporting. Appendix 2 presents the Group accounting policies applied in the preparation of the consolidated financial statements to be published on 29 March 2018. Accounting policies comply with changes in IFRS standards effective from 1 January 2017. The Financial Statements Review does not include all the information and notes that are presented in the consolidated financial statements. The Board of Directors has approved this Financial Statements Review in its meeting on 9 November, 2017.

The information presented in the Financial Statements Review is unaudited. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

## 1.2 Key accounting estimates

In preparing this Financial Statements Review, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Appendix 2 presents the most significant estimates made by the management in relation to accounting policies and uncertainties.

# 2 Results for the period

This section contains information that is important for understanding the Group's results for the the reporting period:

- Revenue
- Earnings per share

## 2.1 Revenue and segments

The Group's sales revenue is accumulated over time and licenses at a point in time according to the following main service areas and geographical areas:

**Projects and assigments** area includes one-off assignments, whose duration and scope vary from extensive delivery projects to the single control and consulting assignments.

**Total continuous services:**

- **Managed services** includes in addition to Nixu CDC services for example continuous services for user management in which Nixu takes the management responsibility of the technology provided and continuous operational role in supporting customer operations.
- **Continuous services** area includes continuous services other than managed services. They differ from other assignments in that they are based on agreements that are valid until further notice or are based on self-renewing agreements.

**Licenses area** includes the resale of software and technology service licenses in connection with Nixu's other services.

*Revenue by service areas:*

| EUR thousand | 1 Jul - 31 Dec 2017 | 1 Jul - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| **Service type:** | | | | |
| **Projects and assignments** | 11,006 | 8,762 | 21,273 | 16,401 |
| **Total continuous services** | 5,932 | 2,360 | 9,989 | 4,575 |
| Managed services | 1,385 | 490 | 2,153 | 804 |
| Continuous services | 4,547 | 1,870 | 7,835 | 3,771 |
| **Licences** | 773 | 286 | 1,018 | 512 |
| Total | 17,711 | 11,408 | 32,279 | 21,487 |

*Revenue by geographical areas:*

| EUR thousand | 1 Jul-31 Dec 2017 | 1 Jul-31 Dec 2016 | 1 Jan -31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| Finland | 10,999 | 8,890 | 21,054 | 17,702 |
| Sweden | 4,223 | 1,432 | 7,125 | 2,052 |
| The Netherlands | 839 | 305 | 1,288 | 622 |
| United States | 804 | 74 | 1,155 | 156 |
| Other | 846 | 707 | 1,658 | 955 |
| Total | 17,711 | 11,408 | 32,279 | 21,487 |

Revenue by geographical areas is based on the location of the customer with which the contract for services has been made. Part of the services may have been delivered to other countries.

Nixu has only one reportable segment. Revenue and the segment result of the reportable segment are shown in the consolidated statement of comprehensive income and the assets and liabilities of the reportable segment are shown in the consolidated statement of financial position.

## 2.2 Earnings per share

| | 1 Jul - 31 Dec 2017 | 1 Jul - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| Result for the period attributable to the owners of the parent | -306,089 | 201,634 | -171,625 | 57,379 |
| Weighted average number of shares, undiluted | 6,631,083 | 6,203,435 | 6,440,713 | 6,178,435 |
| **Earnings per share, basic (EUR)** | **-0.05** | **0.03** | **-0.03** | **0.01** |
| Impact of shares related to share based incentive plan | 101,080 | 60,000 | 110,073 | 60,000 |
| Weighted average number of shares, fully diluted | 6,732,883 | 6,263,435 | 6,550,786 | 6,238,435 |
| **Earnings per share, diluted (EUR)** | **-0.05** | **0.03** | **-0.03** | **0.01** |

Nixu’s dilutive potential ordinary shares relate to Nixu’s share based incentive plan which is described more in section 3 below.

# 3 People

This section includes information how Nixu rewards employees and key management personnel.

- Employee benefits
- Share-based payments

## 3.1 Employee benefits

Employee benefits recognized in the consolidated statement of comprehensive income are presented in the following table:

| EUR thousand | 1 Jul - 31 Dec 2017 | 1 Jul - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| Wages and salaries | 9,235 | 6,123 | 17,318 | 12,207 |
| Social security expenses | 1,388 | 317 | 1,867 | 607 |
| Share-based payments | 36 | 7 | 77 | 7 |
| Pension expenses - defined contribution plans | 958 | 1,207 | 2,470 | 2,168 |
| **Total** | **11,616** | **7,654** | **21,733** | **14,989** |

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## 3.2 Share-based payments

**Share-based incentive plan 2016**

Nixu issued 120 000 shares to its key employees in November 2016 with a subscription price of EUR 4.96 per share that was below the fair value at the subscription date. Shares are subject to service condition. The plan is classified as an equity-settled share-based incentive plan. This arrangement increased employee benefit expenses and retained earnings by EUR 77 thousand for the financial period ended December 31, 2017 (2016: 7).

Nixu's past practice has been to redeem the shares in case the employee contract is terminated before the end of the vesting period. Therefore the shares vested are recognized in equity when the vesting period ends. During the financial period ended 31 December 2017, the Company recognized EUR 410 thousand (2016: 0) to the invested unrestricted equity reserve for the shares transferred. Related to these shares Nixu had EUR 54 thousand (31 December 2016: 0) loan receivable on 31 December 2017. The Company had recorded EUR 120 thousand liability related to shares paid in cash (2016: EUR 340 thousand).

# 4 Acquisitions and group structure

This section provides information on Nixu's group structure, the acquisitions done during the reporting period, the assets acquired and liabilities assumed as well as the goodwill and other intangible assets recognized related to the acquisitions.

- Acquisitions
- Intangible assets

## 4.1 Acquisitions

Nixu acquired Expert Solution Support Center BV ("ESSC") at the end of May 2017 and Bitsec Holding AB ("Bitsec") on 30 June 2017.

The fair values of the net assets acquired and purchase consideration paid was the following for each acquisition completed during the financial year ended 31 December 2017:

| | 2017 | |
|---|---|---|
| EUR thousand | **Expert Solution Support Center BV** | **Bitsec Holding AB** |
| **Puchase consideration** | | |
| Cash paid | 2,434 | 2,371 |
| Shares issued | 160 | 864 |
| **Total purchase consideration** | **2,595** | **3,235** |
| | | |
| **Fair value** | | |
| Customer relationships | 672 | 474 |
| Tangible assets | 111 | 2 |
| Account receivables and other current and non-receivables* | 537 | 804 |
| Cash and cash equivalents | 1,017 | 4 |
| Non-current and current borrowings | -38 | -25 |
| Deferred tax liabilities | -126 | -113 |
| Account payables and other current payables | -1,255 | -563 |
| **Fair value of the assets acquired** | **917** | **584** |
| **Goodwill**** | **1,677** | **2,651** |
| **Transaction costs recoqnized as other operating expense** | 91 | 63 |

* The fair value of the acquired trade receivables corresponds to the gross amount of the contracts, and all trade receivables are expected to be collected.

**Goodwill is not deductible in taxation.

### Expert Solution Support Center BV

Nixu acquired all of the shares of Expert Solution Support Center BV ("ESSC") in May 2017. ESSC is specialized in digital identity management support solutions and product support services. ESSC's headquarter is located in Amsterdam and it has operations in the United States, Romania and Australia. In addition to the cash consideration paid the purchase consideration was partly paid by 19,136 new shares of Nixu. The fair value of the shares issued was based on the published share price of EUR 8.37 per share on 30 May 2017. The goodwill of EUR 1,677 thousand is attributable to expansion to new business area, expansion to new service platform with 24/7 capacity, workforce, synergies and expected future profits of the business.

## Bitsec Holding AB

Nixu acquired all shares of Bitsec Holding AB in June 2017. Bitsec Holding AB is Swedish digital forensics company. Bitsec Holding has two subsidiaries Bitsec AB and Swedish Forensic Technologies AB (together “Bitsec”). In addition to the cash consideration paid the purchase consideration was partly paid by 100 000 new shares of Nixu. The fair value of the shares issued was based on the published share price of EUR 8.64 per share on 30 June 2017. The goodwill of EUR 2 651 thousand is attributable to market share, workforce, synergies and expected future profits of the business.

The acquisition of Bitsec included arrangement with seller working as a key employee that was considered as a compensation for post combination services rather than purchase consideration. Based on this arrangement EUR 207 thousand was recognized as an asset and is recognized as employee benefit expense during the two years period assuming that the key employee will remain in Nixu’s service.

### Revenue and profit contribution of the acquisitions

The following table discloses revenue and result for the period contributed to the Group during the year of acquisition:

| EUR thousand | ESSC and Bitsec |
|---|---|
| Year | 2017 |
| Revenue | 2,654 |
| Net profit | -345 |

If the acquisitions of ESSC and Bitsec had occurred on 1 January 2017, unaudited consolidated pro-forma revenue and result for the period ended 31 December 2017 would have been EUR 35,0 million and EUR 0,0- million, respectively.

If the acquisitions of Europoint and Safeside had occurred on 1 January 2016, consolidated pro-forma revenue and result for the period ended 31 December 2016 would have been EUR 24,0 million and EUR 0,3 million, respectively. These amounts have been calculated using the results of subsidiaries that have been adjusted for the extra amortization that would have been charged assuming that the fair value adjustments of intangible assets had applied from 1 January 2017 (1 January 2016), together with the consequential tax effects.

The table below summarizes the net cash flows related to the acquisitions:

| **EUR thousand** | **2017** |
|---|---|
| Cash consideration | 4,806 |
| Contingent consideration | 220 |
| Less: balances acquired | |
| Cash | 1,021 |
| Outflow of cash to acquire subsidiaries, net of cash acquired | 4,005 |

## 4.2 Intangible assets and goodwill

The Group's intangible assets comprise of goodwill, customer relationships and other intangible assets such as licenses for computer software.

| EUR thousand | **31 Dec 2017** | **31 Dec 2016** |
|---|---|---|
| Net book amount at 1 January | 6,572 | 2,900 |
| Acquisition of subsidiaries | 5,474 | 3,694 |
| Additions | 385 | 0 |
| Exchange differences | -170 | 11 |
| Amortization | -181 | -33 |
| **Net book amount at 31 December** | **12,080** | **6,572** |

As at 31 December the amount of goodwill was EUR 9 764 thousand (2016: 5 570), the amount of the customer relationships EUR 1962 thousand (2016: 1 002) and the amount of other intangible assets EUR 353 thousand (2016:0)

# 5 Interest-bearing net debt and equity

This section describes the Group's interest-bearing net debt and equity:

- Interest-bearing net debt and derivative financial instruments
- Equity

## 5.1 Interest-bearing net debt and derivative financial instruments

The table below present the calculation of the Group´s interest-bearing net debt:

| Tuhatta euroa | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Non-current borrowings** | | |
| Loans from financial institutions | 0 | 2,021 |
| Finance leases | 194 | 201 |
| Contingent consideration | | 169 |
| Other loans | 19 | 0 |
| **Total non-current borrowings** | **213** | **2,390** |
| Loans from financial institutions | 7,900 | 709 |
| Finance leases | 191 | 161 |
| Contingent consideration | 175 | 222 |
| **Total current loans** | **8,267** | **1,093** |
| **Total loans** | **8,480** | **3,483** |
| Less cash and cash equivalents | 11,864 | 2,718 |
| **Net debt** | **-3,384** | **765** |

### Borrowings

Nixu's loans from financial institutions on 31 December 2017 consist of a EUR 4 000 thousand floating rate loan which was drawn-down in 2014, and variable and fixed rate loans amounting of EUR 5 900 thousand which were drawn-down in 2017 related to then financing arrangement. The interest rates of the loans were between 3,00% and 3,80% during the financial year ended 31 December 2017.

On 29 May 2017, Nixu Oyj entered into a EUR 8 500 thousand and 5-6 years financing agreement, and in addition, the Company has a EUR 1 000 thousand credit facility agreement. The credit facility agreement was not in use as at 31 December 2017. Loans under the financing agreement have been drawn-down to finance the acquisitions and the working capital for a total of EUR 5 900 thousand until 31 December 2017. Loans are partly variable rate and partly fixed rate. Part of the loans will be amortized and part will be paid in full on the maturity date. Part of the loans include capitalised interest.

The loan drawn-down in 2014 has monthly installments and it matures on 9 October 2020. The remaining amount of the loan was EUR 2 030 thousand on 31 December 2017 (31 December 2016: EUR 2 746 thousand and 1 January 2016: 3 463).

The financial covenants in Nixu's loan agreements are the following: equity ratio of at least 35%, EBITDA of at least 1.6 million euro on 31 December 2017, at least 2 million euro on 30 June 2018 and the net debt to EBITDA ratio of 3.5 on 31 December 2018, 3.25 on 30 June 2019 and 3.0 from 31 December 2019 onwards. Covenants have been calculated in accordance with Nixu's previously applied accounting principles (FAS).

The Group did not meet EBITDA covenant as at 31 December 2017. In December 2017 providers of the financing gave to Nixu a waiver from the compliance with the EBITDA covenant and bank loans did not mature. Nixu met other covenant terms. The non-current part the bank loans of EUR 6 601 thousand has been classified as current liabilities as at 31 December 2017 as the waiver related to the compliance with the covenants do cover at least twelve months after the end of the financial year. The covenants will be reviewed next time as at 30 June 2018.

### Derivative financial instruments

On 31 December 2017 the Group has two interest swap contracts outstanding on which 47% (50%) of the loan principal is hedged against cash flow risk. In interest rate swaps, the Company will receive a variable EURIBOR interest of 3 months or 6 months and pay a fixed coupon rate of 0,44% and 0,81%. Interest rate swap contracts will mature on 2020 and 2022. These derivative financial instruments are classified as level 2 in the fair value hierarchy, and their fair value is determined as the present value of the estimated future cash flows based on the observable yield curves. Fair value of the derivatives was EUR 35 thousand negative (31 December 2016: EUR 29 thousand negative).

## 5.2 Equity

### Share issues

During the financial year 2017 the following share issues were carried out and recorded in the invested unrestricted equity reserve:

Directed share issue of 19 163 shares to pay the purchase consideration of ESSC. The fair value of the shares issued and recognized in the equity was based on the quoted share price of of Nixu share EUR 8.37 per share on 30 May 2017. Directed share issue of 100 000 shares to pay the purchase consideration of Bitsec. The fair value of the shares issued was based on quoted share price of the Nixu share of EUR 8.64 per share on 30 June 2017.

To ensure the growth strategy, a directed share issue of 750 000 shares was carried out to institutional investors. The subscription price of the shares was EUR 13 per share. The subscription price of the shares issued was recognized as a whole to the invested unrestricted equity reserve.

Invested unrestricted equity reserve increased by EUR 410 thousand due to the ending of the vesting period related to the employee share remuneration.

### Payments of dividends

No dividends were paid in the financial period 2017 (2016: 550 thousand).

# 6 Other relevant notes

## 6.1 Related party transactions

Following transactions were carried out with related parties:

| EUR thousand | 1 Jul - 31 Dec 2017 | 1 Jul - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| Sales of goods and services | 1 | 3 | 4 | 6 |

| EUR thousand | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Loan receivables from Leadership Team | 13 | 37 |

Loan receivables relate to the share-based incentive plan described in note 3.2.

## 6.2 Contingencies and commitments

**The future aggregate minimum lease payments under non-cancellable operating leases**

| EUR thousand | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Commitments for minimum lease payments:** | | |
| Within 1 year | 1,200 | 185 |
| Later than 1 year and no later than 5 years | 1,758 | 284 |
| **Total** | **2,958** | **469** |

**Commitments**

| EUR thousand | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Mortgages given on own behalf:** | | |
| Business mortgages | 10,119 | 4,119 |
| Lainan määrä | 6,178 | 2,700 |

**Other commitments**

| EUR thousand | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Rental deposits | 170 | 139 |

## 6.3 Events after the balance sheet date

Chief Executive Officer Petri Kairinen left his position as a Finnish market area leader and Chief Commercial Officer Valtteri Peltomäki was appointed to the position. Swedish Jesper Svegby was appointed as a new Chief Commercial Officer and a member of the Corporate Leadership Team.

# Appendix 1 – Key figures of the Group

Nixu presents certain key figures in this release related to the Company's results for the period and financial position. All of those key figures are not accounting measures defined or specified under IFRS and therefore are considered as alternative performance measures.

Nixu presents EBITDA, adjusted EBITDA, operating result, adjusted operating result, equity ratio, interest-bearing net debt, net gearing, EBITDA-% and EBIT-% adjusted with non-recurring items as alternative performance measures and as additional information to the financial measures presented in accordance with IFRS. Management believes that these key figures provide meaningful supplemental information on the statement of comprehensive income and financial position, and are widely used by analysts, investors and other parties and provide additional information to analyze Nixu's performance and capital structure.

Alternative performance measures should not be viewed in isolation or as a substitute to measures presented in the audited IFRS financial statements. Companies do not calculate alternative performance measures in a uniform way, and therefore Nixu's alternative performance measures may not be comparable with similarly named measures presented by other companies.

## Key figures (IFRS)

| EUR thousand | **7-12/2017** | **7-12/2016** | **1-12/2017** | **1-12/2016** |
|---|---|---|---|---|
| Revenue | 17,711 | 11,408 | 32,279 | 21,487 |
| Profit/loss for the period | -306 | 202 | -172 | 57 |
| Earnings per share (EUR) | -0.05 | 0.03 | -0.03 | 0.01 |
| EBITDA | 449 | 695 | 1,106 | 805 |
| EBITDA, % of net sales | 2.5 % | 6.1 % | 3.4 % | 3.7 % |
| Adjusted EBITDA | 564 | 719 | 1,375 | 866 |
| Adjusted EBITDA, % of net sales | 3.2 % | 6.3 % | 4.3 % | 4.0 % |
| EBIT | 78 | 484 | 492 | 437 |
| EBIT, % of net sales | 0.4 % | 4.2 % | 1.5 % | 2.0 % |
| Adjusted EBIT | 192 | 508 | 761 | 498 |
| Adjusted EBIT % | 1.1 % | 4.4 % | 2.4 % | 2.3 % |

| EUR thousand | **31 Dec 2017** | **31 Dec 2016** |
|---|---|---|
| Equity ratio, % | 51.4 % | 47.5 % |
| Net interest-bearing debt | -3,384 | 765 |
| Net gearing, % | -17.9 % | 9.3 % |

## Reconciliation of alternative performance measures

| | 1 Jul - 31 Dec 2017 | 1 Jul - 31 Dec 2016 | 1 Jan - 31 Dec 2017 | 1 Jan - 31 Dec 2016 |
|---|---|---|---|---|
| Operating result | 78 | 484 | 492 | 437 |
| + Depreciation | 372 | 211 | 614 | 368 |
| = EBITDA | 449 | 695 | 1,106 | 805 |
| | | | | |
| EBITDA | 449 | 695 | 1,106 | 805 |
| + Costs related to listing and business combinations | 115 | 24 | 269 | 61 |
| = Adjusted EBITDA | 564 | 719 | 1,375 | 866 |
| | | | | |
| Operating result | 78 | 484 | 492 | 437 |
| + Costs related to listing and business combinations | 115 | 24 | 269 | 61 |
| = Adjusted operating result | 192 | 508 | 761 | 498 |

## Formulas for the key figures

**EBITDA** is calculated by adding depreciation and amortization to the operating result.

**Adjusted EBITDA** is calculated by adding adjustment items to EBITDA.

**Adjustment items** are material items outside the ordinary course of business, which costs related to the transition to Nasdaq Helsinki Stock Exchange list and costs related to acquisitions.

**Adjusted operating result** is calculated by adding adjustment items to EBIT.

**Equity ratio** is calculated by dividing total equity by total balance sheet less received advances.

**Net interest-bearing debt**. Cash and cash equivalents deducted from total financial debt (current and non-current borrowings).

**Net gearing** is calculated by dividing net debt by total equity.

**Earnings per shares, basic** is calculated by dividing total result attributable to owners of the parent by average number of outstanding shares during period.

**Earnings per shares, diluted** is calculated by dividing total result attributable to owners of the parent by average number of diluted outstanding shares during period.

# Appendix 2 – Accounting policies and areas including significant management judgement and estimates

Nixu has applied the following accounting polices in its financial statements to be published at 29 March 2018

## Section: Results for the period

### Revenue

All revenue is recognized on a gross basis, because Nixu acts as a principal towards the customer. Net sales are reported after the deduction of indirect taxes and any discounts allowed.

Nixu accounts for each service and license as a separate performance obligation, because they are separately identifiable and customer can benefit from each service and product separately. Service contracts do not involve significant customization of the software.

Contracts with customers include some variable consideration, such as discounts, target prices, or sanctions related to the achievement of a service level. Nixu estimates the amount of variable consideration based on expected value at the inception of the contract and at the end of each reporting period, and includes in the transaction price only the amount that meets criteria of being highly probable. The transaction price is allocated to the service obligations based on their relative standalone selling prices. Nixu does not grant its customers payment terms exceeding one year, and the contracts do not include significant financing components.

#### Projects and assignments

Revenue from projects and assignments is recognized over time in the accounting period in which the services are rendered. The performance related to the projects does not create an asset with an alternative use, and Nixu has an enforceable right to payment for the performance completed.

For projects and assignments agreements which are invoiced on time incurred, revenue is recognized in the amount to which Nixu has a right to invoice on monthly basis. Revenue from projects is recognized based on service provided by the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent in proportion to the total expected labour hours. If the services rendered by Nixu exceed the payment, a contract asset is recognized. The contract asset is transferred to receivables when entitlement to payment becomes unconditional. If the payments exceed the services rendered, a contract liability is recognized. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

### Managed services and continuous services

When Nixu's customer receives and consumes simultaneously the benefits from the services, Nixu recognizes revenue as managed services, other continuous services, software when provided as a service (SaaS), and maintenance services are provided. As a general rule, revenue is recognized in the amount to which Nixu has a right to invoice on monthly basis

Contracts on continuous services normally include only one service obligation, which is a series of distinct services. Contractual penalties relating to service levels are recognized as an adjustment to net sales. The requirement for the allocation of variable consideration to a distinct service in a series is met in continuous services, where Nixu allocates and recognizes variable consideration in the period during which it has a contractual right to a fee.

### License revenue

Revenue from software licenses is recognized at a point in time upon delivery of the software when the customer has obtained an access to software and the customer is able to benefit the software. License revenue also includes maintenance services, for which revenue is recognized over time as the customer simultaneously receives and consumes the benefit from the service.

### Contract costs

Where the criteria for capitalization are met, Nixu recognizes as an asset the incremental costs of obtaining a contract, such as sales bonuses, and the costs to fulfil a contract, such as set-up costs at the inception of the contract. The incremental costs of obtaining a contract that meet the capitalization criteria are presented in the statement of financial position as part of the contract asset. Any incremental costs of obtaining a contract are recognized as an expense as incurred if the amortization period of such capitalized costs would be one year or less. Costs to fulfil a contract recognized as an asset are amortized in 1 to 3 years depending on the contract period.

### Application of practical expedients

Nixu applies the practical expedients relating to a significant finance component as well as to the recognition of the incremental costs of obtaining a contract. Furthermore, as permitted under IFRS 15, Nixu applies the practical expedient and does not disclose the transaction price allocated to unsatisfied performance obligations where the expected contract period is one year or less or where Nixu recognizes revenue based on invoiced amounts as permitted in accordance with the practical expedient under IFRS 15.

## Other operating income and expenses

Government grants are recognized at fair value where there is a reasonable assurance that the grant will be received and the group will comply with the attached conditions. Government grants are recognized in the income statement in the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and accordingly directly reduce the annual depreciation of the underlying asset.

Research and development costs are expensed as incurred, except for certain development costs, which are capitalised as they generate future economic benefits, and Nixu can the measure the cost reliably. Capitalised development costs are amortized on a systematic basis over their expected useful lives. Nixu does not have any capitalized development costs in its financial statements.

### Income tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's companies operate and generate taxable income. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the reporting period (excluding any treasury shares).

Diluted earnings per share adjusts the figures used in the determination of the basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Section: People

### Employee benefits

#### Short-term employee benefit obligations

Short-term employee benefits include salaries including fringe benefits and annual leave payments payable within 12 months. Short-term employee benefits are recognized as other liabilities in respect of employee service up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled.

A liability is recognized for the amount expected to be paid under short-term cash bonus plan if the criteria for paying such bonuses are met.

#### Defined contribution plans

For defined contribution plans, contributions are paid to pension insurance companies. Once the contributions have been paid, there are no further payment obligations. Contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

### Employee share-based incentive plan

Share based incentive plans are accounted for either as equity or cash settled. In Nixu's share based incentive plan the employees (including senior executives) of the Group receive shares in exchange for the shares. Nixu may obtain the necessary shares by using its treasury shares or may purchase shares from the market.

## Section: Acquisitions and group structure

### Acquisitions

The acquisitions are accounted for using the acquisition method. The cost of the acquisition is measured at the fair value of consideration transferred comprising of the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued as purchase consideration, and fair value of any contingent consideration arrangement. The excess of the aggregate of the consideration transferred over the fair value of the net identifiable assets acquired is goodwill.

On the acquisition of a subsidiary, fair values are attributed to the net assets including identifiable intangible assets and contingent liabilities acquired.

#### Key judgements and estimates

Net assets acquired through business combinations are measured at fair value. The measurement of fair value of the acquired net assets is based on an estimate of market value or an estimate of expected cash flows (intangible assets) or an estimate of the market value of similar assets (machinery and equipment). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values.

### Intangible assets and goodwill

Goodwill represents the excess amount the Group has paid in acquiring a business over the fair value of the assets and liabilities acquired. Goodwill is carried at cost less any accumulated impairment losses and is considered as having an indefinite useful economic life. It is allocated to the cash generating unit of which the acquisition forms part. Goodwill is not amortized and is tested for impairment at least annually or when there is an indication of impairment.

Customer relationships, which are considered separately identifiable, are acquired assets obtained through business combinations and they are measured at fair value at the date of acquisition. Customer relationships are subsequently carried at cost less accumulated amortization and impairment losses. Customer relationships are amortized in 10 to 12 years. All other intangible assets are carried at cost less any accumulated amortization and impairment losses. Other intangible assets are amortized in 3 to 5 years.

### Key judgements and estimates

Nixu's management has estimated the useful life of the customer relationships recognized on the acquisitions. Useful lives are estimated at each balance sheet date and adjusted when necessary.

Management is required to make significant estimates and judgements in determining the level at which the goodwill is allocated to and in assessing the carrying value of goodwill. Nixu tests goodwill annually and other intangible assets when there is an indication that the assets may be impaired (assessed at least each reporting date). The goodwill is allocated to groups of cash-generating units, which are the operating segments of Nixu, reflecting the lowest levels at which the goodwill is monitored for internal management purposes. The recoverable amount is the higher of CGU’s fair value less costs of disposal and value in use. The value in use calculations are based on discounted cash flows expected to arise from the goodwill.

Estimates and judgements are subject to change as a result of changing economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

Goodwill’s carrying amount is written down to its recoverable amount if goodwill’s carrying amount is greater than its estimated recoverable amount. An impairment loss recognized for goodwill is not reversed in a subsequent period. Any impairment charge is recognized in the income statement if the carrying amount of a CGU exceeds its recoverable amount.

Other intangible assets are tested by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

## Group structure

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Assets and liabilities in  subsidiaries are translated into euro at the rate prevailing on the balance sheet date. Income and expenses in  subsidiaries are translated into euro using an average rate. Translation differences that arise when translating the financial statements of subsidiaries are recognized in other comprehensive income and accumulated in a separate component of equity, called translation differences.

Foreign currency denominated transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or if items have been revalued, at the measurement dates exchange rates. Foreign exchange gains and losses arising in respect of business operations, such as sales and purchases, are recognized in EBIT. Foreign exchange differences arising from financing transactions are recognized in finance costs.

Non-controlling interests in the net assets of consolidated entities are allocated their share of net profit after tax in the income statement, and are identified separately from the Group's equity in those entities.

# Section: Interest-bearing net debt and equity

## Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are classified as held for trading

The fair value of interest rate swaps is determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates at the measurement date.

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

## Equity

Ordinary shares are classified as equity. Incremental expenses directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the parent company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the owners of the parent company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the parent company.

Invested unrestricted equity fund includes, subject to the Companies Act, the subscription price of the investments made by the shareholders to the Company unless otherwise decided by the Company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

# Section: Other relevant notes

## Tangible assets

Nixu's tangible assets mainly comprise of computers, laptops, other office equipment, cars and leasehold improvements. They are stated at cost less accumulated depreciation and impairment losses. Cost comprise of expenditure that is directly attributable to the acquisition of the item and subsequent expenses incurred to replace parts that are eligible for capitalization. The machinery and equipment are depreciated in five years. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset or in the case of leasehold improvements and leased assets (cars and laptors) over the period of the lease or useful life of the asset, whichever is the shorter. An item of machinery and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognized within other income or other operating costs in the income statement in the period the disposal occurs.

## Leased assets

Nixu has classified lease agreements related to laptops and company cars as finance leases. Leases are classified as a finance lease when the risks and rewards related to ownership are substantially held by Nixu. From finance lease agreements, Nixu recognizes the asset and related liability in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. Minimum lease payments made under the finance lease are apportioned between finance cost and the reductions of the outstanding liability. The finance cost is allocated to each year during the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The lease asset is depreciated in accordance with Nixu's policy for tangible assets. Other leases are classified as operating leases.

## Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. The amount of the impairment loss is recognized in profit or loss. When a trade receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against expenses in profit or loss.

## Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost. They represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid. The amounts are unsecured and are paid in accordance with the Group's terms of trade. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period.

## Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Key judgements and estimates

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax assets are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management’s estimates of future cash flows that relate among others to the amount of future net sales, operating costs and finance costs. The Group’s ability to generate taxable income depends also on factors related to general economy, finance, competitiveness and regulations that the Group is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized.

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Nasdaq
main media
www.nixu.com

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