nixu cybersecurity.

The report of the Board of Directors and Consolidated Financial Statements | 2017

Part of Nixu's Annual Report

Contents

Report of the Board of Directors

The development of Nixu Group in the accounting period January 1–December 31, 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.

Group structure

During the accounting period, the Nixu Group continued its expansion through the acquisition of the Dutch company Expert Solution Support Center B.V. and the Swedish company Bitsec AB.

At the close of the accounting period, the Group had the following fully-owned subsidiaries: Nixu Certification Oy, Nixu B.V., Nixu AB, Nixu Consulting AB, Nixu Inc, Expert Solution Support Center B.V. and Bitsec Holding AB. Additionally, the Nixu Group included the subsidiaries of Expert Solution Support Center B.V. (Expert Solution Center SRL and Expert Solution Support Center Inc.; both fully-owned subsidiaries) and Bitsec Holding AB (Bitsec AB; fully-owned and Swedish Forensic Technologies AB, 56 percent of which is owned by the subsidiary).

Personnel

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).

Key indicators for the group

The January 1–December 31, 2017 accounting period was the company's 29th. The following key figures represent the company's financial status and the development of its result:

EUR thousand	IFRS **2017**	IFRS **2016**	FAS **2016**	FAS **2015**
Revenue	32,279	21,487	21,578	18,013
EBIT	492	437	116	1,194
EBIT, % of net sales	1.5%	2.0%	0.5%	6.6%
Equity ratio, %	51.4%	47.5%	50.9%	52.6%

Key personnel figures

	2017	**2016**	**2015**
On average during the accounting period	282	191	154
Wages and salaries during the accounting period (EUR 1 000)	17,318	12,207	9,075*
Average lenght of 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 oh the groups´s personnel	16%	18%	13%

* Wages and salaries during the fiscal year 2015 in accordance with the FAS standard.

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

	31 Dec 2017	31 Dec 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

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.

Management

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.

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.

The company's auditor is audit firm PricewaterhouseCoopers Oy, the auditor in charge being Authorized Public Auditor Heikki Lassila.

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.

Shares, shareholders, and structural reorganization

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.

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.

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.

On April 19, 2017, the Annual General Meeting authorized the Board of Directors to decide upon acquiring the company's own shares 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 cessation of their employment. 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 accounting 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 that are 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 the authorization to issue a further 1,176,746 shares.

Research and development

In 2017, the Nixu digitalization strategy gained considerable traction. The One Nixu Platform, a solution that provides an identical real-time snapshot for both clients and Nixu experts, was adopted by the majority of our clients and our service teams, and is currently used in most of our client assignments. Our goal is to provide tools for visualizing the client's cybersecurity status in a way that supports the client's decision-making and situational leadership and helps to establish Nixu's status as a comprehensive cybersecurity partner for its clients.

Nixu served as one of the flagship companies in an EU-organized EU-SEC research development project that focused on creating a general framework for implementing and auditing information security in cloud services. In 5G-Ensure, an EU-organized Horizon 2020 project that was completed in late 2017, Nixu was tasked with information security monitoring planning for future 5G networks. Nixu has plans for participating in new joint EU research projects with its European partners.

For the accounting period that ended on December 31, 2017, the Nixu Group recognized research and development costs amounting to EUR 623 thousand in its result (in 2016: EUR 535 thousand).

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.

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.

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.

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.

Consolidated statement of comprehensive income

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Revenue	2.1	**32,279**	**21,487**
Other operating income	2.4	554	599
Materials and services	2.3	-2,641	-1,542
Employee benefit expenses	3.1, 3.2, 3.3	-21,733	-14,989
Other operating expenses	2.4	-7,353	-4,751
Depreciation and amortization		-614	-368
Operating result		**492**	**437**
Finance income	5.2	0	36
Finance expenses	5.2	-390	-178
Finance income and expenses, net		-390	-142
Result before taxes		**102**	**295**
Income tax expense	2.5	-274	-238
Result for the period		**-172**	**57**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation differences		-184	21
Other comprehensive income for the period, net of tax		**-184**	**21**
Total comprehensive income for the period		**-356**	**79**
Result for the period attributable to:			
Owners of the parent		-172	57
Result for the period		**-172**	**57**
Total comprehensive income for the period attributable to:			
Owners of the parent		-356	79
Total comprehensive income		**-356**	**79**
Earnings per share for profit attributable to the owners of the parent during the year	2.6		
Basic and diluted earnings per share, EUR		-0.03	0.01

The notes are an integral part of these financial statements.

Consolidated balance sheet

EUR thousand	Note	31 Dec 2017	31 Dec 2016	1 Jan 2016
ASSETS				
Non-current assets				
Goodwill	4.2	9,764	5,570	2,900
Other intangible assets	4.2	2,315	1,002	0
Tangible assets	6.1	902	869	718
Deferred tax assets	7.1	41	26	2
Total non-current assets		**13,023**	**7,466**	**3,620**
Current assets				
Trade receivables and other receivables	6.2	11,716	7,092	5,193
Loan receivables		0	6	0
Current income tax receivables		149	94	0
Cash and cash equivalents		11,864	2,718	6,633
Total current assets		**23,729**	**9,909**	**11,826**
Total assets		**36,752**	**17,376**	**15,446**
EQUITY AND LIABILITIES				
Equity				
Share capital		95	95	95
Invested unrestricted equity reserve		17,125	6,151	5,402
Translation differences		-163	21	0
Retained earnings		2,016	1,881	2,437
Result for the period		-172	57	0
Total equity attributable to owners of the parent	3.2, 5.4	**18,901**	**8,206**	**7,933**
Liabilities				
Non-current liabilities				
Borrowings	5.1, 5.3	213	2,390	2,948
Deferred tax liabilities	7.1	310	216	0
Other non-current liabilities		16	0	0
Total non-current liabilities		**539**	**2,606**	**2,948**
Current liabilities				
Borrowings	5.1, 5.3	8,267	1,093	839
Trade payables and other payables	6.3	9,002	5,379	3,483
Current income tax liabilities		43	93	243
Total current liabilities		**17,311**	**6,564**	**4,564**
Total liabilities		**17,851**	**9,170**	**7,513**
Total equity and liabilities		**36,752**	**17,376**	**15,446**

The notes are an integral part of these financial statements.

Consolidated statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flows from operating activities			
Result for the period		-172	57
Adjustments for:			
Depreciation and amortization		614	368
Other non-cash adjustments[1]		51	7
Finance income and expenses, net	5.2	390	142
Income tax expense	2.5	274	238
Changes in working capital			
Change in trade receivables and other receivables		-3,407	-1,238
Change in trade payables and other payables		1,986	956
Interests paid		-171	-133
Interests received		0	36
Other finance income and expenses, net		-3	0
Income taxes paid		-416	-318
Net cash flows generated from operating activities		**-853**	**115**
Cash flows from investing activities			
Purchases of tangible assets	6.1	-122	-196
Purchases of intangible assets	4.2	-64	-112
Payments for business acquistions, net of cash aquired	4.1	-4,005	-2,606
Proceeds from loans receivable		6	0
Net cash from investing activites		**-4,186**	**-2,914**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	3.2, 5.4	9,644	340
Proceeds from borrowings	5.1	5,850	0
Repayments of borrowings	5.1	-1,027	-716
Dividend distribution		0	-550
Purchase of own shares	5.4	-20	-12
Finance lease payments		-233	-188
Net cash from financing activities		**14,214**	**-1,128**
Net decrease(-)/increase in cash and cash equivalents		**9,175**	**-3,926**
Cash and cash equivalents at the beginning of the period		2,718	6,633
Exchange gains/losses (-) on cash and cash equivalents		-29	11
Cash and cash equivalents at the end of period		**11,864**	**2,718**

1) Consists primarily of adjusting the recognized personnel expenses for share-based compensation.

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

EUR thousand	Note	Share capital	Invested unrestricted equity reserve	Cumulative translation difference	Retained earnings	Total	Total equity
		Attributable to owners of the parent					
Equity at 1 Jan 2016 (FAS)		**95**	**5,402**		**2,446**	**7,943**	**7,943**
Impact of adoption of IFRS	7.6				-10	-10	-10
Equity at 1 Jan 2016 (IFRS)		**95**	**5,402**		**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:							
Issue of shares as consideration for a business combination	4.1, 5.4		750			750	750
Share based payments to employees	3.2				7	7	7
Dividend distribution					-550	-550	-550
Purchase of treasure shares	5.4				-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	4.1, 5.4		1,024			1,024	1,024
Share issue	5.4		9,540			9,540	9,540
Share issue related to 2016 share-based compensation	3.2, 5.4		410			410	410
Share based payments to employees	3.2				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**

The notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

Section 1: About these financial statements

These consolidated financial statements are for the group consisting of Nixu Corporation ("the Company" or "parent" and its subsidiaries (together referred to as the "Group" or "Nixu").

Nixu is a cybersecurity services company on a mission to keep the digital society running. Our passion is to help organizations embrace digitalization securely. Partnering with our clients we provide practical solutions for ensuring business continuity, an easy access to digital services and data protection. We aim to provide the best workplace to our team of over 300 cybersecurity professionals with a hands-on attitude. With Nordic roots, but based in several continents, we serve enterprise clients worldwide. Nixu Corporation is listed on the Nasdaq First North stock market. The parent company is domiciled in Espoo and the registered address is Keilaranta 15, 02150 Espoo. A copy of the financial statements is available on the Internet at www.nixu.com.

The Board of Directors has approved these financial statements at its meeting on March 7, 2018. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General meeting of Shareholders held after publication of these financial statements. It is also possible to amend the financial statements at the General meeting of Shareholders.

The notes to the consolidated financial statements that follow present information relevant to understanding Nixu's

- Result for the year
- People
- Acquisitions and group structure
- Interest-bearing net debt and equity and
- Other assets and liabilities

Other information that is required to be disclosed to comply with the accounting standards but are not considered to be significant to understand the financial performance or financial position of Nixu are provided at the end of the notes.

Basis of preparation

These consolidated financial statements of Nixu have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (derivative instruments) which are measured at fair value.

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the parent company. Items included in the financial statements of each subsidiary are measured using the currency of primary economic environment in which the subsidiary operates.

Nixu publishes its first consolidated financial statements prepared under IFRS standards for the financial period ended December 31, 2017 with comparative information for the financial period ended December 31, 2016. Nixu applies in these consolidated financial statements IFRS 1 First-time adoption of International Financial Reporting Standards standard with the date of transition January 1, 2016. Nixu has previously applied Finnish Accounting Standards (FAS). The impacts arising from the first-time adoption of the IFRS standards are presented in reconciliations included in note 7.6 to the consolidated financial statements.

Nixu has decided to early adopt the standard IFRS 15 Revenue from contracts with customers by applying all practical expedients. The application of the standard is not mandatory at the end of the first IFRS reporting period ending December 31, 2017.

All amounts presented are in thousands of euros unless otherwise noted and are rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total amount given for that column or row.

Key accounting estimates

In preparing these financial statements, management are 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

- Revenue: Revenue recognition of large fixed-price projects (note 2.1)
- Revenue: Recognition of license revenue - Nixu as an agent (note 2.1)
- Segment information: aggregation of operating segments (note 2.2)
- Acquisitions: Determination of the fair value of the net assets acquired (note 4.1)
- Acquisitions: Management judgement relating to the determination of contingent consideration (note 4.1)
- Intangible assets, including goodwill impairment testing: Allocation of goodwill and estimation of the carrying value (note 4.2)
- Intangible assets, including goodwill impairment testing: The economic useful life of customer relationships (note 4.2)
- Deferred taxes: Recognition of deferred tax assets and deferred tax liabilities (note 7.1)

Section 2: Results for the year

This section contains information relevant to understanding the results and performance of the Group during the reporting period:

- Revenue
- Segment information
- Materials and services
- Other operating income and expenses
- Income taxes
- Earnings per share

2.1 Revenue

Nixu provides a wide range of cybersecurity services and continuous services and sells licenses for both business enterprises and the public sector. Nixu's solutions include the following service concepts: business digitalization, cyber defense, cybersecurity outsourcing, cloud transformation, safety and reliability, compliance and certification, and connected devices. Typically these service concepts and contracts with customers include several types of services as described below in more detail.

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

All continuous services include:

Managed security services, whose turnover mainly consists of Nixu Cyber Defense Center (Nixu CDC). Within these services, Nixu takes the management responsibility of the technology provided and a 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.

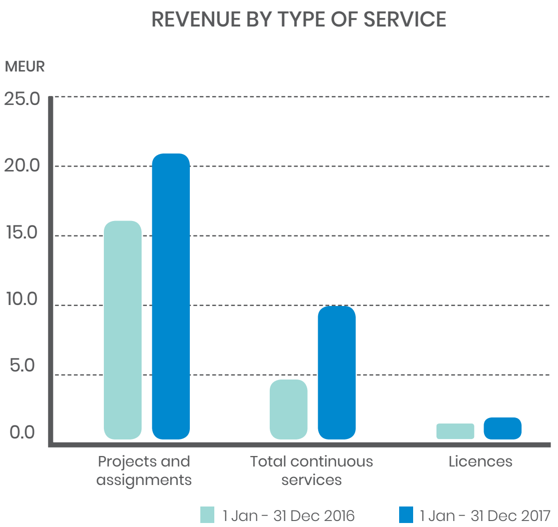
License revenue includes resale of third party software and technology service licenses together with other services. License revenue includes also maintenance services.

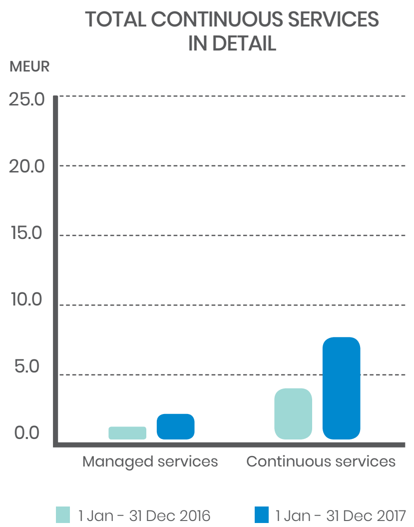
The Group's revenue from contracts with customers is accumulated over time and licenses at a point in time according to the following main service areas and geographical areas:

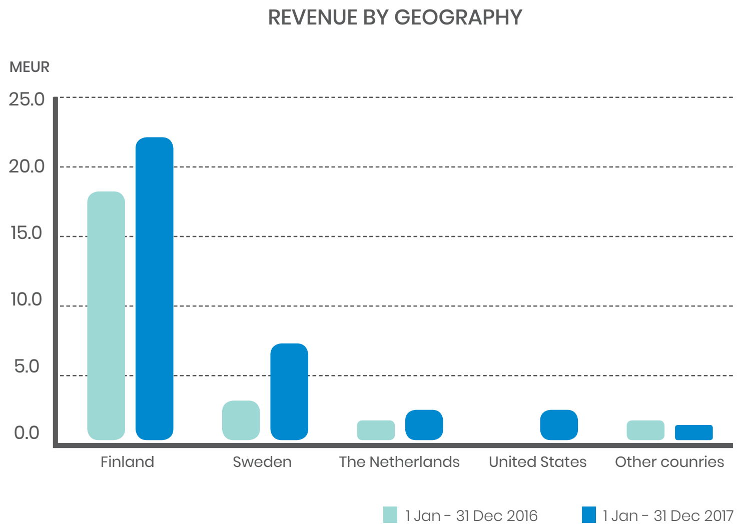
EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Service type:		
Projects and assignments	21,273	16,401
Total continuous services	9,988	4,575
Managed services	2,153	804
Continuous services	7,835	3,771
Licences	1,018	512
Total	**32,279**	**21,487**

EUR thousand	31 Dec 2017	31 Dec 2016
Finland	21,692	18,134
Sweden	7,327	1,857
The Netherlands	1,333	622
United States	1,325	166
Other	602	708
Total	**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.







Contract assets and liabilities

The group has recognized the following revenue-related contract assets and liabilities:

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Contract assets - Projects and assignments	247	302	618
Receivables (Trade receivables)	9,671	5,560	3,372
Contract assets and receivables total	**9,918**	**5,862**	**3,990**
Costs to obtain contracts with customers			
Managed services (CDC)	60	36	12
Licenses and maintenance services related to licenses	485	194	185
Costs to obtain contracts with customers total	**545**	**230**	**197**
Contract liabilities			
Projects and assignments	292	109	98
Manager services	306	133	43
Continuous services	261	0	0
Licenses and maintenance services related to licenses	540	124	98
Contract liabilities total	**1,399**	**366**	**239**

[1)] Included in accrued expenses, see note 6.3 Trade and other payables

Contract assets

Contract assets are recognized for provided services that have not yet been invoiced. For projects and assignments, invoicing is typically based on the performance agreed upon in the contract, which is invoiced monthly on an hourly basis in accordance with the work performed. The charge may also be based on a fixed price which is invoiced gradually. A separate hourly rate has been determined for additional work. The change in the contract assets is mainly due to a normal seasonal variation and to the fact that some of the projects were completed by the year end.

The Cyber Defense Center (CDC) service contracts include set-up costs relating to the implementation of the service, which are capitalized as costs to fulfil a contract and amortized over the contract period. In 2017, the accrued amount of costs to fulfil a contract be amortized on later periods was EUR 24 thousand (EUR 24 thousand). The CDC service launched in 2015 has grown significantly in a short period of time, which explains the change in the assets and liabilities. Also the contracts with customers relating to software acquired from third parties and provided as a service include costs that have been capitalized as costs to fulfill contract and amortized over the contract period. Costs to fulfill these contracts amortized as an expense amounted to EUR 291 thousand in 2017 (2016: EUR 9 thousand).

The sales of continuous services and accordingly the contract assets and liabilities increased in 2017 as a result of the acquisition of ESSC and of sales that occurred towards the end of the year.

Contract liabilities

Contract liabilities are recognized for payments received from services that have not been provided. Revenue from CDC implementation services has been recognized by Nixu as a contract liability and amortized over the period during which continuous managed CDC services are provided. In all continuous services, i.e. managed cybersecurity services and continuous services the performance provided is typically based on a fixed monthly fee, and payment takes place monthly. Nixu Dedicated Support Services are an exception, where invoicing for some contracts with customers is front-loaded.

For licenses, the time of payment for the performance provided is typically determined by the time of delivery. For license maintenance fees, the payment is often made in advance for the year to follow.

Payment terms for all contract types vary between 14 and 60 days.

Accounting policy

All revenue is recognized on a gross basis, because Nixu acts as a principal towards the customer. Revenues 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 in continuous services. 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 performance 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 fixed-price 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.

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 performance obligation, which is a series of distinct services. Contractual penalties relating to service levels are recognized as an adjustment to revenue. 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 from 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 and costs to fulfil 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 practical expedient permitted in IFRS 15 of recognizing incremental costs of obtaining contract and disclosing part of unrecognized revenue of projects and assignments and managed services and continuous services (transaction price allocated to performance obligations not satisfied) as contracts of these services have an expected duration of less than one year (contracts for managed services and continuous services are continued until further notice or can be terminated within a year as a general rule) or Nixu recognizes revenue based on invoicing.

Key judgements and estimates

Fixed-price projects

The fixed-price projects mainly consist of separate audit and consultation assignments with an average duration of 6 months. The deliveries of some more extensive fixed-price solutions may involve uncertainties, such as delays in projects or costs incurred in excess of initial estimates. For this types of projects, management uses judgement and assesses the amount recognized as revenue from the project. Estimates of revenues, costs or extent of progress toward completion of projects and assignments 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.

License revenue – Nixu as principal

Nixu has used judgement to assess whether Nixu is a principal or an agent in sales of third party software and technology service licenses. As Nixu grants customer a right to use a license, Nixu is responsible for fulfilling contractual obligations related to licenses, Nixu sets prices and independently sells the licenses mainly as a part of Nixu's other services and the license owning party only provides limited support services to Nixu, Nixu has concluded to be a principal on the arrangement.

2.2 Segment information

Nixu has only one reportable segment. Nixu's CEO is the Group's chief operating decision maker (CODM) and operating segments are determined on the basis of information reviewed by the CEO for the purposes of allocating resources and assessing the operating segment's performance.
The CODM of Nixu has determined that there are four operating segments: Finland, Sweden, Benelux and Dedicated Support services (DS).

Finland, Sweden and Benelux operating segments provide cyber security services consisting of projects and assignments, continuous services and license sales. Dedicated support services specializes in digital identity management support solutions and product support services. The management of Nixu has decided to aggregate these operating segments into one reportable segment that consists all Nixu's operations. Therefore separate segment information is not disclosed.

Key judgements and estimates

Nixu's management has used judgement when aggregating operating segments into one reportable segment.

All Nixu's operating segments provide either the same or similar type of cyber security services. The focus is on technology-based continuous services, which can be seamlessly integrated into the company's cyber security consultation business.

Based on "One Nixu" management philosophy Nixu has uniform operating model for its customers in each operating segment. Customers are provided with the most optimal set of skills, independent of where the security consultants are located, thus creating a model where one pool of security consultants and same methods of providing services is used for all operating segments' customers.

The customer base and regulatory environment are similar in all operating segments as those are located mainly in the EU area and their operations are not focused on a specific customer type with a distinctive regulatory environment. In addition the long-term growth and profitability trends are considered similar for all operating segments.

The geographical split of the revenue is disclosed in the Revenue section.

The non-current assets (excluding financial instruments and deferred tax assets) by geographical location are shown in the following table.

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Finland	3,896	3,666	3,616
Sweden	6,587	3,748	0
Dedicated Support (DS)	2,402	0	0
Benelux	96	25	2
Total	**12,982**	**7,440**	**3,618**

2.3 Materials and services

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Subcontracting	1,167	969
Hosting and licence expenses	1,251	545
Other	223	29
Total	**2,641**	**1,542**

Materials and services provided include license fees, production costs related to managed services, and other direct costs associated with the provision of the services of the Group.

2.4 Other operating income and expenses

Other operating income mainly includes grants received. The amount of the grants was EUR 457 thousand during the period ended December 31, 2017 (2016: EUR 410 thousand).

Accounting policy

Government grants received as cash are recognized when 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.

Other operating expenses of the Company have been identified in the table below:

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Marketing expenses	704	580
Personnel related expenses	2,283	1,465
ICT expenses	788	564
Facilities	957	726
External services	2,256	1,287
Other operating expenses	365	129
Total	**7,353**	**4,751**

Other operating expenses include overhead expenses such as marketing and professional and consulting fees, telecommunications and information technology related expenses.

During the financial year ended December 31, 2017, the Group recorded EUR 623 thousand (2016: EUR 535 thousand) of research and development expenses in profit or loss.

Other operating expenses include auditor's fees as specified below:

Auditors´ fees (included in other operating expenses)

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Statutory audit	108	40
Other services	102	12
Total	**210**	**52**

Accounting policy

Research and development costs are expensed as incurred, except for certain development costs, which are capitalized as they generate future economic benefits, and Nixu can the measure the cost reliably. Nixu does not have any capitalized development costs in its financial statements.

2.5 Income tax

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Current tax on result for the period	433	319
Adjustments in respect of prior years	-6	0
Total current income tax expense	**427**	**319**
Deferred tax		
Change in deferred tax assets	-128	-34
Change in deferred tax liabilites	-26	-46
Total deferred tax	**-153**	**-81**
Income tax expense	**274**	**238**

Below is the reconciliation of income tax expense to taxes payable:

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Result before taxes	102	295
Tax calculated at Finnish tax rate 20%	20	59
Tax effect of:		
Effect of other tax rates for foreign subsidaries	-21	-40
Expenses not deductible for tax purposes[1]	131	28
Utilization of previously unrecognized tax losses	-2	-7
Unrecognized deferred tax assets on tax losses[2]	157	190
Other items	-4	9
Adjustment in respect of prior years	-6	-1
Income tax expense in income statement	**274**	**238**

1) Non-deductible expenses primarily include transaction costs of acquisitions, expenses accounted as personnel costs in connection with acquisitions and expenses related to share-based compensation arrangement.

2) Operations of Nixu B.V. which is a subsidiary of the Group have been loss-making and Group has not recognized any deferred tax for these losses. In 2017, the amount of tax losses for which no deferred tax asset is recognized was EUR 676 thousand (2016: EUR 758 thousand). These factors described in points 1) and 2) above have a significant impact on the effective tax rate of the Group. Further information on the Group's deferred tax assets have been presented in note 7.1.

Accounting policy

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 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.

2.6 Earnings per share

	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Result for the period attributable to the owners of the parent	-171,625	57,379
Weighted average number of shares, undiluted	6,440,713	6,178,435
Earnings per share, basic (EUR)	**-0.03**	**0.01**
Impact of shares related to share based incentive plan	110,073	60,000
Weighted average number of shares, fully diluted	6,550,786	6,238,435
Earnings per share, diluted (EUR)	**-0.03**	**0.01**

Nixu's dilutive potential ordinary shares relate to Nixu's share-based incentive plan which is described more in section 3.2 under heading Employee share-based incentive plan.

Accounting policy

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 3: People

This section includes information how Nixu rewards its employees and key management personnel. The section includes details of employee benefits, share-based incentive plans and related party information related to the remuneration of key management personnel as follows:

- Employee benefits
- Share-based payments
- Key management personnel disclosures

Accounting policy

Short-term employee benefit obligations

Short-term employee benefits include salaries including fringe benefits and vacation pays 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 bonus plan if the criteria for paying such bonuses are met.

3.1 Employee benefit expenses

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Wages and salaries	17,318	12,207
Social security expenses	1,867	607
Share-based payments	77	7
Pension expenses - defined contribution plans	2,470	2,168
Total	**21,733**	**14,989**

	2017	2016
Number of employees at the end of period	323	222
Average number of employees during the period	282	191

Nixu has employees in Finland, Sweden, Netherlands, US and Romania. Company's pension plans in the countries of operations are defined contribution plans.

The Group's employees are involved in the performance-based bonus scheme. The bonus is based on the Group's, the unit's and the team's financial indicators and on personal performance goals. In Finland, if the employee chooses, the annual bonuses are transferred to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group's financial success. The Personnel Fund is owned and managed by the employees and it operates under the Personnel Fund Act that owned 37,910 Nixu's shares as at December 31, 2017. The amount of the annual bonuses transferred to the Personnel Fund in 2017 was EUR 351 thousand. The Personnel Fund was established in October 2016.

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.

3.2 Employee share-based incentive plan

Share-based incentive plan 2016

Nixu issued 120,000 new shares to its key employees in November 2016 with a subscription price of EUR 4.96 per share that was below the fair value. In connection of the share issue, Nixu granted loans amounting to EUR 271 thousand to employees for the payment of the subscription price of the new shares. The loans will be repaid in 20 installments that are deducted directly from wages. Interest rate of the loan is tied to euribor. The loan matures prematurely for payment if the employment relationship ends. EUR 324 thousand of the subscription price was paid in cash.

The incentive plan with the employees includes a service condition for one to two years during which the employees are not entitled to dispose the shares. Under certain conditions, the Company has a right to repurchase transfer-restricted shares from these subscribers whose employment or CEO contract is terminated within the service period. The plan is classified as an equity-settled share-based incentive plan. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense. The total amount to be expensed is determined by reference to the difference between fair value of the shares granted and the subscription price paid. Service conditions are included in assumptions about the number of shares expected to vest. The total expense is recognized over the vesting period.

This arrangement increased employee benefit expenses and retained earnings by EUR 77 thousand for the year ended December 31, 2017 (2016: EUR 7 thousand).

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 December 31, 2017, the Company recognized EUR 410 thousand (December 31, 2016: 0) to the invested unrestricted equity reserve for the shares of which vesting period ended. Related to these shares Nixu had EUR 54 thousand (December 31, 2016: 0) loan receivable on December 31, 2017. Loans granted to employees to subscribe for shares are considered as a part of a share-based payment transaction. The cash paid as part of the subscription price was recognized as a liability until the vested shares were transferred. The Company had recorded EUR 120 thousand liability related to shares paid in cash as at December 31, 2017 (December 31, 2016: EUR 340 thousand).

Accounting policy

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

3.3 Key management personnel disclosures

The key management personnel include the Board of Directors, CEO and the Management team of the Group.

The remuneration of Board of Directors

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Salaries, remuneration and benefits		
Kimmo Rasila	34	33
Marko Kauppi	25	25
Kati Hagros	17	17
Juhani Kaskeala	17	17
Tuija Soanjärvi	17	17
Total	**109**	**108**

The Board of Directors of Nixu comprises of 5 members. The annual general meeting of Nixu decided in 2017 that the Board of Directors remuneration will be unchanged compared to the year 2016. The Chairman of the Board receives a monthly fee of EUR 2 800, Deputy Chairman of the Board EUR 2 100 and other members of the Board EUR 1 400. Any travelling costs will be paid in accordance with Nixu travel policy.

The remuneration of the Management team

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Management team remuneration (except CEO)		
Wages, salaries and benefits	391	581
Share-based payments	2	
Pension expenses - defined contribution plans	68	96
Total	**462**	**678**

The Management team of Nixu comprises of Chief Executive Officer, Chief Financial Officer, Chief People Officer (since October 2017), Chief Commercial Officer and Chief Development Officer.

The remuneration of CEO

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Wages, salaries and benefits	212	156
Share-based payments	1	
Pension expenses - defined contribution plans	37	26
Total	**250**	**182**

CEO's term of notice has been specified as three months in case the CEO decides to withdraw, and six months should the contract be terminated by the Company. Upon termination of contract of the CEO by the Company, the CEO will receive normal compensation during the termination period. Or if the Company decides, the CEO will be paid a compensation corresponding to six months including holiday pay, without further employment obligation. The CEO does not have additional pension plans.

Shareholdings of the Board of Directors and the management

The holdings of Nixu's Board of Directors, CEO and members of the Executive Team in Nixu have been described below:

Name	**Role**	**Shares**
Kimmo Rasila	Chairman of the Board	157,132
Marko Kauppi	Vice-Chairman of the Board	16,000
Through Tenendum Oy		248,800
Juhani Kaskeala	Member of the Board	8,000
Through Admiral Consulting Oy		12,000
Kati Hagros	Member of the Board	3,239
Tuija Soanjärvi	Member of the Board	0
Petri Kairinen	CEO	34,640
Janne Kärkkäinen	CFO, deputy CEO	5,455
Kim Westerlund	CDO	26,109
Valtteri Peltomäki	Finnish Market Area Leader	6,787
Katja Müller	CPO	0

Section 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 including goodwill impairment testing
- Group structure

2017

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 19,163 new shares of Nixu. The fair value of the shares issued was based on the quoted share price of EUR 8.37 per share on May 30, 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 quoted share price of EUR 8.64 per share on June 30, 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.

4.1 Acquisitions

The amounts of purchase consideration paid, net assets acquired and goodwill generated for the acquisitions completed during 2017 and 2016 are the following:

EUR thousand	2016		2017	
Acquired company	**Europoint Networking AB**	**Safeside Solutions AB**	**Expert Solution Support Center BV**	**Bitsec AB**
Puchase consideration				
Cash paid	1,061	1,864	2,434	2,371
Shares issued	241	509	160	864
Contingent consideration	546	-	-	-
Total purchase consideration	**1,848**	**2,372**	**2,595**	**3,235**
Fair value				
Customer relationships	403	625	672	474
Tangible assets	2	36	111	2
Account receivables and other current and non-receivables*	336	626	537	804
Cash and cash equivalents	141	346	1,017	4
Non-current and current borrowings	-	-	-38	-25
Deferred tax liabilities	-89	-180	-126	-113
Account payables and other current payables	-230	-462	-1,255	-563
Fair value of the assets acquired	**563**	**991**	**917**	**584**
Goodwill**	**1,285**	**1,381**	**1,677**	**2,651**
Transaction costs recoqnized as other operating expense	**38**	**24**	**91**	**63**

* The fair value of acquired trade receivables equals the gross contractual amounts, all trade receivables are expected to be collectable.
**Goodwill is not deductible for tax purposes.

2016

Europoint Networking AB

Nixu acquired all shares of Europoint Networking AB ("Europoint") in March 2016. Europoint specializes in consulting, auditing and training of Information and IT security.

In addition to the cash consideration paid the purchase consideration was partly paid by 50,000 new shares of Nixu and included a contingent consideration of EUR 546 thousand.

The fair value of the shares issued was based on the published share price of EUR 4.82 on March 30, 2016. The goodwill of EUR 1,285 thousand is attributable to expanded market area, workforce, synergies and expected future profits of the business.

Safeside Solutions AB

Nixu acquired all of the shares of Safeside Solutions AB ("Safeside") in October 2016. In addition to the cash consideration paid the purchase consideration was partly paid by 90,000 new shares of Nixu. The fair value of the shares issued was based on the quoted share price of EUR 5.65 per share on October 31, 2016. The goodwill of EUR 1,381 thousand is attributable to market share, workforce, synergies and expected future profits of the business.

The acquisition of Safeside included an arrangement with sellers working as a key employees that were considered as a compensation for post combination services rather than purchase consideration. Based on this arrangement EUR 152 thousand was recognized as an asset and is recognized as employee benefit expense during the two years period assuming that the key employees will remain in Nixu's service.

Debt financing described further in note 6.1 has been used for the payment of cash consideration of Expert Solution Support Center BV and Bitsec Holding AB.

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	Europoint and Safeside	ESSC and Bitsec
Year	**2016**	**2017**
Revenue	1,668	2,654
Net profit	154	-345

If the acquisitions of ESSC and Bitsec had occurred on January 1, 2017, unaudited consolidated pro-forma revenue and result for the period ended December 31, 2017 would have been EUR 35,037 thousand and EUR −43 thousand, respectively. If the acquisitions of Europoint and Safeside had occurred on January 1, 2016, consolidated pro-forma revenue and result for the period ended December 31, 2016 would have been EUR 24,625 thousand and EUR 325 thousand, 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 January 1, 2017 (January 1, 2016), together with the consequential tax effects.

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

EUR thousand	2017	2016
Cash consideration	4,806	2,924
Contingent consideration	220	168
Less: balances acquired		
Cash	1,021	487
Outflow of cash to acquire subsidiaries, net of cash acquired	4,005	2,606

Accounting policy

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 identifiable 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 (customer relationships) or an estimate of the market value of similar assets (machinery and equipment). Nixu's management has used judgements and assumptions among others when determining fair value to the customer relationships based on management's assumptions and estimates regarding the long-term development of revenue and profitability, length of customer relationships and discount rates. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values.

The fair value of the contingent consideration included in the purchase price of the acquisition has been estimated based of the present value of expected cash flows. In the event that certain pre-determined revenue targets from Sweden are achieved, an additional consideration total of SEK 5,300 thousand (EUR 546 thousand) is paid. There are three earning periods: from July 1, 2015 to June 30, 2016; from July 1, 2016 to June 30, 2017 and from July 1, 2017 to June 30, 2018 and the contingent consideration is paid in three installments. The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 4%. Nixu recognized the maximum amount EUR 546 thousand as financial liability at the acquisition date as it expects to pay the full amount.

4.2 Intangible assets including goodwill impairment testing

EUR thousand	Goodwill	Customer relationships	Other intangible assets	Total
2017				
Cost at 1 January	5,570	1,035	0	6,605
Acquisition of subsidiaries	4,328	1,146	0	5,474
Additions	0	0	385	385
Exchange differences	-133	-41	0	-174
Cost at 31 December	**9,764**	**2,141**	**385**	**12,290**
Accumulated amortization and impairment at 1 January	0	33	0	33
Amortization	0	148	32	181
Exchange differences	0	-3	0	-3
Accumulated amortization and impairment at 31 December	**0**	**178**	**32**	**211**
Net book amount at 1 January	**5,570**	**1,002**	**0**	**6,572**
Net book amount at 31 December	**9,764**	**1,962**	**353**	**12,080**

EUR thousand	Goodwill	Customer relationships	Other intangible assets	Total
2016				
Cost at 1 January	2,900	0	0	2,900
Acquisition of subsidiaries	2,666	1,028	0	3,694
Exchange differences	4	7	0	11
Cost at 31 December	**5,570**	**1,035**	**0**	**6,605**
Accumulated amortization and impairment at 1 January	0	0	0	0
Amortization	0	34	0	34
Accumulated amortization and impairment at 31 December	**0**	**33**	**0**	**33**
Net book amount at 1 January	**2,900**	**0**	**0**	**2,900**
Net book amount at 31 December	**5,570**	**1,002**	**0**	**6,572**

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

Nixu utilizes in its cybersecurity services and continuous services mainly licensed technology and software provided by third parties and Nixu did not have any development projects that would have fulfilled criteria for capitalization in 2017 and 2016.

Accounting policy

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. Amortization period of customer relationships is based on the Nixu's historical length of customer relationships and customer churn. 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.

Goodwill impairment testing

The following table presents a summary of the goodwill allocated to each CGU:

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Finland	2,900	2,900	2,900
Sweden	5,187	2,670	
Nixu Dedicated Support	1,677		
Total goodwill	**9,764**	**5,570**	**2,900**

Key assumptions used in determining the recoverable cash flow of cash generating units are as follows:

- Long-term growth rate of 2% has been used for all CGUs and periods presented.
- Determined pre-tax discount rates are presented below:

	Finland	Sweden	Nixu Dedicated Support
31 Dec 2017	11%	11%	10%
31 Dec 2016	10%	11%	
1 Jan 2016	10%		

- Long-term EBITDA margins are presented below:

	Finland	Sweden	Nixu Dedicated Support
31 Dec 2017	10%	8%	12%
31 Dec 2016	11%	7%	
1 Jan 2016	10%		

- Other key assumptions used were average annual growth rate of revenue (10%-19%) and average EBITDA margin (EBITDA-%) (3%-10%).

As a result of impairment tests carried out, no impairment loss has been recognized for any of the reported financial periods. In 2017, the recoverable cash flow based on value in use calculations exceeded the carrying value by EUR 23.3 million in Finland (2016: EUR 27.3 million and January 1, 2016: EUR 18.7 million), by EUR 0.6 million in Sweden (2016: EUR 0.8 million) and by EUR 2.4 million in Dedicated Support unit.

Sensitivity

The recoverable amount of Sweden CGU would equal its carrying amount as at December 31, 2017 if any of the key assumptions were to change as follows (keeping other assumptions constant):

- Average annual growth rate of revenue would had decreased from 19% to 17% (2016: from 16% to 12%); or
- Long-term EBITDA margin would have decreased from 8% to 7,5% (2016: from 7% to 6%).

The goodwill of Sweden arose from acquisitions made during 2016 and 2017, when assets and liabilities were recognized at fair value. For this reason, the recoverable amount of Swedish unit is close to the assets' carrying values.

Key judgements and estimates

Management makes 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.

Key estimates and judgement related to value in use calculations is presented below:

- Forecasting of future cash flows – these are based on the Nixu's latest approved internal five year forecasts and reflect expectations of revenue growth, operating expenses, EBITDA margin, capital expenditure and cash flows, based on past experience and management's expectation of future market changes.
- Discount rates applied to those cash flows - pre-tax discount rates used are the weighted average expense of capital determined by current market inputs and adjusted for the risks specific to the CGU. The adjusted after-tax discount rate is translated to a pre-tax rate for each cash generating unit (CGU) based on the specific tax rate applicable to where the CGU operates.
- The expected long-term growth rates - cash flows beyond the five year period are extrapolated using estimated growth rates. The growth rates are based on the expected long-term performance of each CGU in their respective market and are consistent with the long-term average growth rates of the cyber security service market.

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.

4.3 Group structure

Consolidated entities

Subsidiaries:

Subsidiaries belonging to the Group as at December 31, 2017 and December 31, 2016 have been presented in the table below:

	Parent Proportion, %	Group Proportion, %
Subsidiaries:		
Nixu Certification Oy	100%	100%
Nixu B.V.	100%	100%
Nixu AB	100%	100%
Nixu Consulting AB	100%	100%
Nixu Inc.	100%	100%
Expert Solution Support Center B.V. (NL)	100%	100%
Expert Solution Support Center SRL (RO)	0%	100%
Expert Solution Support Center Inc. (US)	0%	100%
Bitsec Holding AB (SE)	100%	100%
Bitsec AB (SE)	0%	100%
Swedish Forensic Technologies AB (SE)	0%	56%

All subsidiaries have been acquired in 2016 and 2017 excluding Nixu Certification Oy, Nixu B.V. and Nixu Inc. which are established by the Company itself.

Accounting policy

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 operating result. Foreign exchange differences arising from financial instruments are recognized in finance expenses.

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. Nixu has not separated the holding of non-controlling owners from Swedish Forensic Technologies AB because there is no agreement between the owners on the basis of which the non-controlling shareholder would be liable for losses exceeding its investment.

Section 5: Interest-bearing net debt and equity

This section provides information how the Group manages its capital structure and financing, including its exposure to risks:

- Borrowings
- Derivative financial instruments
- Cash and cash equivalents
- Finance income and expenses
- Financial risk and capital management
- Equity

Borrowings

On May 29, 2017, Nixu Oyj entered into a EUR 8,500 thousand and 5-6 years financing agreement. 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 December 31, 2017 as described in note 4.1 to the financial statements. Loans are partly variable rate and partly fixed rate. Part of the loans will be amortized monthly and part will be paid in full on the maturity date. Part of the loans include capitalized interest.

Loans from financial institutions include a EUR 4,000 thousand floating rate loan drawn-down in 2014. The loan drawn-down in 2014 has monthly installments and it matures on October 9, 2020. The remaining amount of the loan was EUR 2,030 thousand on December 31, 2017 (December 31, 2016: EUR 2,746 thousand and January 1, 2016: EUR 3,463 thousand).

The interest rates of the loans were between 3.00% and 3.80% during the financial period ended December 31, 2017 (2016: 3.65%).

In addition to the above-mentioned loans, the Company has a EUR 1,000 thousand credit facility agreement. The credit facility agreement was not in use as at December 31, 2017 (December 31, 2016: not in use).

Bank loans have been presented under current loans as a whole. More information on the classification of loans as short-term and covenants related to the loan agreements, see note 5.3 Financial risk and capital management – liquidity risk.

The fair value of the borrowings are not materially different to their carrying amount, since the interest payable on those borrowings is close to current market rates (new bank loans were drawn in 2017, at the same time reviewed the margin of the loan drawn in 2014). The risk premium of the Company has not significantly changed after the drawn-down of the loans. Fair values for Nixu's borrowings are based on the discounted cash flows using a current borrowing rate. Different terms and conditions of the loans (maturity, subordination, collateral) are taken into account in the measurement. Borrowings are classified as level 2 in the fair value hierarchy because market interest curve is mainly used in the determination of the fair value.

5.1 Net debt

Nixu's net debt position:

EUR thousand	31 Dec 2017 Carrying value	31 Dec 2016 Carrying value	1 Jan 2016 Carrying value
Non-current borrowings			
Loans from financial institutions	0	2,021	2,730
Finance lease liabilities	194	201	219
Contingent consideration	0	169	0
Other loans	19	0	0
Total non-current borrowings	**213**	**2,390**	**2,948**
Current borrowings			
Loans from financial institutions	7,900	709	707
Finance lease liabilities	191	161	132
Contingent consideration	175	222	0
Total current borrowings	**8,267**	**1,093**	**839**
Total borrowings	**8,480**	**3,483**	**3,787**
Less cash and cash equivalents	11,864	2,718	6,633
Net debt	**-3,384**	**765**	**-2,846**

Accounting policy

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.

Contingent consideration

Contingent consideration has been paid as described in Section 4: Acquisitions and group structure. Contingent consideration is classified as level 3 in the fair value hierarchy because other than observables inputs are used in the measurement.

Finance lease liabilities

Information regarding finance lease liabilities is disclosed in Section 6: Operating assets.

Derivative financial instruments

As part of its normal business, the Group is a party to derivative contracts of which target is to hedge against exposure to interest rate fluctuations according to the policies of financial risk management by the Group (see "Financial risk and capital management").

On the balance sheet date December 31, 2017 the Group has two interest rate swap contracts outstanding (December 31, 2016: one interest rate swap contract). Fair value of the derivatives was negative EUR 35 thousand (December 31, 2016: negative EUR 29 thousand). The changes in fair value of these derivatives were recognized as finance expenses in the income statement. The nominal value of the interest rate swap contracts on December 31, 2017 was EUR 3,080 thousand (December 31, 2016: EUR 1,373 thousand). In interest rate swaps, the Company will receive a variable EURIBOR interest of 3 months or 6 months and pay a fixed interest 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.

Accounting policy

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 of Nixu comprise of cash on hand and deposits held at call with financial institutions. Nixu's cash and cash equivalents amounted to EUR 11,864 thousand as at December 31, 2017 (December 31, 2016: EUR 2,718 thousand and January 1, 2016: EUR 6,633 thousand).

Accounting policy

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.

Reconciliation of net debt

Reconciliation of net debt:

EUR thousand	Cash and cash equivalents	Other borrowings due within 1 year	Other borrowings due after 1 year	Finance leases due within 1 year	Finance leases due after 1 year	Contingent consideration due withing 1 year	Contingent consideration due after 1 year	Other loans due after 1 year	Total net debt
31 Dec 2016	**2,718**	**709**	**2,021**	**161**	**201**	**222**	**169**	**0**	**765**
Cash flows	9,175	-50	4,814	-161	-72			-6	-4,650
Acquisition of subsidiaries						-220		25	-195
Foreign exchange adjustment	-29								29
Other non-cash movements	0	7,241	-6,835	191	65	173	-169		666
31 Dec 2017	**11,864**	**7,900**	**0**	**191**	**194**	**175**	**0**	**19**	**-3,384**

5.2 Finance income and expenses

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Finance income		
Interest income	0	6
Other finance income	0	30
Finance income total	**0**	**36**
Finance expenses		
Foreign exchange losses on financing activities	-107	-6
Interest on borrowings	-269	-142
Fair value losses on derivatives	-6	-29
Other finance costs	-8	-2
Finance expenses total	**-390**	**-178**
Finance income and expenses total	**-390**	**-142**

Finance expenses of the Group mainly include interest expenses on borrowings, exchange rate losses and cost effect of the discounting contingent consideration liability and the change in fair value of the interest rate swaps.

5.3 Financial risk and capital management

Nixu's activities expose it to foreign currency risk, interest rate risk, credit risk and liquidity risk. Nixu's financial team manages the risk by identifying, evaluating and hedging financial risk arising from financial markets, customer transactions and liquidity requirements.

The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and use of derivative financial instruments.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from primarily with respect to the Swedish krona and US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Exposure to foreign exchange risk has been limited and Nixu's finance team monitors the changes in the situation.

Group companies initiate sale and purchase transactions mainly in group companies' functional currencies. The Group's exposure to foreign exchange risk from commercial transactions has been limited. The Group is exposed to changes in the US dollar, in particular due to the operations of Nixu's subsidiary in the Netherlands and as a result of the US dollar-denominated sales of the parent company. The Group does not actively use derivative financial instruments to hedge foreign exchange risk.

As December 31, 2017, if the EUR has weakened/strengthened by 10% against the US dollar with all other variables held constant, the recalculated post-tax profit for the year would have been EUR 30 thousand higher/lower, mainly as a result of US dollar-denominated trade receivables (EUR 269 thousand) and US dollar denominated bank accounts (EUR 161 thousand) in the subsidiary of Netherlands and in the parent company. During the comparable periods US dollar-denominated items were not significant.

As December 31, 2017 the parent company had internal receivable (EUR 6,200 thousand) denominated in Swedish krona. The exchange rate difference arising from this internal receivable was offset by the Group's euro-nominated liabilities in the Swedish subsidiaries. The net exposure to changes in the Swedish krona was not significant on December 31, 2017. Also, in the comparison period, exposure to changes in Swedish krona was not significant.

Cash flow and fair value interest rate risk

Nixu's interest rate risk arises from variable rate long-term borrowings. Loans with variables interest rate exposes the Group to cash flow interest rate risk. Nixu manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps in which fixed interest rate is paid and variable interest rate is received. Read more on derivatives under note 5.1. On the balance sheet date December 31, 2017 the Group has two interest rate swap contracts outstanding (December 31, 2016: one interest rate swap contract) on which 47% (December 31, 2016: 50%) of the loan principal is hedged against cash flow risk.

Interest rate risk

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Variable interest rate borrowings	5,860	2,756	3,463
Fixed interest rate borrowings	1,770		
Total	**7,630**	**2,756**	**3,463**

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Variable interest rate borrowings	5,860	2,756	3,463
Interest rate swaps (notional principal amount)	3,080	1,373	0
Net exposure to cash flow interest rate risk	**2,780**	**1,383**	**3,463**

Fixed term borrowings expose Nixu to the fair value interest rate risk.

The Group's borrowings were mainly euro-denominated in the periods presented in the financial statements.

At December 31, 2017, if interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been EUR 28 thousand (December 31, 2016: EUR 14 thousand and January 1, 2016: EUR 35 thousand) lower as a result of higher interest expense on floating rate borrowings. Interest rate sensitivity has been calculated by shifting the interest curve by 100 basis points (due to low market interest environment the lower scenario have not been presented). The sensitivity analysis has taken into account that on December 31, 2017 interest rate swaps with a total nominal value of EUR 3,080 thousand (December 31, 2016: EUR 1,373 thousand) reduced the sensitivity to interest rate fluctuations. The interest position includes all external variable rate interest-bearing liabilities.

Credit risk

Credit risk arises mainly from cash and cash equivalents and credit exposures to customers from outstanding receivables. Credit risk on cash and cash equivalents is managed at group level. Cash and cash equivalents are held mainly in reputable Nordic banks. Each local entity is responsible for managing the credit risk for their accounts receivable balances. The local entities have the responsibility to analyze the credit standing of clients with revenue less set limit before standard payment and delivery terms and conditions are offered.

Credit risk countering payment methods such as advance payments are used in high risk clients. Historically credit losses have been insignificant.

The maximum exposure to the credit risk at the reporting dates are the carrying values of each class of financial assets mentioned above.

For information regarding the credit losses recognized and the ageing of the trade receivables, refer to 6.2 Trade and other receivables.

Liquidity risk

Nixu monitors the Group's liquidity requirements monthly to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed facilities at all times. Cash and cash equivalents amounted to EUR 11,864 thousand as at December 31, 2017 (December 31, 2016: EUR 2,718 thousand and January 1, 2016: EUR 6,633 thousand). In addition, the Group has undrawn committed interest-bearing facilities amounting to EUR 1,000 thousand as at December 31, 2017 (December 31, 2016: EUR 800 thousand and January 1, 2016: EUR 800 thousand). Operating cash flows and liquid funds are the main source of financing for the future payments together with possible new debt or equity financing.

The Group is able to draw external financing within the limits of its existing loan agreements, in case that operational cash flows are not sufficient. The Group does not invest actively surplus cash held. Nixu's target is to achieve both organic and structural growth and cash balances are used to those purposes.

The financial covenants in Nixu's loan agreements are the following: equity ratio of at least 35%, EBITDA of at least EUR 1.6 million on December 31, 2017, at least EUR 2 million on June 30, 2018 and the net debt to EBITDA ratio of 3.5 on December 31, 2018, 3.25 on June 30, 2019 and 3.0 from December 31, 2019 onwards. Covenants have been calculated in accordance with Nixu's previously applied Finnish accounting principles (FAS). The Group did not meet EBITDA covenant as at December 31, 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 December 31, 2017 as the waiver related to the compliance with the covenants do not cover at least twelve months after the end of the financial year. The covenants will be reviewed next time as at June 30, 2018.

The table below analyzes the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

EUR thousand	Under 1 year	1-2 years	2-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Dec 2017						
Non-derivatives						
Bank loans	8,567				8,567	7,900
Finance lease liabilitites	290	266	2	0	558	385
Contingent consideration	177				177	175
Other loans	36				36	36
Trade payables and other payables*	8,967				8,967	8,967
Total	**18,036**	**266**	**2**	**0**	**18,304**	**17,463**
Derivatives						
Interest rate swaps	35					35
Total	**35**	**0**	**0**	**0**	**0**	**35**

* Excluding non-financial items

EUR thousand	Under 1 year	1-2 years	2-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Dec 2016						
Non-derivatives						
Bank loans	799	777	1,371		2,947	2,730
Finance lease liabilitites	211	220	53		484	362
Contingent consideration	222	184			406	391
Trade payables and other payables*	5,350				5,350	5,350
Total	**6,582**	**1,182**	**1,424**	**0**	**9,187**	**8,833**
Derivatives						
Interest rate swaps	29					29
Total	**29**	**0**	**0**	**0**	**0**	**29**

* Excluding non-financial items

EUR thousand	Under 1 year	1-2 years	2-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
1 Jan 2016						
Non-derivatives						
Bank loans	804	799	2,148		3,751	3,437
Finance lease liabilitites	67	66			133	351
Trade payables and other payables*	3,483				3,483	3,483
Total	**4,354**	**865**	**2,148**	**0**	**7,367**	**7,271**

* Excluding non-financial items

Capital management

The Group's objectives when managing capital are to finance the growth in line with Nixu's strategy, provide returns for shareholders and safeguard the Group's ability to continue as a going concern.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

The Group monitors capital on the basis of the equity ratio and net debt in relation to EBITDA. The equity ratio is calculated as shareholders' equity divided by total assets less advances received.

As at December 31, 2017 Nixu's equity ratio was 51.4% (December 31, 2016: 47.5% and January 1, 2016: 51.4%) and the ratio of net debt to EBITDA was -3.1 (December 31, 2016: 1.0).

The capital structure shall secure Nixu's debt financing being in line with covenants. More information on covenant terms and their fulfillment is provided in the liquidity risk section. Planned structure should take into account both current and future business needs, as well as ensure competitive cost of financing.

Cooperation with banks is based on long-term banking relationships. In the long term the goal is to service Nixu's loan obligations by operating cash flow. During the phase of rapid growth, capital may be acquired both equity and debt financing terms.

5.4 Equity

Nixu has one share class, and each share has equal rights. Nixu's share is listed on the Nasdaq First North marketplace in Helsinki.

The table below presents the number of outstanding shares for the reported periods:

	Number of shares
1 Jan 2016	6,112,035
Share issue	260,000
Purchase of treasury shares	-7,200
31 Dec 2016	6,364,835
Share issue	869,163
Purchase of treasury shares	-4,363
31 Dec 2017	7,229,635

Outstanding shares as at December 31, 2017 include 33,865 shares (December 31, 2016: 120,000 shares) with the restriction of disposal related to share-based incentive plan in 2016. Additional information has been presented in note 3.2.

The shares issued in connection of acquisitions included restriction of disposal from one year to two years. Of these shares, 189,139 shares had restriction of disposal as at December 31, 2017 (December 31, 2016: 70,000 shares). Additional information has been presented in note 4.1.

The table below presents the movements of the treasury shares for the reported periods:

amount of shares	2017	2016
At 1 January	7,200	0
Purchase of treasury shares	4,363	7,200
At 31 December	**11,563**	**7,200**

The treasury shares acquired during the periods presented have been redeemed from the personnel.

Invested unrestricted equity reserve

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 May 30, 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 June 30, 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-based compensation.

During the financial year 2016 the following share issues were carried out and recorded in the invested unrestricted equity reserve:

- Directed share issue of 50,000 shares to pay the purchase consideration of Europoint. The fair value of the shares issued and recognized in the equity was based on the quoted share price of of Nixu share EUR 4.82 per share on March 30, 2016.
- Directed share issue of 90,000 shares to pay the purchase consideration of Safeside. The fair value of the shares issued and recognized in the equity was based on the quoted share price of of Nixu share EUR 5.65 per share on October 31, 2016.

Cumulative translation reserve

This reserve includes the foreign currency differences arising from the translation of foreign operations.

Accounting policy

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 authorized 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 6: Operating assets and liabilities

This section provides information on the operating assets used and the operating liabilities incurred by the Group

- Tangible assets including depreciations and finance leases
- Trade and other receivables
- Trade and other payables

6.1 Tangible assets including depreciations and finance leases

EUR thousand	Machinery and equipment	Other tangible assets	Total
2017			
Cost at 1 January	1,855	493	2,348
Additions	323	32	355
Acquisition of subsidiaries	112	0	112
Exchange differences	-3	0	-3
Cost at 31 December	**2,287**	**525**	**2,812**
Accumulated depreciation and impairment at 1 January	1,124	355	1,480
Depreciation	352	82	433
Exchange differences	-3	0	-3
Accumulated depreciation and impairment at 31 December	**1,473**	**437**	**1,910**
Net book amount at 1 January	**731**	**138**	**869**
Net book amount at 31 December	**814**	**88**	**902**

EUR thousand	Machinery and equipment	Other tangible assets	Total
2016			
Cost at 1 January	1,483	381	1,863
Additions	335	112	447
Acquisition of subsidiaries	38	0	38
Cost at 31 December	**1,855**	**493**	**2,348**
Accumulated depreciation and impairment at 1 January	856	290	1,146
Depreciation	269	65	334
Accumulated depreciation and impairment at 31 December	**1,124**	**355**	**1,480**
Net book amount at 1 January	**627**	**91**	**718**
Net book amount at 31 December	**731**	**138**	**869**

Tangible assets include the following amounts where the group is a lessee under a finance lease:

EUR thousand	31 Dec 2017	31 Dec 2016
Cost at 1 January	521	344
Additions	233	177
Exchange differences	-1	0
Accumulated depreciation and impairment	-375	-166
Net book amount at 31 December	**378**	**354**

Accounting policy

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 laptops) 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 operating income or other operating expenses in the income statement in the period the disposal occurs.

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Gross finance lease liabilities - minimum lease payments			
Within 1 year	247	233	67
Later than 1 year and no later than 5 years	250	274	66
Total	**497**	**507**	**132**
Future finance charges on finance lease liabilities			
Present value of finance lease liabilities	385	362	351

Leased assets

Accounting policy

Nixu has classified lease contracts related to laptops and company cars as finance lease contracts. 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. Operating leases are disclosed in note 7.3.

6.2 Trade receivables and other receivables

Current receivables

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Trade receivables and other receivables			
Trade receivables	9,918	5,862	3,990
Prepaid expenses and accrued income	1,313	904	1,052
Rental deposits	170	160	140
Other receivables	314	166	10
Total	**11,716**	**7,092**	**5,193**
Prepaid expenses and accured income			
Employer's statutory insurance premiums	67	171	551
Maintenance charges related to licenses	485	194	185
Grants receivable	113	193	188
Other items	647	346	129
Total	**1,313**	**904**	**1,052**

The ageing analysis of trade receivables of the Group has been presented below:

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Not due	7,620	5,224	3,775
Overdue by			
1-30 days	1,664	299	166
31-60 days	341	231	45
61-90 days	173	108	0
Over 90 days	121	0	4
Total	**9,918**	**5,862**	**3,990**

Write-down of trade receivables amounted to EUR 7 thousand for the year ended December 31, 2017 and for the year ended December 31, 2016 no write-down was recognized.

Accounting policy

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. Write-down is made if there is objective evidence that the receivable can not be collected for example due to customer's bankruptcy or debt restructuring. Subsequent recoveries of amounts previously written off are credited against expenses in profit or loss.

6.3 Trade and other payables

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Trade payables and other payables			
Trade payables	1,879	583	419
Accrued expenses	4,753	2,760	1,952
Derivative financial instruments	35	29	0
Other current liabilites	2,334	1,893	1,111
Advance payments (deferred revenue)	0	114	0
Total	**9,002**	**5,379**	**3,483**
Material items under accrued expenses			
Accrued personnel expenses	2,920	2,242	1,541
Accrued interests	52	6	6
Contract liabilities	1,374	366	239
Other accruals	408	146	166
Total	**4,753**	**2,760**	**1,952**
Material items under current liabilities			
Value added tax	1,354	948	644
Withholding tax and social security expenses	725	427	244
Other current liabilities	256	519	223
Total	**2,334**	**1,893**	**1,111**

Accounting policy

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.

Section 7: Other notes

This section contains disclosures required for the Group to comply with accounting standards but are not considered to be significant in understanding the financial position and performance of the Group:

- Deferred taxes
- Related party transactions
- Contingencies and commitments including leases
- New standards
- Subsequent events
- Transition to IFRS

7.1 Deferred taxes

Accounting policy

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 realized 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 utilize 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 realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

EUR thousand	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2017					
Deferred tax assets					
Borrowings	73	5		0	78
Tax losses	13	108		-1	120
Other items	27	15	22	-1	63
Total	**113**	**128**	**22**	**-2**	**261**
Netting of deferred taxes	-87				-221
Deferred tax assets, net	**26**				**41**

EUR thousand	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2017					
Deferred tax liabilities					
Intangible assets	220	-33	252	-8	432
Tangible assets	72	5		0	76
Borrowings	3	6			9
Other items	7	-3	8	0	12
Total	**303**	**-26**	**261**	**-8**	**530**
Netting of deferred taxes	-87				-221
Deferred tax liabilities, net	**216**				**310**

EUR thousand	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2016					
Deferred tax assets					
Borrowings	70	3			73
Tax losses	0	13		0	13
Other items	9	18			27
Total	**79**	**34**	**0**	**0**	**113**
Netting of deferred taxes	-76				-87
Deferred tax assets, net	**2**				**26**

EUR thousand	At 1 Jan	Recognized in profit or loss	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2016					
Deferred tax liabilities					
Intangible assets	0	-7	230	-2	220
Derivative financial instruments	69	3		0	72
Borrowings	5	-2			3
Other items	2	-40	45		7
Total	**76**	**-46**	**275**	**-2**	**303**
Netting of deferred taxes	-76				-87
Deferred tax liabilities, net	**0**				**216**

Nixu B.V has been making losses since its establishment in November 2015. On December 31, 2017 the amount of tax losses was EUR 1,445 thousand and the amount for which no deferred tax asset was recognized was EUR 341 thousand (December 31, 2016: losses EUR 769 thousand for which unrecognized deferred tax assets EUR 192 thousand and and January 1, 2016: losses EUR 11 thousand for which unrecognized deferred tax assets EUR 2 thousand). Losses will be mature during 2024-2026.

Key judgements and estimates: Recognition of deferred tax assets

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 revenue, 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.

7.2 Related party transactions

Related parties of the Group consist of the parent company and Group companies mentioned in note 4.3. Related parties are also key management personnel and their close family members as well as entities controlled by them. Key management personnel are the members of the Board of Directors, CEO and Management team. The remuneration of the key management personnel including their ownership in Nixu is presented in note 3.3. For information on loans granted to personnel in connection with a share issue 2016, see note 3.2 Employee share-based incentive plan.

Purchases of goods and services

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

Nixu has purchased training services from a company owned by related party. Acquired services have been purchased at market price.

Loan receivables from related parties

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Loan receivables from related party (management team)	13	37	0

Loan receivables relate to the Nixu's share-based incentive plan. Terms and repayment schedule of the loan receivables have been described in note 3.3.

7.3 Contingencies and commitments including leases

Guarantees given and contingent liabilities

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Mortgages given on own behalf:			
Business mortgages	10,118	4,119	4,119
Loan amount	7,900	2,700	3,460

Other commitments

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Rental deposits	170	160	140

Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases a number of office, warehouse and factory facilities under operating leases. The leases run for a period from 1 to 12 years with the majority running for a period of 3 to 5 years, with options to renew the lease after that date. Lease payments are increased each renewal period to reflect market rentals. Some leases provide for additional rent payments that are based on changes in the consumer price index, local capital city consumer price indexes or a fixed percentage. The Group also leases motor vehicles and materials handling equipment under operating leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

EUR thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Commitments for minimum lease payments:			
Within 1 year	1,200	942	524
Later than 1 year and no later than 5 years	1,758	651	1,198
Total	**2,958**	**1,593**	**1,722**

7.4 New standards

Nixu has not yet applied the following new and amended standards and interpretations already issued. Nixu will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments" addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

Classification and measurement of financial assets which will be based on how the assets are managed. The Group's financial assets consist mainly of trade receivables, which are still measured at amortized cost. Therefore, the new guidance is not expected to affect the Group's classification and measurement of these financial assets.

According to a new impairment model an allowance for impairment should be recognized based on expected credit losses when losses are recognized earlier and in larger amounts. In IAS 39, recognition of losses was based solely on actual credit losses. This change mainly applies to the Group's trade receivables measured at amortized cost. The Group applies the simplified method allowed by the standard whereby the expected credit losses are recognized using the provision matrix based on the historical credit losses adjusted by the future outlook. Based on the calculation by the Company, the provision for credit losses of trade receivables (without tax impact) is not going to be significant.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group does not currently apply hedge accounting and will not increase hedge accounting upon the adoption of IFRS 9.

The new standard also includes more expanded disclosure requirements and changes in presentation. These are expected to have an impact on the nature and extent of the information presented in the consolidated financial statements particularly in the year of the adoption of the new standard.

The standard has to be applied for financial periods commencing on or after January 1, 2018. The new rules will be applied retrospectively from January 1, 2018 with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. At the end of the financial year, the Group has non-cancellable operating lease commitments (cars, offices, phones) of EUR 2,958 thousand, see note 7.3.

However, the Group has not yet assessed what other adjustments are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard must be applied for financial years commencing on or after January 1, 2019. At this stage, Nixu does not intend to adopt the standard before its effective date.

7.5 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 Management Team.

7.6 Adoption of IFRS

The following present the impacts of the first-time adoption of IFRS standards to the consolidated income statement for the year ended December 31, 2016 and to the consolidated balance sheet as at the transition date January 1, 2016 and as at December 31, 2016 reported in accordance with the Finnish Accounting Standards (FAS).

Group Income statement for 1 Jan - 31 Dec 2016

EUR thousand	Ref	Under previous GAAP - FAS	Acquisitions and goodwill	Finance leases	Transaction costs of the loans	Revenue recognition	Employee share based incentive plan	Total impact of change to IFRS	Under IFRS
Revenue	4	**21,578**				**-90**		**-90**	**21,487**
Other operating income		599							599
Materials and services		-1,542							-1,542
Employee benefit expenses	1, 4, 5	-14,993	-13			24	-7	4	-14,989
Other operating expenses	1, 2, 7	-4,869	-71	188				118	-4,751
Depreciation, amortization and impairment	1, 2	-657	456	-166				289	-368
Operating result		**116**	**372**	**22**		**-66**	**-7**	**321**	**437**
Finance income		36						0	36
Finance expenses	1, 2, 3	-133	-12	-23	-9			-45	-178
Finance income and expenses, net		-96	-12	-23	-9			-45	-142
Result before taxes		**19**	**360**	**-1**	**-9**	**-66**	**-7**	**276**	**295**
Income tax expense	6, 7	-261	7	0	2	13		23	-238
Result for the period		**-242**	**367**	**-1**	**-7**	**-53**	**-7**	**299**	**57**

EUR thousand	Ref	Under previous GAAP - FAS	Acquisitions and goodwill	Finance leases	Transaction costs of the loans	Revenue recognition	Employee share based incentive plan	Total impact of change to IFRS	Under IFRS
Other comprehensive income									
Items that may be reclassified to profit or loss:									
Translation differences	1	-9	30					30	21
Other comprehensive income for the period, net of tax		**-9**	**30**					**30**	**21**
Total comprehensive income for the period		**-250**	**397**					**329**	**79**
Profit (loss) for the period attributable to:									
Owners of the parent		-242						299	57
Net (loss) profit		**-242**						**299**	**57**
Total comprehensive income for the period attributable to:									
Owners of the parent		-250						329	79
Total comprehensive income		**-250**						**329**	**79**
Earnings per share for profit attributable to the owners of the parent during the year									
Basic and diluted earnings per share, EUR		-0.04							0.01

Statement of Financial Position as at Jan 1, 2016

EUR thousand	Ref	Under previous GAAP - FAS	Finance leases	Transaction costs of the loans	Revenue recognition	Reclassifications and other adjustments	Total impact of change to IFRS	Under IFRS
ASSETS								
Non-current assets								
Goodwil	1	2,900						2,900
Other intangible assets	1, 7	91				-91	-91	
Tangible assets	2, 7	283	344			91	435	718
Deferred tax assets	6, 7		70		9	-76	2	2
Total non-current assets		**3,274**	**414**		**9**	**-76**	**346**	**3,620**
Current assets								
Trade receivables and other receivables	4	5,181			12		12	5,193
Cash and cash equivalents		6,633						6,633
Total current assets		**11,814**			**12**		**12**	**11,826**
TOTAL ASSETS		**15,088**	**414**		**20**	**-76**	**358**	**15,446**
EQUITY AND LIABILITIES								
Equity								
Share capital		95						95
Invested unrestricted equity reserve	1, 5	5,402						5,402
Retained earnings	2, 3, 4	2,446	-5	21	-25		-10	2,437
Total equity attributable to owners of the parent		**7,943**	**-5**	**21**	**-25**		**-10**	**7,933**
Liabilities								
Non-current liabilities								
Borrowings	2, 3	2,746	219	-17			202	2,948
Deferred tax liabilities	6		69	5	2	-76		
Total non-current liabilities		**2,746**	**288**	**-11**	**2**	**-76**	**202**	**2,948**
Current liabilities								
Borrowings	2, 3, 7	716	132	-9			122	839
Trade payables and other payables	4, 5, 7	3,682			43	-243	-199	3,483
Current income tax liabilities	7					243	243	243
Total current liabilities		**4,399**	**132**	**-9**	**43**	**0**	**166**	**4,564**
Total liabilities		**7,145**	**419**	**-21**	**46**	**-76**	**368**	**7,513**
TOTAL EQUITY AND LIABILITIES		**15,088**	**414**	**0**	**20**	**-76**	**358**	**15,446**

Statement of Financial Position as at December 31, 2016

EUR thousand	Ref	Under previous GAAP - FAS	Acquisitions and goodwill	Finance leases	Transaction costs of the loans	Revenue recognition	Employee share based incentive plan	Reclassifications and other ad-justments	Total impact of change to IFRS	Under IFRS
ASSETS										
Non-current assets										
Goodwill	1	6,081	-511						-511	5,570
Other intangible assets	1, 7	138	1,002					-138	864	1,002
Tangible assets	2, 7	377		354				138	492	869
Deferred tax assets	6, 7			73		27		-74	26	26
Total non-current assets		**6,595**	**491**	**428**		**27**		**-74**	**871**	**7,466**
Current assets										
Trade receivables and other receivables	1, 4, 7	7,019	144			36		-107	72	7,092
Loan receivables	5	261					-256		-256	6
Current income tax receivables	7							94	94	94
Cash and cash equivalents		2,718								2,718
Total current assets		**9,998**	**144**			**36**	**-256**	**-13**	**-89**	**9,909**
TOTAL ASSETS		**16,594**	**635**	**428**		**63**	**-256**	**-87**	**782**	**17,376**
EQUITY AND LIABILITIES										
Equity										
Share capital		95								95
Invested unrestricted equity reserve	1, 5	6,714	33				-595		-563	6,151
Cumulative translation difference	1	-9	30						30	21
Retained earnings	2, 3, 4	1,884		-5	21	-25	7		-3	1,881
Result for the period		-242	367	-1	-7	-53	-7		299	57
Total equity attributable to owners of the parent		**8,442**	**430**	**-6**	**13**	**-78**	**-595**		**-236**	**8,206**
Liabilities										
Non-current liabilities										
Borrowings	1, 3, 7	2,030		201	-9			169	360	2,390
Deferred tax liabilities	6		220	72	3	7		-87	216	216
Other non-current liabilities	7	184	-15					-169	-184	
Total non-current liabilities		**2,214**	**205**	**272**	**-6**	**7**		**-87**	**392**	**2,606**
Current liabilities										
Borrowings	2, 3, 7	716		161	-7			222	376	1,093
Trade payables and other payables	4, 5, 7	5,221				133	340	-315	158	5,379
Current income tax liabilities	7							93	93	93
Total current liabilities		**5,937**		**161**	**-7**	**133**	**340**		**627**	**6,564**
Total liabilities		**8,151**	**205**	**434**	**-13**	**141**	**340**	**-87**	**1,019**	**9,170**
TOTAL EQUITY AND LIABILITIES		**16,594**	**635**	**428**	**0**	**63**	**-256**	**-87**	**782**	**17,376**

The following summarizes the impact of the adoption of IFRS for Nixu:

1. Acquisitions and goodwill

Under IFRS, Nixu has elected to apply IFRS 1 exemption and has not applied IFRS 3 retrospectively to past business combinations. Accordingly, the carrying amount of goodwill in the opening IFRS balance sheet as at January 1, 2016 is carried over to IFRS and no other adjustments are needed. Under IFRS goodwill is not amortized but is tested for impairment at least annually.

Nixu acquired Europoint Networking AB ("Europoint") in March 2016 and Safeside Solutions AB ("Safeside") in October 2016. Under FAS the goodwill was recognized as a difference of the net assets acquired and the purchase consideration paid. Transaction costs were capitalized as part of the purchase consideration.

Under IFRS 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.

Under IFRS the identifiable assets acquired and liabilities assumed of Europoint and Safeside were recognized at their fair values as at the acquisition date, with excess of the purchase consideration over the fair value of identifiable net assets acquired recognized as goodwill. The purchase consideration paid in shares was measured by using the fair value (quoted share price) as at the acquisition date.

Under IFRS costs related to acquisition are expensed as incurred and presented as other operating expenses in the income statement.

Due to the above the following adjustments have been made under IFRS to FAS goodwill as at December 31, 2016:

EUR thousand	Ref	31 Dec 2016
FAS Goodwill		**6,081**
Reversal of goodwill amortization	a)	489
Customer relationships recognized	b)	-1,028
Discounting of contingent consideration	c)	-28
Adjustment to purchase consideration	d)	33
Capitalized transaction costs	e)	-61
Payment for post combination services	f)	-152
Cost related to establishing a subsidiary	g)	-9
Deferred tax liability related to customer relationships	h)	226
Impact of currency translation	i)	19
IFRS Goodwill		**5,570**

a) As goodwill is not amortized under IFRS, Nixu reversed the amortization recognized under FAS and, therefore, increased the goodwill amount by EUR 489 thousand for the year ended December 31, 2016.

b) Nixu recognized customer relationships of EUR 1,028 thousand related to the acquisitions of Europoint and Safeside during the year ended December 31, 2016. The customer relationships are amortized in 10 to 12 years. The amortization related to the customer relationships amounted to EUR 34 thousand for the year ended December 31, 2016.

c) The acquisition of Europoint included contingent consideration of EUR 575 thousand under FAS. Under IFRS, the contingent consideration was EUR 28 thousand lower due to discounting of the contingent consideration to the net present value. The increase of EUR 12 thousand in the fair value of the contingent consideration compared to the carrying value under FAS was recognized as finance expense in the income statement for the year ended December 31, 2016. Under IFRS, the contingent consideration was EUR 15 thousand lower due to discounting to the present value as at December 31, 2016.

d) Shares issued to the sellers of Europoint and Safeside were recognized at the fair value (quoted share price) as at the acquisition dates. This resulted in adjustments that increased invested unrestricted equity and goodwill by EUR 33 thousand under IFRS as at December 31, 2016

e) Under IFRS, acquisition related costs are expensed in the periods in which the costs are incurred. Therefore acquisition related costs of EUR 61 thousand included in the purchase consideration under FAS were adjusted to other operating expenses for the year ended December 31, 2016.

f) The acquisition of Safeside included arrangements with sellers working as a key employees that were considered as a compensation for post combination services rather than purchase consideration under IFRS. For the year ended December 31, 2016, the adjustment related to post combination services decreased goodwill by EUR 152 thousand, increased receivables by EUR 144 thousand, increased employee benefit expenses by EUR 13 thousand and translation differences by EUR 5 thousand.

g) Other operating expenses were increased and goodwill decreased by EUR 9 thousand for the year ended December 31, 2016 related to the costs for establishing a subsidiary.

h) For the acquisitions of Europoint and Safeside, Nixu recognized deferred tax liabilites related to customer relationships amounting to EUR 226 thousand as at the acquisition dates.

i) Under IFRS, any goodwill and fair value allocations to the carrying amounts of assets and liabilities arising on a foreign operation's acquisition are treated as the foreign operation's assets and liabilities whereas under FAS the assets and liabilities have been recorded based on the EUR amounts. As at December 31, 2016, translation of customer relationships and related deferred tax liabilities, receivables from post combination services, contingent consideration as well goodwill from the acquisitions resulted EUR 30 thousand increase in translation differences and goodwill under IFRS compared to FAS.

2. Finance leases

Under FAS, Nixu has accounted for all lease agreements as operating leases and lease payments have been recognized in income statements on a straight-line basis over the lease term. Under IFRS a lease is classified as a finance lease when the risks and rewards related to ownership are substantially held by Nixu. Other leases are classified as operating leases. Under finance lease, 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.

The tangible assets were increased by EUR 344 thousand due to capitalized IT hardware and cars, non-current borrowings increased by EUR 219 thousand and current borrowings by EUR 132 thousand in the opening balance sheet as at January 1, 2016. The depreciation was increased by EUR 166 thousand, other operating expenses were decreased by EUR 188 thousand and finance expenses were increased by EUR 23 thousand for the year ended December 31, 2016. Tangible assets as at December 31, 2016 were increased by EUR 354 thousand, non-current borrowings by EUR 201 thousand and current borrowings by EUR 161 thousand respectively.

3. Transaction costs related to the bank loans

Under FAS, Nixu has recognized transaction costs related to bank loans as an expense in the same accounting period when the loan was drawn. Under IFRS, bank loans are initially recognized at fair value, net of transaction cost. Transaction costs are amortized over the term of the loan using the effective interest method.

Borrowings were decreased by EUR 26 thousand in the opening balance sheet as at January 1, 2016 and EUR 17 thousand as at December 31, 2016. Interest expenses for the year ended December 31, 2016 increased by EUR 9 thousand.

4. Revenue recognition

Nixu provides security consulting services, continuous services and sells licenses. Continuous services consist of managed security services such as Cyber Defense Center services and vendor support services. Under FAS, Nixu has recognized implementation phase revenue and related set-up costs related to Cyber Defense Center services in the accounting period in which these implementation services are rendered. Under IFRS Nixu recognizes revenue over the managed Cyber Defense Center continuous services period. Under FAS set-up costs were expensed as they did not qualify for recognition as an asset. Under IFRS these set-up costs were capitalized as costs to fulfil a contract.

Nixu has recognized a contract liability of EUR 43 thousand in the opening balance sheet as at January 1, 2016 and EUR 133 thousand as at December 31, 2016 in relation to revenue from set-up activities of Cyber Defense Center services and an contract asset of EUR 12 thousand in the opening balance sheet and EUR 36 thousand as at December 31, 2016 in relation to costs to fulfil the service agreement. Revenue was decreased by EUR 90 thousand and personnel costs deferred by EUR 24 thousand for the year ended December 31, 2016.

5. Employee share-based incentive plan

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. Under FAS, this resulted EUR 595 thousand increase in equity. In connection of the share issue, Nixu granted loans amounting to EUR 271 thousand to employees for the payment of the subscription price of the new shares. The loans will be repaid in 20 instalments that are deducted directly from wages. EUR 324 thousand of the subscription price was paid in cash.

The incentive plan with the employees includes a service condition for one to two years during which the employees are not entitled to dispose the shares. Under certain conditions, the Company has a right to repurchase transfer-restricted shares from subscribers whose employment or CEO contract is terminated within the service period. Under FAS, Nixu has not recognized employee benefit expense from the plan. Under IFRS, the plan is classified as an equity-settled share-based incentive plan. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense. The total amount to be expensed is determined by reference to the difference between the fair value of the shares granted and the subscription price paid. Service conditions are included in assumptions about the number of shares expected to vest. The total expense is recognized over the vesting period.

The adjustment increased employee benefit expenses and retained earnings by EUR 7 thousand for the year ended December 31, 2016.

Under FAS, Nixu has recognized an increase in equity for the shares issued under the share-based inventive plan. In connection with the share issue, Nixu granted loans to the employees to finance the subscriptions. Under FAS, these loan receivables amounted to EUR 256 thousand as at December 31, 2016. 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, under IFRS, the share issue is recognized in equity when the vesting period ends. The loans granted to employees to subscribe the shares are considered as part of the share-based payment transaction. This resulted in adjustments, where the increase in equity and loan receivables recognized under FAS were derecognized. The part of the subcsription price that was paid in cash was recognized as a liability. The loan instalments that are paid by employees prior to the end of the vesting period are recognized as increase in Nixu's liabilities. At the end of each vesting period, subscription price related to the shares of employees that are still employed by the Company are recognized to equity. The other side of the adjusting entry to equity is to derecognize Nixu's liability or if part of the subscription price is still unpaid by employees, recognize corresponding receivable.

This adjustment decreased receivables by EUR 256 thousand, increased liabilities by EUR 340 thousand and decreased equity by EUR 595 thousand as at December 31, 2016.

6. Deferred tax assets and deferred tax liabilities

Nixu has recognized deferred taxes under FAS. Under IFRS, Nixu recognized deferred tax assets amounting to EUR 79 thousand and deferred tax liabilities amounting to EUR 76 thousand in the opening balance sheet related to the IFRS adjustments discussed above. Deferred tax assets recognized amounted to EUR 100 thousand and deferred tax liabilities EUR 303 thousand as at December 31, 2016. Changes in deferred taxes of EUR 23 thousand from the IFRS adjustments was recognized as income for the year ended December 31, 2016.

7. Reclassifications and other adjustments

Leasehold improvements have been classified as intangible assets under FAS. Under IFRS leasehold improvements of EUR 91 thousand as at January 1, 2016 and EUR 138 thousand as at December 31, 2016 were classified as tangible assets.

Deferred tax assets amounting to EUR 13 thousand as at December 31, 2016 were reclassified from current receivables to non-current receivables.

Income tax liabilities amounting to EUR 243 thousand as at January 1, 2016 and EUR 93 thousand as at December 31, 2016 were reclassified from trade payables and other payables to current income tax liabilities. Income tax receivables amounting to EUR 94 thousand as at December 31, 2016 were reclassified from trade receivables and other receivables to the current income tax receivables.

Under FAS, Nixu has disclosed contingent consideration related to the acquisition of Europoint under other non-current liabilities and other current liabilities. Under IFRS, the contingent consideration of EUR 168 thousand is presented under non-current borrowings and EUR 222 thousand under current borrowings as at December 31, 2016.

Under IFRS, deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authority and relate to either the same tax entities or different tax entities, where there is an intention to settle the balances on a net basis. Nixu has offset certain deferred tax assets and liabilities under IFRS. The adjustments related to the offsetting decreased the deferred tax assets and liabilities as at January 1, 2016 by EUR 76 thousand and as at December 31, 2016 by EUR 87 thousand.

Impact of adopting IFRS standards on the consolidated statements of cash flows

The most significant impact of adopting IFRS standards on the consolidated statement of cash flows was in the financial period 2016 related to the following:

- Amounts related to acquisitions have been classified from cash flows from investing to cash flows from operating activities under IFRS (transaction costs, payments from post combination services, other adjustments).
- The payments of finance lease liabilities have been reported in cash flows from financing activities under IFRS. Under FAS Nixu reported all lease payments under cash flows from operating activities.

Parent Company Income Statement

	Notes	1 Jan - 31 Dec 2017 EUR	1 Jan - 31 Dec 2016 EUR
REVENUE	1	**24,181,902.69**	**19,767,738.56**
Other operating income	2	**521,636.87**	**592,566.51**
Materials and services	3		
Materials and services		-2,659,165.92	-1,585,086.04
Materials and services in total		**-2,659,165.92**	**-1,585,086.04**
Personnel costs	4		
Wages and salaries		-11,901,092.15	-10,765,617.94
Social security costs			
Pension costs		-2,082,793.63	-1,787,366.33
Other social security costs		-488,698.90	-568,561.08
Personnel costs in total		**-14,472,584.68**	**-13,121,545.35**
Amortization and depreciation			
Amortization and depreciation according to plan		-521,799.43	-466,506.21
Amortization and depreciation in total		**-521,799.43**	**-466,506.21**
Other operating expenses	5	**-5,167,686.55**	**-4,098,956.34**
OPERATING PROFIT		**1,882,302.98**	**1,088,211.13**
Financial income and expenses	6		
From group companies		42,011.63	11,241.58
Receivables from non-group companies		69.05	30,256.77
Reduction in value of investments held as non-current assets		-772,000.00	
Interest expenses and other financial expenses			
Payables to non-group companies		-572,836.07	-130,857.74
Financial income and expenses in total		**-1,302,755.39**	**-89,359.39**
PROFIT BEFORE APPROPRIATIONS AND TAXES		**579,547.59**	**998,851.74**
Income taxes	7	**-333,397.93**	**-274,969.53**
PROFIT FOR THE ACCOUNTING PERIOD		**246,149.66**	**723,882.21**

Parent Company Balance Sheet

	Notes	31 Dec 2017 EUR	31 Dec 2016 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8		
Intangible rights		352,916.68	137,754.41
Other long-term expenditure		2,338,979.40	2,558,067.03
Intangible assets in total		**2,691,896.08**	**2,695,821.44**
Tangible assets	9		
Machinery and equipment		273,662.81	312,481.84
Tangible assets in total		**273,662.81**	**312,481.84**
Investments	10		
Shares in group companies		11,492,153.79	4,591,415.55
Investments in total		**11,492,153.79**	**4,591,415.55**
NON-CURRENT ASSETS IN TOTAL		**14,457,712.68**	**7,599,718.83**
CURRENT ASSETS			
Receivables	11		
Long-term receivables			
Intercompany receivables		696,543.65	875,893.18
Other non-current receivables		0.00	94,213.81
Non-current receivables in total		**696,543.65**	**970,106.99**
Current receivables			
Accounts receivable		7,297,604.03	4,931,659.25
Intercompany receivables		691,236.33	200,300.67
Other receivables		266,766.12	145,373.50
Loans receivable		0.00	161,346.98
Prepayments and accrued income		930,964.92	683,172.30
Current receivables in total		**9,186,571.40**	**6,121,852.70**
Receivables in total		**9,883,115.05**	**7,091,959.69**
Cash in hand and at bank		**10,607,757.24**	**2,059,951.19**
CURRENT ASSETS IN TOTAL		**20,490,872.29**	**9,151,910.88**
ASSETS IN TOTAL		**34,948,584.97**	**16,751,629.71**

	Notes	31 Dec 2017 EUR	31 Dec 2016 EUR
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	12		
Share capital		94,821.20	94,821.20
Invested unrestricted equity reserve		17,424,580.01	6,713,948.50
Retained profit		2,594,884.07	1,892,642.34
Profit for the accounting period		246,149.66	723,882.21
SHAREHOLDERS' EQUITY		**20,360,434.94**	**9,425,294.25**
LIABILITIES	13		
Non-current			
Loans from financial institutions		0.00	2,029,850.50
Other non-current liabilities		0.00	184,244.96
Non-current liabilities in total		**0.00**	**2,214,095.46**
Current			
Loans from financial institutions		7,945,404.08	716,418.00
Accounts payable		1,501,734.20	439,655.29
Intercompany liabilities		103,035.17	56,254.96
Other liabilities		1,558,991.06	1,394,670.98
Accruals and deferred income		3,478,985.52	2,505,240.77
Current liabilities in total		**14,588,150.03**	**5,112,240.00**
LIABILITIES		**14,588,150.03**	**7,326,335.46**
EQUITY AND LIABILITIES IN TOTAL		**34,948,584.97**	**16,751,629.71**

Parent Company's Cash Flow Statement

	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
	EUR	**EUR**
Profit before appropriations	579,547.59	998,852.00
Amortization and depreciation	521,799.43	466,506.00
Taxes	-333,665.57	-274,970.00
Change in working capital	133,244.00	-761,072.00
Cash flow from operations	**900,925.45**	**429,316.00**
Investments	-7,872,329.00	-3,835,094.00
Cash flow from investments	**-7,872,329.00**	**-3,835,094.00**
Proceeds from borrowings	5,850,000.00	0.00
Repayments of non-current loans	-1,021,418.00	-716,418.00
Increase in equity subject to a charge	10,710,632.00	339,640.00
Dividends paid	0.00	-550,083.15
Repurchase of own shares	-20,004.00	-12,420.00
Net cash flow from financing	**15,519,210.00**	**-939,281.15**
Change in liquid assets	**8,547,806.45**	**-4,345,059.15**
Liquid assets at the start of the accounting period	2,059,951.00	6,405,010.00
Liquid assets at the end of the accounting period	10,607,757.00	2,059,951.00

Notes To The Parent Company's Financial Statements

	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
1. REVENUE BY MARKET AREA		
Finland	21,522,186.52	17,987,769.80
Foreign markets	2,659,716.17	1,779,968.76
Total	**24,181,902.69**	**19,767,738.56**

2. OTHER OPERATING INCOME		
Grants from TEKES and EU	427,856.92	509,258.50
Other income	93,779.95	83,308.01
Total	**521,636.87**	**592,566.51**

3. MATERIALS AND SERVICES		
Externally sourced materials and services	-2,659,165.92	-1,585,086.04
Total	**-2,659,165.92**	**-1,585,086.04**

4. PERSONNEL COSTS

MANAGEMENT WAGES AND SALARIES		
Members of the Board and CEOs	321,121.00	264,081.69
NUMBER OF PERSONNEL		
Average number of personnel	190	167
	190	**167**

5. OTHER OPERATING EXPENSES		
Rent payments	-487,283.21	-497,781.39
Ostetut palvelut	-1,366,900.86	-922,622.66
Purchased services	-993,845.23	-715,596.74
Marketing costs	-527,992.99	-464,284.30
Other operating expenses	-1,791,664.26	-1,498,671.25
Total	**-5,167,686.55**	**-4,098,956.34**

Auditors' fees		
Audit fees billed by PWC	-78,421.12	-39,782.71
Consulting fees billed by PWC	-101,668.15	-12,418.33
Total	**-180,089.27**	**-52,201.04**

6. FINANCIAL INCOME AND EXPENSES	**31 Dec 2017**	**31 Dec 2016**
Reduction in value of non-current assets	-772,000.00	0.00
Other interest income and financial income from group companies	42,011.63	11,241.58
Other interest income and financial income from non-group companies	69.05	30,256.77
Other interest expenses	-572,836.07	-130,857.74
Total	**-1,302,755.39**	**-89,359.39**

7. INCOME TAXES		
Income taxes in the accounting period	-339,380.85	-274,913.21
Income taxes from previous accounting periods	5,982.92	-56.32
Total	**-333,397.93**	**-274,969.53**

2017

8. INTANGIBLE ASSETS	Other long-term expenditure	Intangible rights	**Total**
Acquisition cost at the start of the accounting period	3,798,828.96	0.00	3,798,828.96
Increases	31,679.15	385,000.00	416,679.15
Acquisition cost at the end of the accounting period	**3,830,508.11**	**385,000.00**	**4,215,508.11**
Accumulated amortization and impairments at the start of the accounting period	-1,103,007.52	0.00	-1,103,007.52
Amortization during the accounting period	-388,521.19	-32,083.32	-420,604.51
Accumulated amortization at the end of the period	**-1,491,528.71**	**-32,083.32**	**-1,523,612.03**
Book value at the end of the period	**2,338,979.40**	**352,916.68**	**2,691,896.08**

9. TANGIBLE ASSETS	Machinery and equipment	**Total**
Acquisition cost at the start of the accounting period	1,262,328.05	1,262,328.05
Increases	62,375.89	62,375.89
Acquisition cost at the end of the accounting period	**1,324,703.94**	**1,324,703.94**
Accumulated depreciation and impairments at the start of the accounting period	-949,846.21	-949,846.21
Depreciation during the accounting period	-101,194.92	-101,194.92
Accumulated depreciation at the end of the period	**-1,051,041.13**	**-1,051,041.13**
Book value at the end of the period	**273,662.81**	**273,662.81**

10. INVESTMENTS

	Shares in subsidiaries	Total
Acquisition cost at the start of the accounting period	4,591,415.55	4,591,415.55
Increases	6,905,803.87	6,905,803.87
Decreases (-), Holgings in group memeber companies	-5,065.63	-5,065.63
Acquisition cost at the end of the accounting period	**11,492,153.79**	**11,492 153.79**
Book value at the end of the period	**11,492,153.79**	**11,492 153.79**

11. RECEIVABLES

	31 Dec 2017	31 Dec 2016
INTERCOMPANY RECEIVABLES		
Non-current		
Loans receivable, non-current	696,543.65	875,893.18
Current		
Accounts receivable	616,529.58	167,009.03
Current prepayments and accrued income	74,706.75	33,291.64
Current receivables in total	**691,236.33**	**200,300.67**
KEY PREPAYMENT AND ACCRUED INCOME ITEMS		
Receivables from employer's statutory insurance premiums	32,297.02	151,919.57
License fee deferral	485,374.33	192,342.90
Grants from TEKES and EU	86,573.74	193,303.00
Other prepayments and accrued income	326,719.83	145,606.83
Total	**930,964.92**	**683,172.30**

12. SHAREHOLDERS' EQUITY

	31 Dec 2017	31 Dec 2016
Restricted shareholders' equity:		
Share capital at the start of the accounting period	94,821.20	94,821.20
Share capital at the end of the accounting period	**94,821.20**	**94,821.20**
Restricted shareholders' equity in total	**94,821.20**	**94,821.20**
Unrestricted equity:		
Invested unrestricted equity reserve at the start of the accounting period	6,713,948.50	5,401,848.50
Directed issue	10,710,631.51	1,312,100.00
invested unrestricted equity reserve at the end of the accounting period	**17,424,580.01**	**6,713,948.50**
Retained profit at the start of the accounting period	2,616,524.55	2,455,145.49
Dividend distribution	0.00	-550,083.15
Purchase of own shares	-21,640.48	-12,420.00
Retained profit at the end of the accounting period	**2,594,884.07**	**1,892,642.34**
Profit for the accounting period	**246,149.66**	**723,882.21**
Unrestricted equity in total	**20,265,613.74**	**9,330,473.05**
Shareholders' equity in total	**20,360,434.94**	**9,425,294.25**
Calculation of assets subject to profit distribution		
Profit subject to profit distribution		
Retained profit	2,594,884.07	1,892,642.34
Profit for the accounting period	246,149.66	723,882.21
Profit subject to profit distribution	**2,841,033.73**	**2,616,524.55**
Other assets subject to profit distribution		
Invested unrestricted equity reserve	17,424,580.01	6,713,948.50
Other assets subject to profit distribution	**17,424,580.01**	**6,713,948.50**
Assets subject to profit distribution in total	**20,265,613.74**	**9,330,473.05**

13. LIABILITIES

	31 Dec 2017	31 Dec 2016
NON-CURRENT LIABILITIES		
Liabilities maturing within 5 years		
Loans from financial institutions	0.00	2,029,850.50
Purchase price liability from acquisition	0.00	184,244.96
Total	**0.00**	**2,214,095.46**

The Group did not meet EBITDA covenant as at December 31, 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.

CURRENT LIABILITIES		
Loans from financial institutions		
Financial institution loan amortization	7,945,404.08	716,418.00
Total	**7,945,404.08**	**716,418.00**
Other liabilities		
Purchase price liability from acquisition	178,792.74	222,454.33
Other current liabilities	1,380,198.32	1,172,216.65
Total	**1,558,991.06**	**1,394,670.98**
Material items included in accrued expenses		
Annual leave pay, including statutory social security contributions	1,670,901.95	1,503,186.00
Accrued payroll	537,610.57	492,421.00
Other accruals and deferred income	1,270,473.00	509,633.77
Total	**3,478,985.52**	**2,505,240.77**

14. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	31 Dec 2017	31 Dec 2016
Leasing liabilities		
Amounts payable for leasing contracts		
Maturing within the next 12 months	356,091.12	260,306.07
Maturing in more than 12 months	280,315.97	253,450.56
TOTAL	**636,407.09**	**513,756.63**
Other commitments		
Rent liabilities	1,370,498.00	619,404.80
Mortgages	10,118,644.29	4,118,644.00
Deposits and pledged funds	145,758.00	140,400.00
TOTAL	**11,634,900.29**	**4,878,448.80**

Business mortgages and shares of Bitsec Holding AB were used as collateral for Nixu Corporation's MEUR 7.9 financial institution loan and MEUR 1.0 credit limit. At the end of the review period, the credit limit has remained unused.

15. HOLDINGS IN OTHER UNDERTAKINGS

Name	Domicile	Ownership interest
Nixu Certification Oy	Espoo, Finland	100%
Nixu B.V.	The Netherlands	100%
Nixu AB	Sweden	100%
Nixu Consulting AB	Sweden	100%
Nixu Inc.	The United States of America	100%
Expert Solution Support Center B.V.	The Netherlands	100%
Bitsec Holding AB	Sweden	100%

Signing of Report of the Board of Directors and the Consolidated Financial Statements

THE BOARD OF DIRECTORS AND CEO

In Espoo 7th of March 2018

____
Kimmo Rasila
Chairman of the Board

____
Marko Kauppi
Vice Chairman of the Board

____
Kati Hagros
Member of the Board

____
Juhani Kaskeala
Member of the Board

____
Tuija Soanjärvi
Member of the Board

____
Petri Kairinen
CEO

AUDITOR'S NOTE

Suoritetusta tilintarkastuksesta on tänään annettu kertomus.

In Espoo 26th of March 2018

PricewaterhouseCoopers Oy
Authorized Public Accountants

____
Heikki Lassila
Authorized Public Accountant

Auditor's Report

(Translation of the Finnish Original)

To the Annual General Meeting of Nixu Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Nixu Oyj (business identity code 0721811-7) for the financial year 1 January – 31 December 2017. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.
- the parent company's balance sheet, income statement and notes.

Basis for Opinion

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

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

Independence

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the effectiveness of the parent company's or the group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

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

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

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 26 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant (APA)

Nixu Oyj governance model

In the organization of its administration, Nixu Corporation ("Nixu") adheres to Finnish legislation such as the Limited Liability Companies Act and the Securities Markets Act, as well as the company's Articles of Association. In the preparation of its annual financial statements and half-yearly reports, Nixu follows International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards as well as the rules applied to the First North Finland market.

General meeting

The shareholders primarily participate in the governance of Nixu through decisions made at the General Meeting. The decision on convening a General Meeting is taken by the Board of Directors.

The Annual General Meeting must be held annually within six (6) months of the end of the accounting period on a date determined by the Board of Directors. In accordance with the Articles of Association, decisions must be made at the Annual General Meeting on the following: adoption of the financial statements, use of the profit shown on the adopted balance sheet, discharge of the members of the Board of Directors and the CEO from liability, the number of members on the Board of Directors, and remuneration to be paid to the members of the Board of Directors and the auditors. The Annual General Meeting must also appoint the members of the Board of Directors and the auditors, and decide upon the other matters possibly indicated in the notice of meeting.

Board of directors

The Board of Directors is responsible for the administration of Nixu and the appropriate organization of its operations. The Board of Directors has the general mandate to decide all issues concerning Nixu's administration and other issues which do not fall within the responsibility of the General Meeting or the CEO. The Board convenes as often as is required to carry out its duties. The Board has quorum when more than half of its members are present. The General Meeting elects the members of the Board. According to the Articles of Association, Nixu's Board of Directors may include at least three (3) and at most seven (7) regular members and a sufficient number of deputy members. The term of a member or deputy member of the Board ends with the conclusion of the Annual General Meeting following the appointment of the member. The Board may establish committees if required by the scope of Nixu's business or to efficiently carry out the Board's duties.

Chief execute officer

The CEO is in charge of the day-to-day management of Nixu in accordance with the Limited Liability Companies Act and instructions, orders and mandates issued by the Board. The CEO is also responsible for ensuring that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The CEO also steers and supervises the operations of Nixu and its business, is in charge of the day-to-day operational management and implementation of the Company strategy, prepares the matters to be handled by the Board, and is responsible for the implementation of those matters. The Board appoints the CEO and determines the remuneration paid to the CEO and all the other terms and conditions in the CEO's service agreement.

Corporate management team

The Corporate Management Team assists the CEO, for example, in the preparation of the company strategy, operating principles, matters related to other functions and company-wide issues. The company CEO acts as the Chairman of the Corporate Management Team.

Incentive schemes

The salary and remuneration package offered to Nixu's key personnel and senior executives consists of a competitive salary and employee benefits that comply with the local market practice, short-term incentives tied to pre-determined half-yearly performance indicators and long-term incentives that combine the interests of both the management and the shareholders.

Risk management and internal control

The purpose of Nixu's risk management policy is to support the company's strategic goals and ensure business continuity in the ever-changing business landscape. The ability to bear risks and manage them effectively is key to successful business and creating value for the owners. The aim of Nixu's internal control and risk management activities is to monitor that the company operates effectively, that the information it publishes is up to date and reliable, and that all existing regulations are followed. The Board has the primary responsibility for the supervision of accounting activities and financial management activities.

Nixu's financial status and development is monitored on a monthly basis by the Corporate Management Team and the Board, and all related information is disclosed in accordance with Nixu's information policy.

Auditing

According to the Articles of Association, Nixu has one regular auditing body, which must be a firm of accountants authorized by the Central Chamber of Commerce of Finland. The term of the auditor ends with the conclusion of the Annual General Meeting following the election of the auditor. The company's auditor is PricewaterhouseCoopers Oy, a Firm of Authorized Public Accountants, the auditor in charge being Authorized Public Auditor Heikki Lassila.

The purpose of the audit is to verify that the financial statements provide correct and sufficient information about the company's profit and financial status in the relevant accounting period. The company auditor provides the shareholders with the audit report required by law in connection with the company's financial statements. Audits carried out during the accounting period are reported to the Board of Directors. The auditor and the Board meet at least once a year.

Insiders

In insider matters, Nixu complies with national and European union legislation applied to the First North companies, the standards of the Finnish Financial Supervisory Authority, the NASDAQ OMX Helsinki Guidelines for Insiders of Listed Companies, and its own insider guideline.

Trading in Nixu securities, by a person who belongs into a group that has trading restrictions, is only allowed in a period that covers two (2) months and begins on the day following the date of publication of Nixu's financial statements or half-yearly report (the so-called open window), provided that the insider concerned has passed the evaluation procedure in accordance with Nixu's insider guideline. At all other times, the group of people with trading restrictions are prohibited from trading in Nixu securities. Nixu's insider registers are maintained within Euroclear Finland Oy's Sire system. The person responsible for Nixu's insider issues maintains the Sire register. Nixu publishes all changes in the stock ownership of the Nixu management by stock exchange release in line with the Market Abuse Regulation (MAR) and also continues to publish the Nixu share quantities owned by the Nixu Board of Directors and Corporation management team members on monthly basis.

In addition to the Nixu Corporation management team members, the trading limitations also concern persons who are involved in preparing and publishing Nixu's financials. Hence the trading restrictions are extended to persons in the financial department, persons discharging managerial responsibilities (managers) in Nixu Corporation and also to an outsourced accountant and Nixu's certified advisor.

Communications

Nixu is committed to active and transparent communications with all of its stakeholders. The company's communications are based on facts and transparency. It is also systematic, honest, equal and timely. The aim is to provide a truthful description of the company's operations, operating environment, strategy, targets and financial performance.

In its communications, Nixu complies with the rules and regulations of the Securities Markets Act, the First North Finland market and the Financial Supervisory Authority. Nixu's communications principles and all major information channels are described in a separate information policy.

Certified advisor

Nixu's shares are listed on the First North Finland market of NASDAQ OMX Helsinki Oy, which requires the appointment of a Certified Advisor (CA). The CA's duty is to ensure that the Company complies with all of the requirements of the market and all existing obligations. The CA is also responsible for reviewing the stock exchange releases prepared by the Company. Where required, the CA also ensures through other means that the Company meets all of the requirements of the First North Finland market. Nixu's Certified Advisor is Summa Market Capital Oy.

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