



Nixu's Annual Report 2019
Annual Review



On a strong growth path

In 2019, five years have passed since Nixu's listing on the First North marketplace on the Nasdaq Helsinki stock exchange. Guided by its successful growth strategy, Nixu has, particularly over these five years, developed as an international cybersecurity company with an annual average growth rate of nearly 30%. Today, the company is the largest company specialized in cybersecurity services on the Nordic market.

The cybersecurity market is expected to grow strongly in the coming years along with the accelerating rate of digitalization. New digital business models are not possible for actors in society without comprehensive cybersecurity. The need to secure business continuity and increasing regulation will require continued investments in cybersecurity.

Nixu takes advantage of the opportunities offered by a growing market and seeks to grow into an increasingly larger cybersecurity operator, even faster than the cybersecurity market. In 2019, Nixu published its growth ambition for 2020–2024. Through these targets, the company will pave the way for its future growth and, in line with its mission, keep the digital society running.

ANNUAL REPORT 2019

Nixu's Annual Report is published in Finnish and English. It comprises three sections:

1. ANNUAL REVIEW
2. FINANCIAL REVIEW, including the Financial Statements (audited), Report of the Board of Directors, and Auditor's Report
3. CORPORATE GOVERNANCE, including the Corporate Governance Statement and Remuneration Statement.

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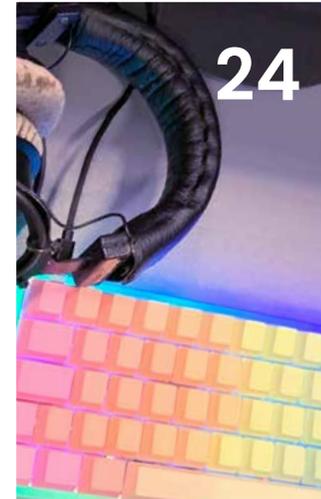
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This publication is for general informational purposes only. The statements concerning markets and the future are based on the current views of the company management. Due to their nature, they are prone to uncertainty resulting from economic fluctuations and changes in the industry.

PUBLISHER

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Nixu is the largest service company specialized in cybersecurity services on the Nordic market

Nixu's clients include key stakeholders in both the private and public sector. Nixu offers its clients a wide range of comprehensive cybersecurity services that help them to capitalize on the opportunities provided by digitalization in a safe manner. Nixu has Nordic roots and employs experts in Finland, Sweden, the Netherlands, Denmark, and Romania. From these locations, Nixu's experts work on customer assignments around the world. Founded in 1988, Nixu's shares are listed on the Nasdaq Helsinki Stock Exchange (stock symbol: NIXU).



EBITDA MEUR
1.05 M€
(2018: -0.25 M€)

ACQUISITIONS
2
(2018: 0)

MARKET AREAS
4
(2018: 3)

EQUITY RATIO
37.3 %
(2018: 50.5 %)

NUMBER OF PERSONNEL
419
(2018: 355)

**Petri Kairinen,
CEO of Nixu:**

The challenging
end of the year
will not change our
growth ambition



"Nixu again saw rapid growth in 2019, almost 30% annually, with revenue exceeding EUR 50 million. After completing the acquisition of Ezenta A/S in Denmark, Nixu is now a substantial player in terms of size in Northern Europe and especially the Nordic region. December was the first month when more than half of our revenue came from outside Finland. It is important for us to grow in size and expand to new markets, as we are building an increasing market share in the cybersecurity market, which has yet to see its strongest growth. The need for cybersecurity services will continue to grow along with the digitalization of society. This is becoming evident now that 5G networks are becoming more prevalent and industries are beginning to adopt Internet of Things (IOT) solutions. Our mission to keep the digital society running is now highly topical.

In terms of results, the year was mixed. The highly successful first half was followed by a challenging second half, during which we were forced to lower our growth forecast twice. Our growth remained lower than originally estimated due to a number of unrelated reasons. However, we believe that our long-term competitiveness has not suffered. In a services business such as Nixu's, lower than projected revenue is immediately reflected in profitability, as it is difficult to cut costs proportionally. In the second half, our EBITDA was extremely weak. However, we have taken a number of corrective

measures, and I trust that we have a good possibility that our EBITDA will again be positive in the first half of 2020 despite the continuing investments in international growth.

In August, we published Nixu's medium-term growth ambition. Our aspiration for growth is ambitious, but in line with our growth in the last five years. We still believe that Nixu has a realistic chance of continuing this growth. A key factor in this will be strong, profitable growth in Nixu's foreign markets as well as the sustained strong growth of continuous managed services.

Nixu is rapidly evolving from a consulting company into a more comprehensive cybersecurity partner for companies. New services are constantly being developed. A good example of this is the contract we signed at the end of 2019 for the implementation of a managed consumer digital identity service for a major enterprise customer.

In 2020, it is essential for us to 1) sharpen our sales efforts and forecasting, 2) harmonize our range of services and development focus in different market areas, and 3) ensure that Nixu continues to employ the best, most enthusiastic cybersecurity experts in the industry, who we can more consistently provide with meaningful customer projects to work on, preferably as continuous services."

"Cybersecurity market has yet to see its strongest growth."

YEAR 2019

MARCH:

Nixu strengthened its market position in Sweden by acquiring the cybersecurity business of security company, Vesper Group.

In line with its best place to work strategy, Nixu carried out an All-Employee Matching Share Plan and an option scheme for key employees.



APRIL:

Nixu opened local operations in Denmark by acquiring Ezenta A/S, a company specializing in cybersecurity services.



JUNE:

Nixu carried out a personnel share issue as part of the All-Employee Matching Share Plan – a large part of Nixu employees are now company shareholders.

Nixu Certification Ltd obtained accreditation to carry out audits of information systems and environments that process data with an elevated protection level (Katakri ST III).

JULY:

Nixu signed a new cybersecurity partnership agreement worth EUR 2.1 million.

AUGUST:

Nixu published its growth ambition for 2020–2024.

The Nixucon19 personnel event organized in Tallinn brought together Nixu employees from all countries and offices.



SEPTEMBER:

Nixu organized a Capital Markets Day, where information was shared on Nixu's strategy, growth targets, and the overall development of the cybersecurity market.



OCTOBER:

Nixu opened a new office in The Hague Security Delta (HSD) campus in order to expand its operations in the Netherlands.



Cybersecurity Market Outlook

The rapid digitalization of society is a megatrend pushing the growth of the cybersecurity market. Companies and organizations are deploying digital solutions that streamline their operations and enable new business. Growth in the use of cloud services, digital transactions and increased use of industrial remote access, among others, has made cyber-attacks more effective and fueled the growth of both cybercrime and increased state involvement. New digital business models will not be sustainable without comprehensive cybersecurity and reliable digital identities. The cybersecurity market is likely to grow strongly in the next few years due to the acceleration of digitalization. Widespread data breaches will also lead to increased regulation, which will, in turn, necessitate increased cybersecurity investments.

The global cybersecurity market is expected to grow at an annual rate of around 8-20% in 2018-2023. Most of the market is comprised of cybersecurity services and technology products. The share of services is estimated to be well over half of the total market, but this is expected to grow more strongly in the coming years. Professional services and outsourced information security are predicted to grow rapidly (8-13%). Managed information security services (cloud security and managed security services) will be a particularly fast-developing area in the cybersecurity market.

The cybersecurity market is still very fragmented and immature. The company expects the market to consolidate and mature over the next five years so that clients will increasingly place their trust in limited number of larger companies. To keep up with this development as the market continues to grow, Nixu needs to build up itself to become a much bigger entity by growing faster than the market.

www.gartner.com/en/newsroom/press-releases/2018-08-15-gartner-forecasts-worldwide-information-security-spending-to-exceed-124-billion-in-2019

Visiongain: Cyber Security Market Report 2017-2027.

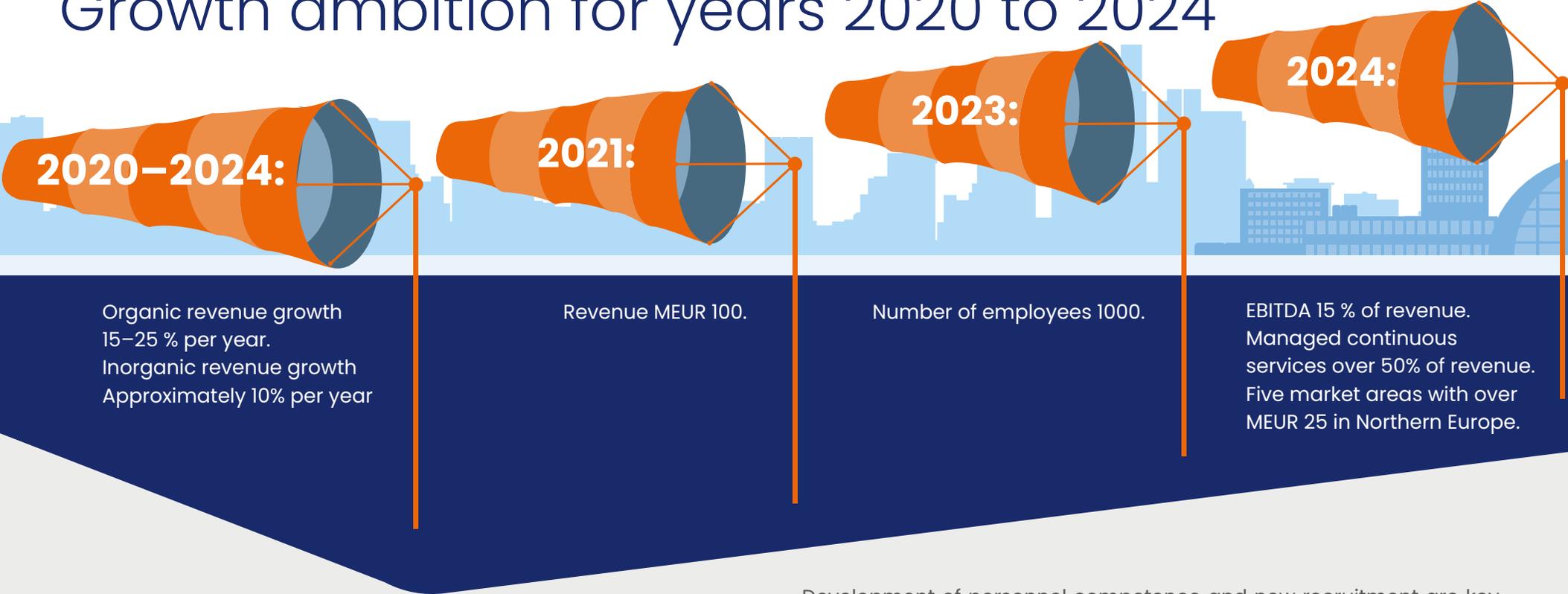
Growth Drivers of the Cybersecurity Market:

DIGITALIZATION OF SOCIETY

GROWTH OF CYBER CRIME

DEVELOPMENT OF LEGISLATION

Growth ambition for years 2020 to 2024



Nixu believes its revenue growth will be strong, both organically and with the support of selected acquisitions. Revenue is aimed to achieve organic growth of 15% to 25% per annum. In addition, acquisitions are expected to generate an average annual growth rate of 10% during the strategy period. Nixu wants to reach an annual revenue level of EUR 100 million in 2021. Achieving this revenue level would require significant acquisitions of which suitability to the strategy is always assessed on a case-by-case basis.

During a period of strong growth, Nixu will continue growth investments that weaken its annual result. As operational efficiency improves with scalability and the cost of the relative share of growth efforts reduces in the future, the company aims its EBITDA to reach 15% of revenue in 2024.

Development of personnel competence and new recruitment are key to Nixu's growth, although with the development of scalable services, revenue per person is estimated to grow by the end of the period. Nixu estimates that the 1,000-employee threshold will be reached in 2023.

The stronger growth of technology-based managed continuous services in comparison with consulting services is expected to lead to a higher share of Nixu's revenue from managed continuous services than from consultancy in 2024.

Nixu is expanding its operations in existing and new markets so that at least five market areas have revenue of EUR 25 million. In the existing markets, Nixu aims to consolidate the market through acquisitions, as has been done in Sweden.



The development areas of growth strategy

Reflecting the company's mission, "we keep the digital society running", the Nixu growth strategy will focus particularly on cybersecurity services for digital business transformation. Nixu is increasingly developing its cybersecurity services that enable clients to leverage the Industrial Internet of Things and use of digital identities in business.

The growth strategy is based on five development areas.

CYBERSECURITY TALENT COMMUNITY

As an expert organization, Nixu's success in its strategic targets will rely on its ability to retain, recruit and train the best cybersecurity specialists in the business. In addition, the company's reputation must be enhanced among the international cybersecurity community.

CYBERSECURITY PARTNER FOR DIGITALIZATION

Nixu provides its customers with a holistic variety of services to serve as a long-time cybersecurity partner. New services are being developed specifically to address the security of industrial internet platforms.

DATA-DRIVEN SERVICES ON GLOBAL PLATFORMS

Nixu wants to transition into a digital business model, that it relies on data on shared systems. Not only can the data collected in these systems be used for serving clients, it will also allow the company to develop its operations. Nixu's services rely on the solutions of global technology partners.

EXPANDING MARKET PRESENCE

Strategic acquisitions to open new markets are a key factor to expand Nixu's market presence. Acquisitions are financed in a manner that optimizes shareholder value, using either debt or equity. Nixu wants to serve its clients globally, however, its primary network of experts will be established across Europe North of Alps.

PROFITABLE, SCALABLE GROWTH

Despite its growth investments, Nixu is building its growth to be scalable. As the size of the business grows, relative profitability continues to improve.

CYBERSECURITY PARTNER



Holistic cybersecurity partner

Nixu wants to be a holistic cybersecurity partner in digital business for companies headquarter in Northern Europe. Nixu provides services for clients in several industries, such as the manufacturing industry, sales, security-critical state administration, online services, banking and financing, telecommunications and device manufacturers, and the media.

Nixu's clients are typically large, internationally operating companies or government organizations. These companies are facing digital transformation on many fronts. The emergence of new digital businesses and the transformation of old business models, in particular, such as the utilization of Industrial Internet (Industrial IoT), will lead to a wide-

spread need for cybersecurity expertise within the organization even beyond IT departments.

Nixu strives to respond to this customer need by providing a broad range of holistic services to best help its clients to address and eliminate the challenges and risks of digitalization. This is done through the provision of reliable, technology agnostic consultancy and design services, from cyberlaw expertise to the incident response of security breaches, as well as a variety of managed services based on the best technologies to ensure the functioning of digital business models.

Nixu has gained the position as a trusted partner for many of its clients. With this position, its custom-

ers' wish Nixu to solve more and diverse challenges. Hence, Nixu's holistic services expand the average size of a customer relationship. Typically, Nixu's customer base is very stable and its customers are served by Nixu for a long time, allowing building of customer-specific expertise.

In 2019, Nixu started to measure its customer satisfaction with the Net Promoter Score (NPS), an internationally recognized measure of customer satisfaction. According to NPS standards, if a company has an NPS score above 0, it is likely that most customers would recommend the company. In turn, a result of over 50 NPS points is excellent, and over 70 world-class. Nixu's NPS for 2019 was 48.

NIXU SERVED OVER

600

CLIENTS

CLIENT
ASSIGMENTS IN

30

COUNTRIES

CUSTOMER
SATISFACTION

48

NPS

Finnair and Finavia pilot biometric identification

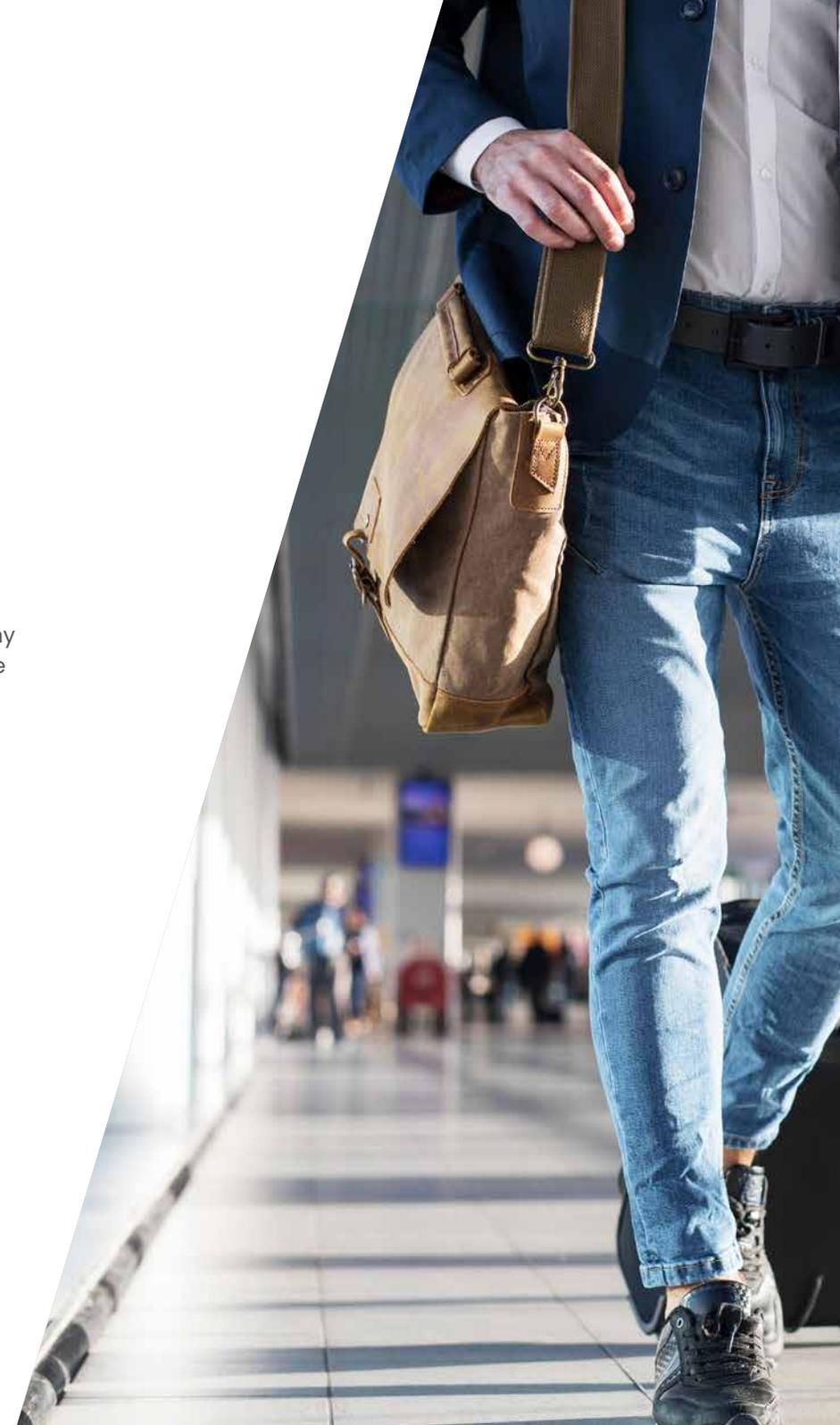
Future travel technology will enable people to transfer from their home to a destination without showing any ID or travel documents. One solution for smoother traveling is biometric authentication.

The Sandbox of Trust is a Finland-based digital identity initiative, led by cybersecurity company Nixu, Vastuu Group, Digital Living International, and the Technology Industries of Finland. In the spring of 2019, Finnair and Finavia partnered with the Sandbox of Trust pilot project, which aims to create a new digital identity linking and authentication solution called SisulD.

Finnair and Finavia studied the possibilities of using SisulD as the enabler of next-generation passenger authentication. This would allow all citizens who carry an authentic ID document to identify themselves in digital services. The app uses facial recognition and matches it to the ID information. If the user wishes, the collected biometric data can be used for authentication. The usage is based on user consent – the user controls the information.

The SisulD pilot provided excellent knowledge and insight on technical and privacy aspects of deploying biometrics and digital identity in travel. There are still some restrictions to be investigated before new technologies can be implemented.

Read more ►



Nixu's service concepts

Nixu's service concepts can include parts of several cybersecurity areas and technologies of third parties. Services and solutions created on the basis of the client's needs can be delivered to the client either as one-time consultation projects, technology-based implementation projects, or productized continuous services.



Digital Identity

Nixu enables reliable digital transformation on the terms of the business. Nixu helps its clients to ensure that reliability, security, and business continuity will be taken into account in all phases of digital transformation.



Cyber Defense

Nixu helps its clients to ensure their business continuity by providing effective defensive capabilities against cyber threats. Nixu offers tailored solutions for creating snapshots of current threats, preventing cyber-attacks and facilitating rapid recovery.



Cloud transformation

Nixu helps its clients to utilize cloud services in a reliable and secure manner by ensuring that the cloud service used is secure and that the risks can be managed.



Cybersecurity outsourcing

Nixu can take care of its client's cybersecurity environment as a whole; the client's personnel, processes and technology – or parts of these. Nixu offers expertise in all key areas of cybersecurity.



Compliance and certification

Nixu's service portfolio includes a wide range of cybersecurity compliance consultation and assessment services.



IoT

Nixu helps its clients to secure their connected devices by offering wide-ranging consultation and development services and continuous cybersecurity services throughout each product's life cycle.



Safety and reliability

In today's networked environment, Nixu helps its clients to ensure the continuity of their industrial production. To ensure the safety and reliability of industrial operations, Nixu formulates and implements cybersecurity models and creates secure remote connections and access management systems tailored to client needs.

Nixu gives YIT a view of its systems' cybersecurity

YIT, the largest Finnish and significant North European construction company, wanted to improve its ability to detect information security threats and breaches.

Cooperation between YIT and Nixu began in 2016. Through this cooperation, Nixu provides YIT with a comprehensive cybersecurity solution that includes prediction, detection, and monitoring of information security threats as well as management of information security breaches. The service covers all of YIT's workstations.

Thanks to the cooperation, YIT has a close and trustworthy cybersecurity partner that can detect and solve security breaches in its IT environment. Nixu's SOC (Security Operations Center) service team offers YIT top-quality monitoring around the clock. Acquiring similar capabilities of their own would be difficult and expensive for YIT.

"We now have a better overview of our cybersecurity situation and can respond quickly to any anomalies. We can also better manage the cooperation between vendors in our multi-vendor model. As the cybersecurity market continues to grow, the competition for cybersecurity experts becomes more and more intense, making it difficult for us to acquire our own expert resources. For this reason, smooth cooperation with our partners is very important to us. Our cooperation with Nixu has proven to be useful, and we have been given professional service whenever we have needed it," says Jussi Rautpalo, YIT's Chief Information Security Officer.

Read more ►

MyData operator network enables smooth data flow

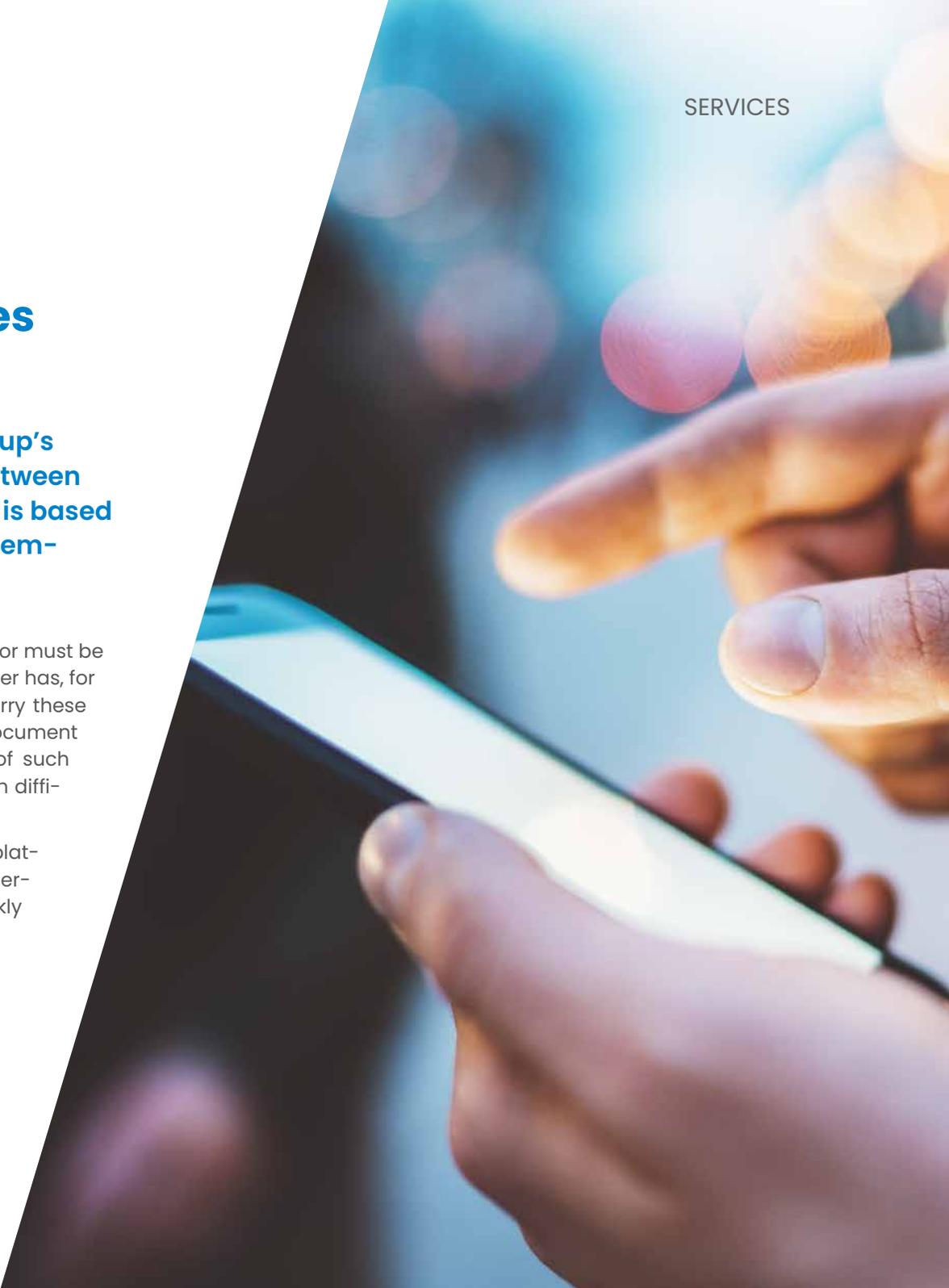
Nixu was involved in the implementation of Vastuu Group's service pilot, which enables more flexible data flows between organizations, service providers and users. The service is based on MyData principles according to which individuals themselves manage their own data.

When a construction worker starts work at a construction site, the supervisor must be able to verify which equipment the worker is allowed to use and if the worker has, for example, a valid driver's license. Construction workers are required to carry these documents with them and keep them safe. Verification takes time and document management is not always easy. Technology allows the digitalization of such processes, but the smooth sharing of information has in many cases been difficult due to the complexity of agreements and legal aspects.

To solve this problem, Vastuu Group has developed a MyData operator platform. All operators sharing or requiring information can join the MyData service, with the various operators obtaining access to the required data quickly and easily based on user consent.

Nixu has been building technical solutions on top of which the MyData solution was built. In particular, Nixu has been responsible for access management and authorization solutions.

Read more ►



Nixu's cybersecurity talent community



We want to offer the best place to work, systematically develop Nixu, and support professional development by investing in training and on-the-job learning.

Nixu's cybersecurity community consists of multitalented and skilled cybersecurity professionals with best-in-class expertise. Regardless of their market or area of expertise, they share a genuine passion for cybersecurity and the hunger to continuously develop their professional skills.

As a specialist organization, Nixu's key asset is its personnel. Nixu's success in achieving its strategic targets relies on its ability to retain, recruit, and train the best cybersecurity experts.

Job satisfaction

To further develop Nixu as an increasingly good workplace, job satisfaction is measured with the Nixu Pulse questionnaire on a quarterly basis. The average score for the question "How likely would you recommend Nixu as a workplace" (on a scale of 0-10) was 8 (2018: average 8).



Recruitment

In 2019, Nixu again recruited a record number of new employees. Nixu succeeded in recruiting both experienced and novice cybersecurity professionals, partly through the traditional Nixu Challenge competition. Recruitment is supported by employer image, the recommendations of employees, and Nixu's company culture.

Continuous competence development

Development of personnel competence is one of the key focus areas, helping Nixu to support the personal and professional growth of every employee. The power and responsibility for competence development lies strongly in the employees' own hands, and Nixu's task is to create the optimal framework for learning.

"I love how even small things matter at Nixu. Like how we get exactly the brand of coffee and tea we like the best and that we have events and after-work get-togethers. We're important and we matter! That's why it's motivating to work at Nixu, even if the work is very hectic at times."

- Nixu employee

PERSONNEL

**“We share your passion for cybersecurity
– welcome home.”**

Nixu’s employer promise



Nixu wants to offer every employee the opportunity to develop best-in-class expertise through continuous learning

Nixu LaaS

In 2019, Nixu began offering Nixu Learning as a Service (LaaS). This involves a digital application that gives employees easy access to comprehensive services from which they can choose a training package to match their individual needs.

The main focus of LaaS services is on development of professional competences. In addition to professional expertise, Nixu LaaS includes training modules to support leadership and wellbeing, strategy and business skills, and community. The instructors are Nixu's own experts, as deep expertise in the full scope of cybersecurity is readily available in a professional community of Nixu's size. The strong sense of community at Nixu means that employees enjoy learning things together, and top experts are eager to share their knowledge with their colleagues. Nixu LaaS is an excellent way to make the expertise of the employees visible and available to others across organizations and nations. This highlights the One Nixu way of thinking.

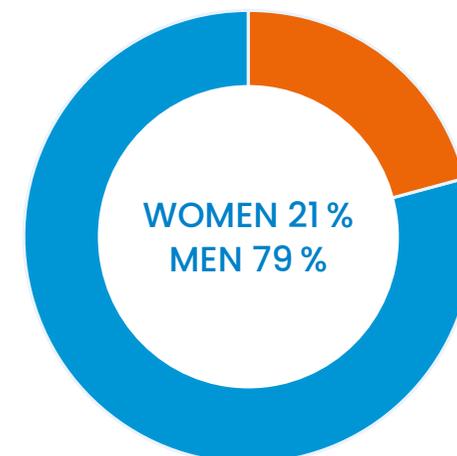
Nixucon19

The third annual Nixucon employee conference, organized in August 2019, is growing at the same rate as Nixu. The setting of the two-day event held in Tallinn was more unique and its scope more comprehensive than ever before. The event brought together some 400 Nixu employees from around the world, dressed in a steampunk spirit, to learn together and share knowledge.

The focus of the self-produced program was on developing cybersecurity skills. A total of more than 60 presentations and workshops were held during two productive days. Nixu's Leadership Team also shared the newly published growth targets for the coming years with employees. Participants left Nixucon brimming with enthusiasm and ready to implement the new targets.

Employer image

The research company Universum listed Finland's Most Attractive IT Employers in 2019 based on the votes of 670 professionals. Nixu has a good reputation in Finland as an employer, demonstrated by Nixu's ranking on the list, 41st. In the corresponding students' list, Nixu improved its ranking by one place from the previous year, rising to 34th place. Nixu continues systematic efforts to improve its reputation in all markets. In addition, Nixu continuously strives to enhance its reputation among the international cybersecurity community.



We are professional, collaborative, humane and passionate for cybersecurity



FINLAND Nixu's office in Espoo is just a stone's throw from the Aalto University laboratory where Nixu's story began more than 30 years ago. Nixu's team has grown in leaps and bounds over the years, but one thing has remained the same – the passion for information security and the resulting constant hunger for learning.

Nixu's roots are reflected in its numerous and active hobby clubs. One of these clubs is NixuLAN, where Nixu employees gather to play computer games together until dawn. Employees also enjoy spending free time together, and it is not uncommon for them to stay a bit later on Fridays to socialize in Nixu's own bistro.



THE NETHERLANDS Nixu's internationalization got off to a proper start in 2015 with the establishment of a subsidiary in the Netherlands.

Today, Nixu's Netherlands team has offices in Amsterdam and The Hague, serving as bases from which they work on customer assignments across the Netherlands on a daily basis. The Netherlands team is complemented by a satellite office in Cluj-Napoca, Romania.

The busy team appreciates their common time and takes every opportunity to get together as a team. Whether the occasion is the official Nixu Benelux All hands meeting, a casual summer BBQ party on the beach, or a wine festival in Amsterdam, one thing is certain – Nixu employees enjoy spending time together.



SWEDEN Nixu entered the Swedish market in the spring of 2016. In just a few years, with the help of four company acquisitions, it has become one of Sweden's key cybersecurity players. In the latest acquisition in spring 2019, Nixu acquired the cybersecurity business of the local security company, Vesper Group.

Nixu's Swedish team operates according to the Learning Organization concept. The core principle of the concept is to continually learn from experiences, with an emphasis on the importance of continuous learning and development for individuals, teams, and the organization as a whole. Nixu employees are driven by a strong passion for cybersecurity, and the concept ensures that knowledge is shared among people.



DENMARK Nixu launched its local operations in Denmark in April 2019, when Ezenta A/S, a company specializing in technology-based cybersecurity services, joined Nixu.

Ezenta blended right into Nixu thanks to the complementary skills it brought as well as a similar company culture.

The Danish team knows how to have fun together. This is demonstrated by the last Ezenta-brewed beer they made in November. Next, the team will get to taste the first batch of Nixu-brewed beer in Denmark.

Nixu as An Investment

Nixu is a growth company operating in the cybersecurity sector. Nixu operates in a growing field, and, in the last few years, its consolidation development has been strong. Nixu has a strong brand and it has established its position as a trusted cybersecurity partner for its clients. Nixu's long history in the sector and a clearly defined growth strategy for the coming years makes it an interesting investment. As a public company, Nixu's method of governance is transparent and compliant with the Securities Market Act. Nixu has an extensive owner base: at the end of 2019, it had 3,475 shareholders.

Invest in future – Invest in Nixu



Information for Shareholders

Nixu publishes in addition to its financial statements and annual report, its half-year financial report, CEO's review and revenue information for the first and third quarters, and stock exchange and press releases in accordance with Nixu's disclosure policy. These releases and a range of other information for investors is available on the company website at <https://www.nixu.com/investors>. On the investor pages, it is also possible to sign up for Nixu's news.

February 13, 2020	Financial statements release 2019
February 13, 2020	Annual report 2019
April 16, 2020	CEO's review and revenue information Q1/2020
August 13, 2020	Half-year financial report
October 13, 2020	CEO's review and revenue information Q3/2020

Annual General Meeting 2020

Nixu's Annual General Meeting 2020 is scheduled to be held on April 7, 2020 at 4:00 PM EET. The company's Board of Directors will send out an official call for the Annual General Meeting at a later stage. Additional instructions on registering and the AGM documents are available on the company website at <https://www.nixu.com/investors/general-meeting>

Dividend payment

On December 31, 2019, the parent company's assets subject to profit distribution amounted to EUR 21,211,445.43 of which the loss for the year amounts to EUR 1,112,783.52. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2019.

Basic information on shares

Listing of NASDAQ OMX Helsinki Oy
Trade symbol: NIXU
Number of shares: 7,425,219

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