Nixu's Annual Report 2019

Financial Review

Contents

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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The Board of Director´s Report

The development of Nixu Group in the accounting period of January 1, 2019 – December 31, 2019

Nixu Group's revenue stood at EUR 51,168 (40,127) thousand. Compared to the same period in the previous year, revenue increased by 27.5%. The factors contributing to the Group's revenue growth were the organic growth of 12% and acquisitions.

Development of revenue by service type:

- Projects and assignments accounted for 54% (58%) of the revenue and increased by 18% during the accounting period.
- All continuous services accounted for 36% (39%) of the revenue and increased by 17% compared to the previous accounting period. All continuous services include:
  - Managed services, which accounted for 17% (11%) of revenue. Thanks to the success of the Nixu Cyber Defense Center service, managed services were one of Nixu's fastest growth areas, with a growth rate of 90%.
  - Continuous services accounted for a 19% (28%) share of the revenue and decresed by 13% from the previous year.
- Technology resale accounted for 10% (3%) of the revenue. Due to the acquisition of Ezenta A/S, the share of technology resale of the revenue grew significantly.

Other operating income stood at EUR 385 (345) thousand, an increase of 11%.

Nixu's EBITDA was EUR 1,047 (-254) thousand. The significant improvement in EBITDA was affected by adoption of the IFRS 16 standard, amounting to EUR 1,061 thousand.

EBITDA adjusted with non-recurring costs was EUR 1,525 (120) thousand. The adjustment items of EUR 478 (373) related to the restructuring of customer support service operations in the Netherlands and acquisition costs. The adjustment items in the comparison period consisted of the costs of the transition to the Official List of Nasdaq Helsinki.

Nixu's operating result (EBIT) was EUR -2,628 (-1,451) thousand. In addition to the above, EBIT was affected by impairment charges and depreciations totaling EUR 3,675 (1,197) thousand. The significant increase in depreciation and impairment charges is explained by a one-time write-off of EUR 1,000 thousand on Nixu AB's goodwill and write-offs of EUR 627 thousand on the valuation of the Nixu B.V and Ezenta A/S customer base.

Financial income and expenses were EUR -616 (-469) thousand. Net Financial expenses increased by 31% compared to the previous year, due to the impact of IFRS 16, amounting to EUR 92 thousand.

The result for the year was EUR -3,518 (-1,967) thousand.

Financing and investments

On December 31, 2019, Nixu Group's balance sheet total was EUR 41,255 (33,327) thousand.

The company's cash in hand on December 31, 2019 was EUR 3,923 (9,286) thousand. Net liabilities on December 31, 2019 amounted to EUR 6,988 (-2,112) thousand. The increase in net liabilities is explained by the impact of the Ezenta A/S and Vesper Group acquisitions. Cash consideration relating to acquisitions was 7,257 thousand. Impact of the IFRS 16 adoption was EUR 2,774 thousand.

The net cash flow of operating activities was EUR 1,233 (-659) thousand of which the impact of IFRS 16 adoption was EUR 815 thousand.

Group structure

At the end of the financial year, the Group consisted of the following 100%-owned companies by the parent company: Nixu Certification Oy, Nixu B.V., Nixu AB, Nixu Inc and Ezenta A/S. In addition, the Nixu Group consisted of Nixu B.V.'s wholly owned subsidiaries Expert Solution Support Center SRL and Expert Solution Support Center, Inc. as well as Swedish Forensic Technologies AB, a 56% owned subsidiary of Nixu AB.

Key indicators for the group

The financial period January 1, 2019 – December 31, 2019 was the company's 31st. The following key figures represent the company's financial status and its results:

EUR thousand	**2019**	**2018**	**2017**
Revenue	51,168	40,127	32,279
EBIT	-2,628	-1,451	492
EBIT, % of net sales	-5.1%	-3.6%	1.5%
Equity ratio, %	37.3%	50.5%	51.4%

Personnel

The number of personnel at the end of 2019 was 419 (355), an increase of 64 employees from the corresponding period in the previous year. The number of employees increased steadily through recruitment and acquisitions. In line with its growth strategy, Nixu made two acquisitions. In the spring of 2019, Nixu acquired the Swedish Vesper Group's cybersecurity business and the Danish company Ezenta A/S, following which Nixu opened local operations in its fourth market area.

In line with its strategy, Nixu aims to provide the best workplace in the industry for cybersecurity professionals, as the company's expertise, competitiveness, and growth are based on its world-class professionals. The company's success in achieving its targets relies on its ability to retain, recruit, and train the best cybersecurity experts.

The professional development of personnel is one of Nixu's key focus areas, helping the company to support the personal and professional growth of every employee. To promote the target of continuous learning, the company began offering Nixu Learning as a Service (Laas) to its employees in 2019. In addition to professional expertise, Nixu LaaS includes training modules to support leadership and wellbeing, strategy and business skills, and the Nixu community.

During the review period, Nixu invested in on-the-job training by organizing the annual Nixucon employee conference. The scope of the two-day conference held in Tallinn was more comprehensive and its setting more unique than ever before. It brought together some 400 Nixu employees from around the world to learn together and share knowledge.

In addition to its own personnel, Nixu also seeks to support the wider cybersecurity community. Nixu's corporate culture encourages the sharing of expertise with the international cybersecurity community, of which Nixu is an active member. During the period, Nixu collaborated with cybersecurity communities in Finland, Sweden, and the Netherlands. The company organized and supported several events for cybersecurity communities, worked closely with educational institutions, and sought to promote cybersecurity at the societal level.

To further develop Nixu as a 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). Job satisfaction among Nixu employees has long remained at a good level.

Nixu promotes diversity and the company's values (professional, collaborative, passionate for cybersecurity, and humane) create a solid base for the Nixu culture. Respect for diversity is reflected at Nixu in everyday operations. It is a foundational pillar of the Nixu work community, alongside equality and respect for differences. Nixu's efforts to increase diversity and obtain a more balanced gender distribution in the male-dominated field have yielded results. By the end of 2019, more than one fifth (21%) of Nixu's employees were women, compared to 18% in the previous year. By the end of 2019, Nixu had employed representatives of 21 nationalities, compared to 22 in the previous year.

As part of its best place to work strategy, Nixu seeks to encourage employee ownership in the company. In the review period, Nixu launched an All-Employee Matching Share Plan as well as an option scheme for key employees as part of Nixu's incentive and commitment program. The aim of these programs is to commit personnel, share Nixu's success with its employees, and to drive One Nixu thinking.

Key figures for Personnel

	2019	2018	2017
Average number during the accounting period	388	346	282
Wages and salaries during the accounting period (EUR 1,000)	25,402	21,890	17,318
Average employment (years)	4,5	3,9	3,9
Average age (years)	40,6	40,0	39,4
Permanent employees	96%	98%	95%
Part-time employees	6%	4%	8%
Women`s share of the group`s personnel	21%	18%	16%

Management

During the accounting period, Nixu Oyj's Board of Directors consisted of Kimmo Rasila (Chairman), Marko Kauppi (Deputy Chairman), Kati Hagros, Juhani Kaskeala, Tuija Soanjärvi, Teemu Tunkelo and Anders Silwer (from April 25, 2019).

Members of the audit committee during the accounting period were Tuija Soanjärvi (Chair), Juhani Kaskeala (member) and Teemu Tunkelo (member).

Members of Nixu Group's Corporate Leadership Team during the accounting period were Chief Executive Officer Petri Kairinen, Chief Financial Officer Janne Kärkkäinen, Chief People Officer Katja Müller, Finnish Market Area Leader Valtteri Peltomäki, Chief Development Officer Kim Westerlund and Chief Commercial Officer Jesper Svegby.

The company's auditor is PricewaterhouseCoopers Oy and the auditor in charge is Authorized Public Auditor Heikki Lassila.

Shares issue decisions during the financial year:

Share issues during the accounting period:

- Directed issue of 84,950 shares, launched to finance the acquisition cost of Ezenta A/S.
- 99,071 new shares, subscribed for in the Nixu Corporation's directed share issue for personnel.

The General Meeting resolved that the Board of Directors would be authorized to resolve on the acquisition of the company's own shares in one or several instalments as follows.

Up to 711,714 shares can be acquired using funds belonging to the unrestricted equity of the company. The proposed amount equated to approximately ten (10) per cent of all the shares in the company on the date of the notice, taking into account the company's own shares already held by the company.

Acquisitions under the authorization shall be done on the marketplace of which rules allow the company to trade with its own shares. The shares shall be acquired through public trading on the marketplaces where the company's share is admitted to public trading. The consideration paid for the acquired shares shall be based on the market price.

The Board of Directors may resolve on an acquisition of shares otherwise than in proportion to the shares owned by the shareholders (directed purchase). In such event, there must exist weighty financial reasons for the company for the purchase of its own shares.

The shares may be acquired to implement the company's arrangements linked to the company's business operations, to the implement the company's share-based incentive programmes or to be to be otherwise transferred or be cancelled. The acquired shares can also be held by the company itself.

Shares and shareholders

NIXU	Shares traded	Total value (EUR)	High (EUR)	Low (EUR)	Average price (EUR)	Latest (EUR)
Jan-Jun 2019	531,626	5,776,973	13.10	7.70	10.16	11.55
Jul-Dec 2019	678,812	7,647,931	14.50	9.90	11.60	10.50
Jan-Dec 2019	1,210,438	13,127,068	14.50	7.70	10.89	10.50

	December 31, 2019	December 31, 2018
Market capitalization (EUR)	77,834,547	54,938,827
Number of shareholders	3,475	2,957
Total number of shares	7,425,219	7,241,198
Number of the company´s own shares held by the company	12,405	12,405

Nixu has one share series. Each share entitles the holder to equal voting and dividend rights.
Nixu's shares are listed on the Official List of Nasdaq in Helsinki Stock Exchange.

The Board of Directors was authorized to resolve on all other conditions and matters pertaining to the acquisition of the company's own shares. The acquisition of the company's own shares will reduce the unrestricted equity of the company.

The authorization is proposed to remain in force until the next AGM, however, up to June 30, 2020, whichever is the earliest.

Authorization for a share issue

The Board of Directors would be authorized to issue new shares or special rights to shares pursuant to Chapter 10, section 1 of the Limited Liability Companies Act and/or dispose of internally held company stock at their own discretion pursuant to the following terms:

The Board of Directors may, in one or several instalments, issue new shares or grant special rights entitling to shares in accordance with Chapter 10, Section 1 of the Companies Act and dispose shares held by the company itself.

The total number of shares to be issuedunder the authorization may not exceed 1,448,240. The authorization includes the right to decide to issue either new shares or own shares held by the company itself either against payment or without consideration. New shares or shares held by the company itself may be issued in deviation from the shareholder's pre-emptive rights, if there exists a weighty financial reason for the company to implement such directed share issue or, in the case of an issue without consideration, an especially weighty financial reason for it both for the company and with regard to the interests of all shareholders.

The Board of Directors was authorized to resolve on the other terms and matters pertaining to the issuance of shares, option rights and to the granting of other special rights entitling to shares as well as the disposal of shares held by the company itself.

The authorization may be exercised to develop the capital structure, expand the ownership base, for the payment of consideration in transactions, when acquiring assets related to the company's business operations and to implement incentive programmers so that the shares are issued directly to the employees and CEOs of the company and its subsidiaries. The proposed maximum number of shares corresponds to approximately 20 percent of the company's registered number of shares.

The authorization remainsin force until the next AGM, however, up to June 30, 2020, whichever is the earliest, and it shallreplace the previous authorizations regarding a share issue and option rights.

Flagging Notifications

According to the announcement received by Nixu Corporation, Handelsbanken Fonder AB's holding in Nixu's shares increased to more 5 percent on April 3, 2019. (Stock Exchange Release April 5, 2019)

Research and Development

In 2019, Nixu continued to implement its digitalization strategy and explored new, more effective ways to support large organizations' digitalization projects. Most of Nixu's customers, service production, and assignments benefited from the common One Nixu Platform, where both customers and Nixu employees have the same up-to-date view. Nixu's goal is to provide tools for visualizing the client's cybersecurity status in a way that supports the client's decision-making and situation management and helps to establish Nixu's status as a comprehensive cybersecurity partner for its clients.

In 2019, Nixu developed its service offering in automated cybersecurity solutions, acted as a driver in the Sandbox of Trust digital identity project, and participated in the EU-SEC project for the third year.

The automation of information security assurance and DevSecOps are currently, and even more so in the future, a focus area for companies providing system procurement and development. Nixu has developed its expertise and product range by introducing automated solutions alongside traditional penetration testing, whereby development teams can already conduct testing independently during development. This responds especially to the needs of modern and agile companies, where the pace of development is constantly accelerating. Automation seeks to provide both speed and cost savings. Nixu's Product Cybersecurity Services unit, which focuses on cybersecurity for development operations, provides information security solutions as a service according to the DevSecOps model.

The SisuID digital authentication solution developed in the Sandbox of Trust pilot project jointly run by Nixu, Vastuu Group, and Digital Living International, was piloted in 2019 with Finnair, Posti, the Finnish Tax Administration, the Ministry of Education and Culture, and others. The project aims to facilitate citizens' and foreigners' access to services in a digitalizing society. The project also provides a concrete way to build the fair data economy, led by Finland at the EU level. Production use of the solution is expected to begin in 2020.

Nixu participated in the three-year European Security Certification Framework (EU-SEC) project. Its aim was to create a European framework for various certification schemes and evaluation criteria to govern cloud security. Nixu has played an important role in the project as an auditing expert. Nixu has also been involved in defining multi-party recognition criteria and principles for continuous cloud service monitoring. Since the EU-SEC project came to an end in 2019, Nixu has focused on communicating the framework by participating in the organization of various trainings, for example.

In the financial year that ended on December 31, 2019, the Group recognized research and development costs amounting to EUR 884 (988) thousand through profit or loss.

Risks and uncertainties

Nixu identifies and manages risks as a part of its normal business activities. The risks identified by Nixu's risk management , which, if realized, could have a major impact on the company's results, are described below. The risks reflect the situation at the end of the year.

- The majority of Nixu's revenue is comprised of the time its personnel invoices for client projects and services. The inefficient allocation of employees' work could lead to diminished margins in the consultancy business. If the company cannot adapt to fluctuations in client demand as well as efficient allocation of personnel, this may have immediate effects on the company's ability to yield results.
- There are operational risks involved in Nixu's business activities, specifically in malfunctions in Nixu's IT systems and equipment, or an interruption in availability. These malfunctions may lead to the company not being able to provide its services as agreed.
- In its activities, Nixu processes client data. A data breach

of the company's systems could cause substantial direct or indirect damage to the company's activities.

- In its activities, Nixu processes the personal data of clients. In addition, the company is the controller for the personal data of its own personnel. The EU General Data Protection Regulation (GDPR), which took effect in 2018, imposes significant liability on the processor and controller. Any shortcomings in complying with GDPR legislation, if realized, may result in substantial direct and indirect adverse consequences for Nixu.
- Unexpected delays and extra work are typical for large projects, adding uncertainty factors which may cause Nixu to incur additional costs. Moreover, Nixu may not always be able to allocate personnel resources, schedule tasks for long-term projects or plan its operations as required based on its predictions. There may also be problems in providing continuous services, which may incur costs for Nixu. In its activities, the company also has a normal risk of disagreements with clients relating to the contents of contracts.
- Although Nixu's strategy relies mainly on organic growth, the company is also constantly searching for growth opportunities from corporate mergers or acquisitions. Acquisition failures or integration difficulties could seriously disrupt the company's operations. Potential acquisitions can also present unexpected risks and latent liabilities for which the company cannot prepare in advance.
- Nixu's business requires great trust from its clients. Information security attacks aimed at clients' systems and any deficiencies in the services provided by Nixu to clients may, if realized, result in substantial direct and indirect adverse consequences for Nixu.
- The financing agreements of the company include customary covenant conditions, which, if violated, may complicate the company's financial position, especially in situations where creditors would not agree to renegotiate the terms or provide their consent for violating the covenant conditions.
- Fluctuations in demand, problems in managing business activities, changes in financial markets and the national economy, as well as the threat of global trade and currency wars may lead to a decline in demand and thereby problems in financing day-to-day activities. The threat of a currency war may also raise Nixu's foreign currency risk.
- Nixu operates in a highly competitive market. If competition increases, Nixu may lose market share and see a decrease in its margins. Losing any of the ten largest customers within a short period of time may also affect the company's performance.

As part of its strategy, the company invests 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 consultancy business. Implementing these changes can be challenging, potentially causing substantial direct and indirect consequences for Nixu. There is a strong demand for skilled security professionals in the current labor market, which can lead to slower recruitment and increased salary costs.

Financial Guidance for 2020

Nixu's growth strategy is at a stage where the company sees it reasonable to seek strong growth in the rapidly developing cybersecurity market, at the expense of profitability. Nixu estimates its revenue to grow organically and the full year EBITDA to increase from the previous financial year.

In the medium term, Nixu seeks growth in line with its growth ambition announced in August 2019.

Events after the review period

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

The Board of Directors' proposal for the distribution of profits

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.

There have been no significant changes in Nixu's financial status after the close of the financial year.

Consolidated Statement of Comprehensive Income

EUR thousand	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Revenue	2.1	**51,168**	**40,127**
Other operating income	2.4	385	345
Materials and services	2.3	-10,026	-4,304
Employee benefit expenses	3.1, 3.2, 3.3	-31,322	-27,115
Other operating expenses	2.4	-9,159	-9,306
Depreciation and amortization	4.2, 6.1	-2,048	-825
Impairment charges	4.2	-1,627	-372
Operating result		**-2,628**	**-1,451**
Finance income	5.2	4	26
Finance expenses	5.2	-505	-463
Interest expenses on lease payments	5.2, 6.1	-114	-32
Finance income and expenses, net		-616	-469
Result before taxes		**-3,244**	**-1,920**
Income tax expense	2.5	-274	-47
Result for the period		**-3,518**	**-1,967**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation differences		-146	-278
Other comprehensive income for the period, net of tax		**-146**	**-278**
Total comprehensive income for the period		**-3,663**	**-2,245**
Result for the period attributable to:			
Owners of the parent		-3,518	-1,967
Result for the period		**-3,518**	**-1,967**
Total comprehensive income for the period attributable to:			
Owners of the parent		-3,663	-2,245
Total comprehensive income		**-3,663**	**-2,245**
Earnings per share for profit attributable to the owners of the parent during the year	2.6		
Basic and diluted earnings per share, EUR		-0.48	-0.27

Notes are an integral part of the Financial Statements.

Consolidated Statement of Financial Position

EUR thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	4.2	13,919	9,556
Other intangible assets	4.2	2,938	1,570
Tangible assets	6.1	520	388
Right-of-use assets		3,407	634
Other receivables		253	0
Deferred tax assets	7.1	0	4
Total non-current assets		**21,037**	**12,152**
Current assets			
Inventories		4	0
Trade receivables and other receivables	6.2	16,175	11,567
Current income tax receivables		115	322
Cash and cash equivalents		3,923	9,286
Total current assets		**20,217**	**21,175**
Total assets		**41,255**	**33,327**
EQUITY AND LIABILITIES			
Equity			
Share capital		95	95
Invested unrestricted equity reserve		19,314	17,285
Translation differences		-587	-441
Retained earnings		82	1,849
Result for the period		-3,518	-1,967
Total equity attributable to owners of the parent	3.2, 5.4	**15,385**	**16,820**
Liabilities			
Non-current liabilities			
Borrowings	5.1, 5.3	0	1
Lease liabilities	5.1, 6.1	2,117	381
Deferred tax liabilities	7.1	332	132
Other non-current liabilities		98	2
Total non-current liabilities		**2,548**	**516**
Current liabilities			
Borrowings	5.1, 5.3	7,338	6,526
Lease liabilities	5.1, 6.1	1,455	266
Trade payables and other payables	6.3	14,380	9,135
Current income tax liabilities		148	65
Total current liabilities		**23,321**	**15,991**
Total liabilities		**25,869**	**16,507**
Total equity and liabilities		**41,255**	**33,327**

Notes are an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

EUR thousand	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Cash flows from operating activities			
Result for the period		-3,518	-1,967
Adjustments for:			
Depreciation and amortization	4.2, 6.1	3,675	1,197
Other non-cash adjustments[1]		410	42
Finance income and expenses, net	5.2	616	469
Income tax expense	2.5	274	47
Changes in working capital			
Change in trade receivables and other receivables		-2,347	62
Change in inventories		-1	0
Change in trade payables and other payables		2,690	142
Interests paid		-381	-314
Other finance income and expenses, net		-28	-9
Income taxes paid		-158	-328
Net cash flows generated from operating activities		**1,233**	**-659**
Cash flows from investing activities			
Purchases of tangible assets	6.1	-324	-84
Purchases of intangible assets	4.2	-128	-96
Payments for business acquistions, net of cash aquired	4.1	-6,602	-168
Loans granted	3.2	-542	0
Proceeds from loans receivable		178	0
Net cash from investing activites		**-7,418**	**-348**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	3.2, 5.4	1,111	97
Proceeds from borrowings	5.1	2,481	0
Repayments of borrowings	5.1	-1,630	-1,385
Purchase of own shares	5.4	0	-4
Lease liability repayments		-1,131	-278
Net cash from financing activities		**831**	**-1,570**
Net decrease(-)/increase in cash and cash equivalents		**-5,354**	**-2,577**
Cash and cash equivalents at the beginning of the period		9,286	11,864
Exchange gains/losses (-) on cash and cash equivalents		-9	-1
Cash and cash equivalents at the end of period		**3,923**	**9,286**

[1]) Primarily comprises the adjustment of personnel costs recognized for share-based compensation.

Notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

EUR thousand	Note	Attributable to owners of the parent: Share capital	Invested unrestricted equity reserve	Cumulative translation difference	Retained earnings	Total	Total equity
Equity at 1 Jan 2018		**95**	**17,125**	**-163**	**1,844**	**18,901**	**18,901**
IFRS 9 adoption					-5	-5	-5
Restated equity at 1 Jan 2018		**95**	**17,125**	**-163**	**1,839**	**18,896**	**18,896**
Result for the period					-1,967	-1,967	-1,967
Other comprehensive income for the period:							
Translation differences				-278		-278	-278
Total comprehensive income for the period		**0**	**0**	**-278**	**-1,967**	**-2,245**	**-2,245**
Transactions with owners:							
Share issue related to 2016 share-based compensation	3.2, 5.4		160			160	160
Share based payments to employees	3.2				9	9	9
Total transactions with owners:		**0**	**160**	**0**	**9**	**169**	**169**
Equity at 31 Dec 2018		**95**	**17,285**	**-441**	**-118**	**16,820**	**16,820**
Equity at 1 Jan 2019		**95**	**17,285**	**-441**	**-118**	**16,820**	**16,820**
Result for the period					-3,518	-3,518	-3,518
Other comprehensive income for the period:							
Translation differences				-146		-146	-146
Total comprehensive income for the period		**0**	**0**	**-146**	**-3,518**	**-3,663**	**-3,663**
Transactions with owners:							
Issue of shares as consideration for a business combination	4.1, 5.4		900			900	900
Share issue related to 2019 share-based compensation	3.2, 5.4		1,128			1,128	1,128
Share based payments to employees	3.2				200	200	200
Equity at 31 Dec 2019		**95**	**19,314**	**-587**	**-3,436**	**15,385**	**15,385**

Notes are an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

Section 1: Notes on Financial Statements

These consolidated interim financial statements comprise of Nixu Corporation ("the Company") or ("the Parent Company") 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 400 cybersecurity professionals with a hands-on attitude. With Nordic roots we serve enterprise clients worldwide. Nixu shares are listed on the Nasdaq Helsinki stock exchange. The Nixu Corporation shares are listed on the Official List of Nasdaq Helsinki stock exchange. The Parent Company domicile is 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.

Nixu's Board of Directors has approved these financial statements in their meeting on February 12, 2020. 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. 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.

IFRS 16 Leases standard

Effective January 1, 2019, the Nixu Group has adopted the IFRS 16 Leases standard. The new standard for leases replaced the guidance and interpretations of IAS 17, which is a significant change, especially for lessees. IFRS 16 requires that lessors record virtually all leases and property, plant and equipment that represent rent payments for all leases. The classification of operating leases and finance leases is waived for lessees.

In accordance with IFRS standard, the Group assesses at inception whether a contract is a lease or contains a lease. A lease is a contract or part of a contract that gives rise to a right to use the item subject to the contract at a specified time in return for consideration. The change in the definition of a lease is primarily related to control, and the change in the definition of a lease does not have a material impact on the Group.

Prior to the transition to IFRS 16, the Group had mostly non-capitalized operating leases. Laptop leases and part of the car leases were classified as finance leases to be activated at the end of 2018. Nixu is primarily a lessee and Nixu does not have any material leases where it would be the lessor.

Nixu adopted IFRS 16 on January 1, 2019, applying a simplified approach and therefore the comparative information will not be restated and continues to be reported under IAS 17 and IFRIC 4. The impact of IFRS 16 was recognized on the balance sheet on 1 January 2019. In transition, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. Fixed assets are measured at the amount of the lease liability, adjusted by the amount of prepaid or accrued rent. The Group allocates the consideration in the contract to each component of the lease, and, if identifiable, separates the interests not attributable to the non-lease components.

Items of property, plant and equipment are initially measured at cost, which includes the original amount of the lease liability adjusted for any lease payments paid on or before the commencement date of the contract. Subsequently, the assets are depreciated on a straight-line basis from the commencement date of the contract, either at the end of the asset's life or at the end of the lease term, whichever is the earlier. In addition, the asset is adjusted by certain redefinitions of the lease liability.

Lease liabilities are initially measured at the present date at the present value of the unpaid rentals, discounted at the additional interest on the group credit. The applicable lease term corresponds to the period for which the lease is non-cancellable, except when the Group will be reasonably certain to exercise the option to renew, or to extend the agreement. Lease liabilities are recognized at amortized cost using the effective interest method. Lease liabilities are mainly remeasured when future lease payments change due to index or interest rate changes, or when the Group's estimate of the use of a possible option changes. When a lease liability is redefined, the carrying amount of the right-of-use-asset is usually adjusted accordingly.

The Group has decided not to record right-of-use-assets and rental agreement debts pertaining to short-term leases, which have a maximum agreement term of 12 months, and contracts with low value assets. The Group also applies relief for the recognition of contracts that expire in 2019. The Group interprets low value asset relief contracts where the asset is not material to Nixu. The assessment of whether an asset is material and whether it qualifies for recognition under IFRS 16 is based on the materiality concept of the conceptual framework and the IAS 1 standard. Low value items mainly include mobile phones, small office space and other low value items. The Group recognizes the lease payments related to these contracts as expense in equal instalments over the lease term. In addition, the Group has made an ex-post evaluation of the lease term if the lease includes an option to extend.

On transition to IFRS 16, leases that were previously classified as operating leases under IAS 17 resulted in the recording of right-of-use-assets and lease liabilities. It also resulted in lower operating costs and higher depreciation and interest expenses. Under IFRS 16, the portion of the interest payable on the lease liability is reported as part of the cash flow from operating activities and the portion paid on the lease debt capital is reported as part of the cash flow from financing activities. The adoption of IFRS 16 will have no impact on total net cash flow. Nixu's most important leases activated at the time of commissioning consist of office and car leases.

Undiscounted operating lease liabilities at the end of 2018 were EUR 2,577 thousand. Moving to IFRS 16, the Group recognized an additional EUR 1,895 thousand of lease liabilities. No adjustment has been made for retained earnings at the beginning of the financial year due to the transition to IFRS 16. The weighted average discount rate was 3.4%.

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.

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.

The information presented in the financial statements is audited, except for the Report of the Board of Directors. The information in the Annual Review and Corporate Governance Report is unaudited.

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.)
- Due to the adoption of IFRS 16, whether the agreement is a lease or service contract; term of the agreement. (note 6.1)

Section 2: Result for the period

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 consultancy services and continuous services and sells licenses to both business enterprises and the public sector. Nixu's solutions include the following service concepts: business digitalization; cyber defense; cybersecurity outsourcing; cloud security, safety, and reliability; compliance and certification; and security for connected devices. Typically, the service concepts and customer contracts include several types of services, as described below in more detail.

The **Projects and assignments** area includes one-off assignments,

whose duration and scope range from extensive delivery projects to individual audit and consultancy assignments.

All continuous services include:

- Managed services include services such as Nixu CDC services and continuous identity and access management services, where Nixu takes the management responsibility for the technology provided and a continuous operational role in supporting customer operations. Managed security services also include the licenses sold for them, whether or not they are included in the contractual service price or sold separately.
- Continuous services include continuous services other than managed services, including continuous identity and access management services. They differ from other assignments in that they are based on agreements that are valid until further notice or self-renewing agreements.

Technology resale includes resale of third-party software and technology service licenses as well as technology resale, usually together with other services. License revenue also includes maintenance services. Licenses for managed security services are not included in license revenue.

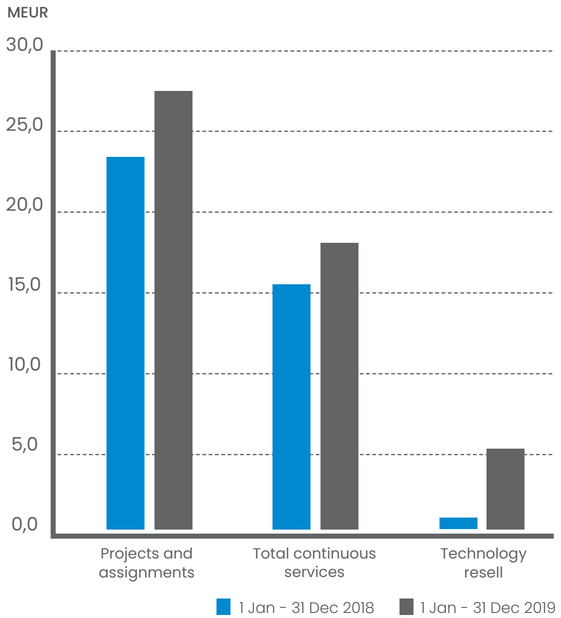
Technology resale

Revenue from software licenses is recognized upon delivery of the software to the customer, when the customer has access to the software and 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. Revenue from hardware is typically recognized at the time when the customer's approval of the delivery is received.

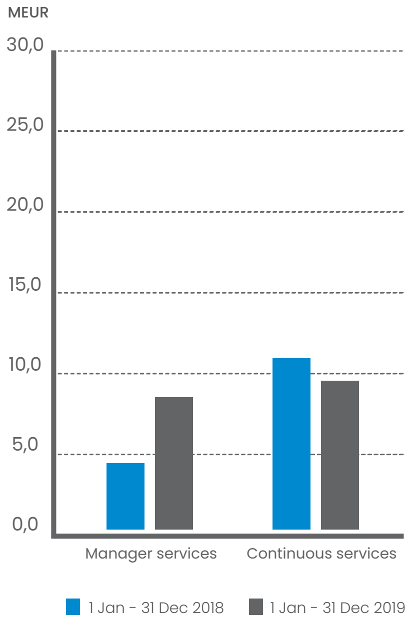
EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Service type:		
Projects and assignments	27,706	23,460
Total continuous services	18,172	15,560
Managed services	8,485	4,459
Continuous services	9,688	11,102
Technology resell	5,290	1,107
Total	**51,168**	**40,127**

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Finland	31,586	25,492
Sweden	8,830	8,100
Denmark	5,455	720
The Netherlands	1,623	2,031
Belgium	928	17
United Kingdom	1,007	1,133
Other	1,739	2,634
Total	**51,168**	**40,127**

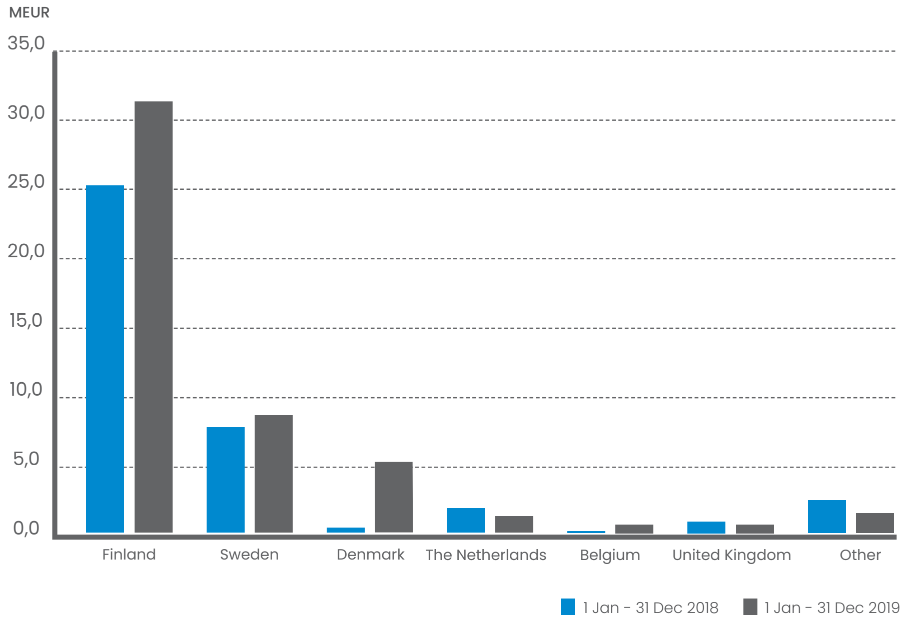
Revenue by type of service



Total continuous services in detail



Revenue by geography



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

Contractual assets and liabilities

The Group's balance sheet includes the following contractual assets and liabilities:

EUR thousand	31 Dec 2019	31 Dec 2018
Contract assets - Projects and assignments	973	838
Receivables	11,124	9,156
Contract assets and receivables total	**12,098**	**9,994**
Costs to obtain contracts with customers		
Managed services (CDC)	236	97
Licenses	1,255	112
Costs to obtain contracts with customers total	**1,491**	**209**
Contract liabilities[1]		
Projects and assignments	48	91
Manager services	585	306
Continuous services	87	299
Licenses	1,535	740
Contract liabilities total	**2,255**	**1,436**

[1)] Included in accrued expenses, see Note 6.3. Trade payables and other liabilities.

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 Defence 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 2019, the accrued amount of costs to fulfill a contract be amortized on later periods was EUR 18 (82) thousand . The CDC service launched in 2015 has grown significantly in a short period of time, which explains the change the assets and liabilities.

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.

For some CDC contracts, CDC projects include service level agreements that are monitored on a monthly basis and, if necessary, recognized. Some customers have been granted volume discounts based on turnover which are recognized. Such volume discounts for 2019 are EUR 115 (30) thousand. 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.

For licenses included in technology resale, the time of payment is typically determined by the time of delivery. For license maintenance fees, the payment is usually made in advance for the following year. For hardware, the time of payment for the goods provided is typically determined by the time of delivery.

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.

Technology resell

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. Revenue from hardware is typically recorded at the time when the customer's approval of the delivery is received.

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 in the fiscal year 2019 there are four operating segments: Finland, Sweden, Netherlands and Denmark. All operating segments provide cyber security services consisting of projects and assignments, continuous services and license sales. 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	31.12.2019	31.12.2018
Finland	5,302	3,677
Sweden	7,028	6,383
Netherlands	2,463	2,088
Denmark	5,992	0
Total	**20,784**	**12,148**

The table below details the impact of the transition to IFRS 16 on the increase in non-current assets. The growth is also explained by the extension and expansion of the headquarters lease. As a result of the Vesper acquisition (in Sweden), non-current assets increased by EUR 1,612 thousand.

Impact of IFRS 16 adoption per Jan 1, 2019:	Jan 1, 2019
Finland	1 033
Sweden	650
Netherlands	142
Denmark	-
Total	**1 825**

2.3 Materials and services

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Subcontracting	2,491	2,257
Hosting and technology resell related expenses	7,535	2,047
Total	**10,026**	**4,304**

Materials and services provided include technology resell cost like license fees and , production costs related to managed services, and other direct costs associated with the provision of the services of the Group. Materials and services include technology resale costs, such as license fees, hardware fees, production costs related to managed services, and other direct costs associated with the provision of the Group's services.

2.4 Other operating income and expenses

Other operating income includes mainly grants received. The amount of grants for the financial year ended December 31, 2019 was EUR 237 (206) 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.

The table below shows the other operating expenses of the company:

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Marketing expenses	1,198	890
Personnel related expenses	3,080	2,936
ICT expenses	1,231	1,173
Facilities	526	1,133
External services	1,869	2,364
Other operating expenses	1,255	810
Total	**9,159**	**9,306**

Other operating expenses include general expenses such as marketing expenses, fees of experts and consultants, as well as costs related to telecommunications and information technology. After the adoption of IFRS 16, the Group recognized liabilities for leases in the balance sheet; these were previously classified as operational leases in accordance with IAS 17. In the table above, the change is reflected in reduced facilities expenses and personnel-related expenses (car leases).

Other operating expenses include the auditor's fees as per the attached specification.

Auditors´ fees (included in other operating expenses)

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Statutory audit	127	103
Tax advisory services	8	14
Other services	10	232
Total	**145**	**349**

The share of other auditors' services in the comparison period is explained by Nixu's move from First North to the Official List of Nasdaq Helsinki.

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.In the financial year ended December 31, 2019, the Group recognized EUR 642 (988) thousand in research and development expenses through profit or loss.

2.5 Income taxes

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Current tax on result for the period	467	174
Adjustments in respect of prior years	2	3
Total current income tax expense	**469**	**177**
Deferred tax		
Change in deferred tax assets	270	-30
Change in deferred tax liabilites	-464	-100
Total deferred tax	**-195**	**-129**
Income tax expense	**274**	**47**

The following is a reconciliation between the tax expense and the tax payable:

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Result before taxes	-3,244	-1,920
Tax calculated at Finnish tax rate 20%	-649	-384
Tax effect of:		
Effect of other tax rates for foreign subsidaries	-55	-20
Expenses not deductible for tax purposes[1]	298	56
Utilization of previously unrecognized tax losses	-9	0
Unrecognized deferred tax assets on tax losses[2]	548	321
Change in income tax rates	0	-13
Other items	-2	-2
Adjustment in respect of prior years	144	89
Income tax expense in income statement	**274**	**47**

1) Non-deductible expenses mainly include transaction costs for acquisitions, expenses treated as personnel expenses in connection with acquisitions, and expenses related to share rewards. Expenses not deductible in 2019 include a write-off on goodwill of EUR 1,000 thousand.

2) The operations of the Group's subsidiaries Nixu B.V and Nixu AB, have been unprofitable and the Group has not recognized any deferred tax assets for these losses. In 2019, the amount of losses for which no deferred tax asset was recognized is EUR 3,341 thousand (2018; EUR 1,952 thousand). This has a significant impact on the Group's effective tax rate. Further information on the Group's deferred taxes is 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 2019	1 Jan - 31 Dec 2018
Result for the period attributable to the owners of the parent	-3,517,694	-1,966,985
Weighted average number of shares, undiluted	7,349,525	7,208,401
Earnings per share, basic (EUR)	**-0.48**	**-0.27**
Impact of shares related to share based incentive plan	25,851	20,562
Weighted average number of shares, fully diluted	7,375,375	7,228,964
Earnings per share, diluted (EUR)	**-0.48**	**-0.27**

Nixu's dilutive potential shares are linked to the Nixu share-based incentive plan, which is described in more detail in Section 3.2 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: Personnel

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

3.1 Employee benefits

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Wages and salaries	25,402	21,890
Social security expenses	2,116	2,012
Share-based payments	200	9
Pension expenses - defined contribution plans	3,603	3,204
Total	**31,322**	**27,115**

	2019	2018
Number of employees at the end of period	419	355
Average number of employees during the period	388	346

Nixu has employees in Finland, Sweden, Denmark, the Netherlands and Romania. The company's pension arrangements in all its countries of operation are defined contribution plans.

Group employees are included in the performance-based annual bonus scheme. The annual bonus is based on the financial ratios of the group, the unit and the team and the achievement of personal performance targets. In Finland, annual bonuses are transferred to the Personnel Fund if the person so wishes to increase the commitment of the personnel to long-term goals and promote its interest in the Group's financial success. The Personnel Fund is a personnel fund owned and managed by the employees in accordance with the Employees Fund Act, which owned 94,244 Nixu shares on December 31, 2019. The amount of annual bonuses transferred to the Personnel Fund in 2019 was EUR 461 thousand. The Personnel Fund was established in October 2016.

Accounting policy

Liabilities related to short-term employee benefits

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.

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

The 2019 share-based incentive plan

Nixu established a matching share plan, the All-Employee Matching Share Plan 2019-2021 (the Plan), which was aimed at all permanent employees of Nixu Corporation and its subsidiaries.

The Plan consisted of a directed share issue against payment ("Share Issue 1/2019") offering Nixu regular employees the option to subscribe for a minimum of 50 and a maximum of 2,000 Nixu new shares per employee ("New Shares") and entitlement of one (1) additional share (gross) (together the "Additional Shares") for gratuitous rights of employees participating in the Plan after a restriction period of approximately two years, for each of the two New Shares subscribed in the Issue 1/2019 as per the terms of the Plan. Additional shares will be issued to the participants on the day of their delivery as determined by Nixu Corporation. Employees participating in the Plan had the opportunity to participate in the financing of the company on separate terms.

The maximum number of shares to be subscribed for in the share issue 1/2019 was 100,000, representing approximately 1.4 per cent of the Company's fully diluted shares. The Board of Directors of the Company determined the subscription price of the New Shares based on the volume-weighted average price of the share traded on Nasdaq Helsinki Oy from April 1 to April 30, 2019. 99,071 new shares were subscribed for in the share issue 1/2019. The subscription period for the New Shares ended on May 23, 2019 and the subscription price was EUR 12.09 per share.

The table below presents basic information on the share-based incentive plan and changes during the period.

Share-based incentive plan 2019-2021

Plan	All-Employee Matching Share Plan 2019-2021
Annual General Shareholders` Meeting date	25 Apr 2018
Initial amount, pcs	50,000
Dividend adjustment	No
Grant Date	6 Jun 2019
Beginning of earning period	6 Jun 2019
End of Earning period	31 Mar 3021
End of restriction period	31 Mar 3021
Vesting Conditions	Own investment and Continued Employment
Maximum contractual life, yrs	1.8
Remaining contractual life, yrs	1.3
Number of persons at the end of reporting year	169
Payment method	Cash and Equity

Changes during the period	
1 Jan 2019	
Outstanding in the beginning of the period	0
Reserve in the beginning of the period	0
Changes during period	
Granted	49,532
Forfeited	319
Earned (gross)	0
Delivered (net)	0
31 Dec 2019	
Outstanding at the of the period	49,213
Reserved at the of the period	787

Determination of fair value

The key parameters for the fair value determination of share-based rewards granted during 2019 are listed in the table below as weighted averages. The total fair value is based on the company's estimate on December 31, 2019 of the number of incentives to be released.

Valuation parameters for instruments granted during period	
Share price at grant, €	10.5
Share price at reporting period end, €	10.5
Expected dividends, €	0
Fair Value	475.513

The incentive plan is classified as an equity-settled share-based incentive plan. On the review period ended December 31, 2019, the plan increased the company's employee benefit expenses and retained earnings by EUR 150 thousand.

Nixu had a loan receivable of EUR 366 thousand related to these shares on December 31, 2019 as a short-term receivable.

The 2016 share-based incentive plan

The 2016 share-based incentive plan no longer increased employee benefit expenses and retained earnings in the period that ended December 31, 2019 (2018: 9) thousand EUR.

Issuance of stock options to key employees

Based on the authorization granted by the AGM held on April 25, 2018, the Board of Directors of Nixu Corporation decided to issue stock options.

The stock options will be issued to selected key personnel of Nixu Group. There is a weighty financial ground for the Company for the issuance of the stock options since the stock options are intended to form part of the incentive and commitment program of the key persons and to motivate the key personnel to work on a long-term basis to increase the shareholder value of the company in accordance with the growth strategy.

The total maximum number of Stock Options issued is 345,000 and they entitle their holders to subscribe for a total maximum number of 345,000 shares of the Company. Each Stock Option entitles to subscribe for one (1) share in the Company.

Of the Stock Options, 115,000 Stock Options are marked with the symbol 2019A, 115,000 with the symbol 2019B and 115,000 with the symbol 2019C.

A condition of receiving the 2019A stock options was that the key employee participated in a directed share issue to the personnel. Also the other Stock Option series may be made conditional on an investment in the Company's shares, such as participation in a share issue directed to personnel.

The Stock Option holders' right to keep the Stock Options until the commencement of the share subscription period, is conditional on the fulfilment of performance targets of employee and customer satisfaction and revenue growth on terms separately determined by the company. The stock options are issued free of charge.

The share subscription price shall be the following:

The trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd., rounded to the nearest cent, during the period commencing (and including) April 1, 2019 and ending (and including) April 30, 2019 (Stock Options 2019A), for Stock Options 2019B during the twenty trading days following the publication date of the Company's financial statements release for the year 2019 and for Stock Options 2019C during the twenty trading days following the publication date of the Company's financial statements release for the year 2020.

If the Company after the end of the share subscription price determination period, before the share subscription, distributes dividends or funds from the reserve of unrestricted equity, the share subscription price with the Stock Option shall be reduced with the amount of such distribution per share. The share subscription price shall, nevertheless, always amount to at least EUR 0.01. The share subscription price shall be booked in the reserve for invested unrestricted equity.

The share subscription period with the Stock Options shall be for Stock Options 2019A October 1, 2021 – May 31, 2023; for Stock Options 2019B October 1, 2022 – May 31, 2024; for Stock Options 2019C October 1, 2023 – May 31, 2025. The maximum number of shares 345,000 which may be subscribed with the stock options is approximately 4.5 per cent of the company's shares on a fully diluted basis.

Plan	Nixu Corporation Stock Options 2019A
Annual General Shareholders` Meeting date	25 Apr 2018
Initial amount, pcs	115.000
The subscription ratio for underlying shares, pcs	1
Initial excercise price, €	12.09
Dividend adjustment	Yes
Current exercise price, €	12.09
Initial allocation date	14 Jun2019
Vesting date	1 Oct 2021
Maturity date	31 May 2023
Own Investment in Nixu shares, performance targets in; Revenue, Employee Net Promoter Score and Customer Satisfaction	
Vesting conditions	
Maximum contractual life, yrs	4
Remaining contractual life, yrs	3.4
Number of persons at the end of reporting year	59
Payment method	Equity

Changes during period 2019A	
1 Jan 2019	
Outstanding in the beginning of the period	0
Reserve in the beginning of the period	0
Changes during period	
Granted	113,600
Forfeited	2,900
Invalidated during period	0
Exercised	0
Weighted average subscription price, €	0
Weighted average price of shares, € *)	0
Expired	0

31 Dec 2019	
Excercised at the end of period	0
Outstanding at the of the period	110,700
Vested and outstanding at the of the period	0
Reserved at the of the period	4,300

*weighted average price for the company share during the reporting period or partial instrument term there in 2019

The incentive plan is classified as an equity-settled share-based incentive plan. On the review period ended December 31, 2019, the plan increased the company's employee benefit expenses and retained earnings by EUR 50 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 Information on key management personnel disclosures

Key management personnel include Nixu's Board of Directors, CEO and Corporate Leadership Team.

Remuneration of the Members of the Board

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Salaries, remuneration and benefits		
Kimmo Rasila	38	35
Marko Kauppi	28	26
Kati Hagros	19	18
Juhani Kaskeala	20	18
Anders Silwer	13	
Tuija Soanjärvi	21	18
Teemu Tunkelo	20	12
Total	**158**	**127**

There are 7 members on the Board of Nixu. In 2019, Nixu's Annual General Meeting decided that the Board's remuneration will be increased. The Chairman of the Board receives a fee of EUR 3,200 (3,000), Deputy Chairman EUR 2,400 (2,250) and other members of the Board of Directors EUR 1,600 per month (1,500). Travel expenses will be reimbursed in accordance with Nixu's travel policy.

The audit committee members in 2019 are Tuija Soanjärvi (Chair), Juhani Kaskeala (member) and Teemu Tunkelo (member). For the work of the Audit Committee, the Chair of the Committee will be paid an annual remuneration of EUR 2,000 and each Member will be paid an annual remuneration of EUR 1,000.

Corporate Leadership Team salaries and fees

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Management team remuneration (except CEO)		
Wages, salaries and benefits	650	655
Share-based payments	21	6
Pension expenses - defined contribution plans	119	149
Total	**790**	**810**

Members of the Nixu Corporate Leadership Team include the chief executive officer, the chief financial officer, chief personnel officer, commercial officer, chief development officer and chief officer for the Finnish Market Area.

Chief Executive Officer salaries and fees

The remuneration of the CEO

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Wages, salaries and benefits	229	184
Share-based payments	7	2
Pension expenses - defined contribution plans	41	35
Total	**278**	**220**

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.

Board and management shareholdings

Below are the holdings of Nixu's Board of Directors, CEO, and the Corporate Leadership team's members in Nixu:

Name	Role	Shares
Kimmo Rasila	Chairman of the Board	157,132
Shares held by related parties		4,000
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
Anders Silwer	Member of the Board	0
Tuija Soanjärvi	Member of the Board	0
Teemu Tunkelo	Member of the Board	0
Petri Kairinen	CEO	37,640
Janne Kärkkäinen	CFO, deputy CEO	7,455
Kim Westerlund	CDO	27,109
Valtteri Peltomäki	Finnish Market Area Leader	8,787
Katja Müller	CPO	1,000
Jesper Svegby	CCO	50

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

4.1 Acquisitions

Nixu acquired Ezenta A/S in the beginning of April 2019. During the review period, Nixu also completed a business transaction for Vesper AB's cybersecurity business.

Ezenta A/S

Nixu acquired the entire share capital of Danish Ezenta A/S in the beginning of April 2019. Ezenta is headquartered in Copenhagen. Ezenta specializes in continuous technology-based services and reselling of cybersecurity technologies. As a MDR (Managed Detection and Response) operator listed by research firm Gartner, Ezenta's expertise in the field of hacking detection and investigation is recognized. In addition to the cash consideration, part of the purchase price was paid using 84,950 Nixu new shares. The fair value of the issued shares was based on the published share price on April 1, 2019, which was EUR 10.60 per share. Since the profitability target that was a condition for payment of the additional purchase price was not achieved in 2019, no payment obligation arose. Goodwill of EUR 4,513 thousand results from the expansion of operations into a new business area, manpower, synergies and expected operating profits.

Vesper Group Cybersecurity Business

Nixu acquired the Swedish Vesper Group's cybersecurity business. The business acquisition was mainly used to acquire continuous technology-based services.

Goodwill of EUR 962 thousand is attributable to the strengthening of the market position in Sweden, manpower and expected operating profits.

The fair value of the net assets acquired and considerations paid in business combinations completed during the period ended December 31, 2019 were the following:

EUR thousand	Ezenta A/S	Vesper
Puchase consideration		
Cash paid	5,644	1,612
Shares issued	900	0
Total purchase consideration	**6,545**	**1,612**
Fair value		
Customer relationships	1,876	650
Property, plant and equipment	35	0
Right-of-Use assets	242	0
Deferred tax asset	76	0
Inventories	3	0
Account receivables and other current and non-receivables*	2,173	266
Cash and cash equivalents	180	475
Non-current and current lease liabilities	-209	0
Deferred tax liabilities	-475	0
Account payables and other current payables	-1,869	-741
Fair value of the assets acquired	**2,032**	**650**
Goodwill	**4,513**	**962**
Transaction costs recoqnized as other operating expense	**74**	**4**

Net Sales and Profit of the Acquired Company and Business

The table below shows the net sales and earnings for the Group during the reporting period:

EUR thousand	Ezenta A/S and Vesper
Year	2019
Revenue	6,307
Net profit	-317

Had the acquisitions of Ezenta and Vesper Group's cybersecurity operations taken place on January 1, 2019, the Group's unaudited pro forma net sales for the period ended December 31, 2019 would have been approximately EUR 53,047 thousand and net profit for the period ca. EUR -3,751 thousand.

The table below summarizes the net outflow of cash of business combinations:

EUR thousand	2019
Cash consideration	7,257
Less: balances acquired	
Cash	655
Outflow of cash to acquire subsidiaries, net of cash acquired	6,602

4.2 Intangible assets, including goodwill impairment testing

EUR thousand	Goodwill	Customer relationships	Other intangible assets	Total
2019				
Cost at 1 January	9,556	2,082	385	12,023
Acquisition of subsidiaries	5,475	2,526	0	8,001
Exchange differences	-112	-29	0	-142
Cost at 31 December	**14,919**	**4,578**	**385**	**19,883**
Accumulated amortization and impairment at 1 January	0	737	160	897
Amortization	0	375	128	503
Impairment charges	1,000	627	0	1,627
Exchange differences	0	-2	0	-2
Accumulated amortization and impairment at 31 December	**1,000**	**1,736**	**289**	**3,025**
Net book amount at 1 January	**9,556**	**1,345**	**225**	**11,126**
Net book amount at 31 December	**13,919**	**2,842**	**96**	**16,858**

EUR thousand	Goodwill	Customer relationships	Other intangible assets	Total
2018				
Cost at 1 January	9,764	2,141	385	12,290
Exchange differences	-208	-59	0	-267
Cost at 31 December	**9,556**	**2,082**	**385**	**12,023**
Accumulated amortization and impairment at 1 January	0	178	32	211
Amortization	0	192	128	320
Impairment charge	0	372	0	372
Exchange differences	0	-6	0	-6
Accumulated amortization and impairment at 31 December	**0**	**737**	**160**	**897**
Net book amount at 1 January	**9,764**	**1,962**	**353**	**12,080**
Net book amount at 31 December	**9,556**	**1,345**	**225**	**11,126**

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.

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 solutions and estimates based on judgment

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 shows the goodwill allocated to each cash-generating unit of Nixu:

EUR thousand	31.12.2019	31.12.2018
Finland	2,900	2,900
Sweden	4,834	4,979
Netherlands	1,677	1,677
Denmark	4,508	-
Total goodwill	**13,919**	**9,556**

The key assumptions used in determining the recoverable cash flow of cash-generating units are as follows:

- The long-term growth rate of 2% (2%) has been used for all CGUs and reported periods.
- The pre-tax discount rates are shown below:

	Finland	Sweden	Netherlands	Denmark
31.12.2019	8%	9%	8%	9%
31.12.2018	9%	10%	9%	-

- The long-term EBITDA percentages are shown below:

	Finland	Sweden	Netherlands	Denmark
31.12.2019	10%	6%	6%	7%
31.12.2018	10%	8%	8%	-

- Other key assumptions used in the periods presented were the average annual growth rate of net sales (10% -20%) and the average EBITDA margin (2% -8%).

The recoverable cash flow based on value in use in 2019 exceeded the book value by EUR 44.5 (49.4) million in Finland, EUR -1.0 (6.8) million in Sweden, EUR 2.4 (2.4) million in Netherlands and 0.3 million in Denmark.

Based on impairment tests, a write-off of EUR 172 thousand was made on the valuation of the Nixu B.V. customer base and EUR 455 thousand on the valuation of the Ezenta A/S customer base. Sweden's goodwill was written down by EUR 1,000 thousand.

Sensitivity

The recoverable amount of a cash-generating unit in Netherlands would be equal to its book value as of December 31, 2019, if any of the key assumptions changed as follows (with the remaining assumptions remaining the same):

- The average annual growth rate of net sales would have dropped from 20% to 4% (12% to -1%); or
- The long-term EBITDA margin would have dropped from 6% to 4% (8% to 5%).

The Netherlands goodwill arose from the acquisition in 2017, when assets and liabilities were recorded at fair value.

The recoverable amount of the cash-generating unit in Sweden would be negative compared to the book value on December 31, 2019 if any of the key assumptions changed as follows (with other assumptions remaining unchanged):

- minus EUR 562 thousand, if the average annual growth rate of revenue would have dropped by two percentage points; or
- minus EUR 1,794 thousand, if the long-term EBITDA margin would have dropped by one percentage point; or
- minus EUR 1,140 thousand, if the discount rate would have increased by one percentage point; or
- minus EUR 2,592 thousand, if all the above changes would be realized.

Sweden's goodwill arose from the acquisitions carried out in 2016, 2017, and 2019, when the assets and liabilities were recorded at fair values.

The recoverable amount of the cash-generating unit in Denmark would be negative compared to the book value on December 31, 2019 if any of the key assumptions changed as follows (with other assumptions remaining unchanged):

- minus EUR 218 thousand, if the average annual growth rate of revenue would have dropped by two percentage points; or
- minus EUR 589 thousand, if the long-term EBITDA margin would have dropped by one percentage point; or
- minus EUR 742 thousand, if the discount rate would have increased by one percentage point; or
- minus EUR 1,834 thousand, if all the above changes would be realized.

Denmark's goodwill arose from the acquisitions carried out 2019, when the assets and liabilities were recorded at fair values.

Key solutions and estimates based on judgment

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 (after year 2025) 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.

Impact of IFRS 16 adoption has taken into account.

4.3 Group structure

Consolidated companies in the Financial Statement

Subsidiaries:

	Parent Proportion, %	Group Proportion, %
Subsidiaries:		
Nixu Certification Oy	100%	100%
Nixu B.V	100%	100%
Expert Solution Support Center SRL	0%	100%
Expert Solution Support Center Inc.	0%	100%
Nixu AB	100%	100%
Swedish Forensic Technologies AB (SE)	0%	56%
Nixu Inc.	100%	100%
Ezenta A/S	100%	100%

Subsidiaries are all acquired in 2016, 2017 and 2019, excluding Nixu Certification Oy, Nixu B.V. and Nixu Inc., the company's own subsidiaries. The subsidiaries Expert Solution Support Center Inc. and Swedish Forensic Technologies AB are in dissolution.

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

5.1 Net interest-bearing debt

Nixu's Net Debt Position:

EUR thousand	31 Dec 2019 Carrying value	31 Dec 2018 Carrying value
Non-current borrowings		
Lease liabilities	2,117	381
Other loans	0	1
Total non-current borrowings	**2,117**	**382**
Loans from financial institutions	7,338	6,526
Lease liabilities	1,455	266
Total current borrowings	**8,794**	**6,792**
Total borrowings	**10,911**	**7,174**
Less cash and cash equivalents	3,923	9,286
Net debt	**6,988**	**-2,112**

Borrowings

On December 31, 2019, Nixu's loans from financial institutions included a EUR 4,000 thousand floating rate loan that was taken out in 2014, and variable and fixed rate loans amounting to EUR 5,900 thousand which were drawn-down in 2017 related to the financing arrangements.

During the period under review an additional loan of EUR 2,500 thousand was taken out for acquisitions.

The table below provides information on loans (loans are undiscounted):

EUR thousand	Drawn down	Maturity	Interest rate	installment	Remaining debt 31 Dec 19	Remaining debt 31 Dec 18
Loan 1	2014	10/9/20	3.00%	monthly	597	1,313
Loan 2	2017	11/30/20	3.00%	monthly	515	1,115
Loan 3	2017	5/30/22	3.40%	bullet	2,065	2,065
Loan 4	2019	3/28/23	3.35%+6. month euribor	half-on-year	2,188	-
Loan 5	2016	5/30/22	3.8%+3.8%	bullet	1,905	1,835
Loan 6	2017	9/30/20	0	quarterly	96	224
Total					**7,365**	**6,553**

The interest rates of the loans ranged between 3.00% and 3.80% and for EUR 1,905 thousand the capitalized interest rate was of 3.8% on the review period that ended on December 31, 2019.

The company has a credit facility of EUR 1,500 thousand. A credit facility was not in use at the end of the accounting period on December 31, 2019.

The loan which was drawn down in 2014 is being paid in installments on a monthly basis, and will mature on October 9th, 2020. The remaining debt was EUR 597 (1,313) thousand on December 31, 2019. A part of the drawn-down loans from 2017 is being paid at once, on their due dates. Of the loan which is being paid in monthly installments, which will mature on November 30, 2020, the remaining portion, as of December 31, 2019, was EUR 515 (1,115) thousand. The loan which was drawn down in 2019 is being paid in installments on a half-on-year basis, and will mature on March 28th, 2023. The remaining debt was EUR 2,188 thousand.

Nixu's loan agreements contain the following covenants: a minimum equity ratio of 32%, net dept/EBITDA maximum 3,3x. The key figure will will be reviewed for the first time on December 31,2019 thereafter every six months. The covenants were calculated in accordance with IFRS 16. On December 31, 2019, the Group did not meet the interest-bearing debt/EBITDA covenant relating to the loan. The financing providers granted Nixu a waiver from compliance with this covenant, and the bank loans did not mature. In connection with the waiver, the financial institutions raised the interest rates, which will vary between 3.75% and 4.35% from February 2020. As of December 31, 2019, the non-current portion of the bank loans, amounting to EUR 5,533,000, will be classified under current liabilities. This is because the waivers of covenant compliance will expire before 12 months have elapsed from the end of the current accounting period. The next covenant review date is June 30, 2020. The current estimate is that the Group will not meet the covenants relating to the loan on June 30, 2020. The Board expects that the company will be exempted from the covenants by the financial institutions, and the current portion of bank loans will not mature. The Board is also prepared for alternative means of financing.

MFI loans are presented in full in current liabilities. For more information on short-term loans and covenants related to loan agreements, see Section 5.3 of the notes. Financial risk and capital management - liquidity risk.

The fair value of the loans does not materially differ from their book value because the interest rates on the loans are close to the current market rates (new bank loans have been taken out in 2019, while the margin on the loan taken out in 2017 has been revised). The company's risk premium has not changed significantly after taking out loans. The fair values of Nixu loans are based on cash flows discounted using the current loan rate. The different terms of the loans (maturity, seniority, collateral) are taken into account when determining the value. Loans are classified in Level 2 of the fair value hierarchy because the fair value measurement is mainly based on a market interest rate curve.

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 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.

Lease liabilities

Nixu has adopted IFRS 16 January 1,2019, and consequently no finance lease liabilities are reported as of December 31, 2019 in accordance with IAS 17. Instead, Nixu reports lease liabilities in accordance with IFRS 16. Refer to note 6. Operating assets and liabilities for further details on lease liabilities as of December 31,2019

Derivative financial instruments

As part of its normal business operations, the Group is a party to derivative contracts designed to hedge against exposure to interest rate fluctuations in accordance with the Group's financial risk management principles (see "Financial risk and capital management"). At the point of the Financial Statement, the Group has two interest rate swaps on December 31, 2019 (two interest swap contracts). On December 31, 2019, the fair value of the derivatives was negative EUR 39 (41). Changes in the fair value of these derivatives were recognized as financial expenses in the income statement. The nominal value of interest rate swaps on December 31, 2019 was EUR 2,364 (2,722) thousand. For each swap, the company receives a floating rate (EURIBOR 3 months and 6 months respectively) and pays a fixed coupon rate (0.44% and 0.81% respectively). The interest rate swaps will mature in 2020 and 2022.

These derivative financial instruments are classified as level 2 in the fair value hierarchy, and their fair value is calculated as the current value of estimated future cash flows based on 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

Nixu's cash and cash equivalents consist of cash and demand deposits with MFIs. Nixu's cash and cash equivalents as of December 31, 2019 amounted to EUR 3,923 (9,286) 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.

Net Debt Reconciliation

EUR thousand	Cash and cash equivalents	Other borrowings due within 1 year	Lease liabilities due within 1 year	Lease liabilities due after 1 year	Contingent consideration due withing 1 year	Other loans due after 1 year	Total net debt
1 Jan 2018	**11,864**	**7,900**	**191**	**194**	**175**	**19**	**-3,384**
Cash flows	-2,577	-1,463	-191	-87	-168	-18	650
Foreign exchange adjustment	-1				-11		-10
Other non-cash movements		88	266	274	3		632
31 Dec 2018	**9,286**	**6,526**	**266**	**381**	**0**	**1**	**-2,112**
Adoption of IFRS 16, impact 1 Jan 2019			884	1,011			1,895
Cash flows	1,248	724	-1,131			-1	-1,656
Acquisition of subsidiaries	-6,602		100	108			6,810
Foreign exchange adjustment	-9		-29	-60			-80
Other non-cash movements		89	1,366	676			2,131
31 Dec 2019	**3,923**	**7,338**	**1,455**	**2,117**	**0**	**0**	**6,988**

5.2 Financial income and expenses

EUR thousand	31 Dec 2019	31 Dec 2018
Finance income		
Foreign exchange gains on financing activities	0	25
Interest income	4	1
Finance income total	**4**	**26**
Finance expenses		
Foreign exchange losses on financing activities	-104	-41
Interest and finance charges paid/payable for lease liabilities	-114	-32
Interest on borrowings	-371	-406
Fair value losses on derivatives	2	-6
Other finance costs	-32	-10
Finance expenses total	**-619**	**-495**
Finance income and expenses total	**-616**	**-469**

The Group's financial expenses include mainly interest expenses on loans, exchange rate losses and the cost effect of discounting the conditional purchase price liability and the change in the fair value of 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.

Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from primarily with respect to the Swedish krona and US dollar. The Group has a subsidiary in Denmark, but the Danish krone is pegged to the euro at a fixed rate that can only fluctuate slightly. 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' sales and purchases are mainly denominated in the Group's operating currencies. The Group's exposure to currency risk arising from business transactions has been limited. The Group is exposed to currency changes in the U.S. Dollar, especially as a result of USD sales to the US by Nixu's Denmark subsidiary and the parent company. The Group does not actively use derivative instruments to hedge against currency risk.

If the euro had weakened / strengthened against the US dollar by 10% on December 31, 2019, with all other factors remaining unchanged, the recalculated net profit after taxes would have been EUR 10 (35) thousand higher / lower, mainly due to USD trade receivables of 246 (130) thousand dollars and of a USD 60 (230) in bank account balance in the parent company and Danish subsidiary.

On December 31, 2019, the parent company had SEK 9,000 (3,000) thousand domestic receivables. The exchange rate difference arising from this internal debt was offset by the euro-denominated liabilities of the Group's Swedish subsidiaries. Net exposure to exchange rate fluctuations in the Swedish krona was not significant on December 31, 2019.

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, 2019 the Group has two interest rate swap contracts (two interest rate swap contract) outstanding on which 44% (49%) of the loan principal is hedged against cash flow risk. The figures presented in the table are contract-based, undiscounted figures.

Interest rate risk

EUR thousand	31 Dec 2019	31 Dec 2018
Variable interest rate borrowings	5,365	4,493
Fixed interest rate borrowings	2,001	2,059
Total	**7,365**	**6,553**

EUR thousand	31 Dec 2019	31 Dec 2018
Variable interest rate borrowings	5,365	4,493
Interest rate swaps (notional principal amount)	2,364	2,722
Net exposure to cash flow interest rate risk	**3,001**	**1,771**

Fixed-rate loans expose Nixu to fair value interest rate risk.

In the financial periods presented in the financial statements, the Group's loans were mainly denominated in Euros.

If interest rates on December 31, 2019 had been higher than 100 basis points, all other factors remaining unchanged, the result for the period after taxes would have been EUR 51 (19) thousand as a result of higher interest expenses on floating rate loans and lower. The interest rate sensitivity has been determined by shifting the interest rate curve by 100 basis points (no scenario based on decreased interest rate is presented due to the low market interest rates). In the sensitivity analysis, it has been noted that on December 31, 2019, interest rate swaps had a total nominal value of EUR 2,364 (2,722) thousand which reduced sensitivity to interest rate fluctuations. The interest rate position includes all external floating rate 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 needs monthly to ensure that sufficient cash is available to meet the needs of the business and, at the same time, to constantly maintain a sufficient number of undrawn committed credit facilities. The amount of cash and cash equivalents on December 31, 2019 was EUR 3,923 (9,286) thousand. In addition, the Group has unutilized committed credit facilities totalling EUR 1,500 (1,000) thousand as of December 31, 2019. In terms of future payments, the most important source of financing is cash flows from operations and liquid assets, combined with potential new or equity financing.

The Group's additional cash reserves are not actively invested. Nixu's goal is both organic and structural growth, and cash is used for this purpose.

The covenants were calculated in accordance with IFRS 16. On December 31, 2019, the Group did not meet the interest-bearing debt/EBITDA covenant relating to the loan. The financing providers granted Nixu a waiver from compliance with this covenant, and the bank loans did not mature. In connection with the waiver, the financial institutions raised the interest rates, which will vary between 3.75% and 4.35% from February 2020. As of December 31, 2019, the non-current portion of the bank loans, amounting to EUR 5,533,000, will be classified under current liabilities. This is because the waivers of covenant compliance will expire before 12 months have elapsed from the end of the current accounting period. The next covenant review date is June 30, 2020. The current estimate is that the Group will not meet the covenants relating to the loan on June 30, 2020. The Board expects that the company will be exempted from the covenants by the financial institutions, and the current portion of bank loans will not mature. The Board is also prepared for alternative means of financing.

The following table shows the Group's non-derivative financial liabilities and derivative liabilities broken down by relevant maturity groupings based on the amount of remaining contractual maturity at the balance sheet date. The figures presented in the table are contract-based, undiscounted figures.

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, 2019 Nixu's equity ratio was 37.3% (50.5%).

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.

EUR thousand	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Contractual undiscounted cash flows**	**Carrying value**
31 Dec 2019						
Non-derivatives						
Loans from financial institutions	7,365				7,365	7,338
Lease liabilitites	1,551	1,159	1,039		3,749	3,572
Other loans	0			98	98	98
Trade payables and other payables*	14,341				14,341	14,341
Total	**23,258**	**1,159**	**1,039**	**98**	**25,554**	**25,350**
Derivatives						
Interest rate swaps	39				39	39
Total	**39**	**0**	**0**	**0**	**39**	**39**

* 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 2018						
Non-derivatives						
Loans from financial institutions	6,553				6,553	6,526
Lease liabilitites	281	249	143		673	647
Other loans	3				3	3
Trade payables and other payables*	9,093				9,093	9,093
Total	**15,931**	**249**	**143**	**0**	**16,322**	**16,270**
Derivatives						
Interest rate swaps	41				41	41
Total	**41**	**0**	**0**	**0**	**41**	**41**

* Excluding non-financial items

5.4 Equity

Nixu has one share series. Each share entitles the holder to equal voting and dividend rights. The company's shares are listed on the Official List of Nasdaq Helsinki.

The table below shows the number of outstanding shares during the reporting periods:

	Number of shares
1 Jan 2018	7,229,635
Purchase of treasury shares	-842
31 Dec 2018	7,228,793
Share issues	184,021
31 Dec 2019	7,412,814

The table below shows the changes in the company's own shares:

EUR thousand	2019	2018
At 1 January	12,405	11,563
Purchase of treasury shares	0	842
At 31 December	12,405	12,405

The company's own shares acquired during the periods presented are redeemed from the personnel.

The invested unrestricted equity reserve

During the financial year 2019 EUR 1,128 thousand of the share issue completed during the period under review were carried out and recorded in the invested unrestricted equity reserve in connection with employees´ share issue. A Directed issue of 84,950 shares, launched to finance the acquisition cost of Ezenta A/S, of which EUR 900 thousand was recorded in the invested unrestricted equity reserve.

Accumulated translation differences

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, right-of-use-assets including depreciations and finance leases
- Lease liabilities
- Trade and other receivables
- Trade and other payables

6.1 Tangible assets, including depreciation

EUR thousand	Machinery and equipment	Other tangible assets	Right-of-use assets	Total
2019				
Cost at 1 January	1,600	542	1,292	3,434
Adoption of IFRS 16	0	0	1,825	1,825
Restated cost at 1 January	1,600	542	3,117	5,259
Additions	304	22	2,338	2,663
Acquisition of subsidiaries	35	0	242	277
Disposals	0	0	-444	-444
Exchange differences	-2	0	-16	-18
Cost at 31 December	**1,937**	**564**	**5,236**	**7,737**
Accumulated depreciation and impairment at 1 January	1,263	491	659	2,412
Depreciation	196	32	1,317	1,545
Depreciations on disposals	0	0	-148	-148
Exchange differences	0	0	3	3
Accumulated depreciation and impairment at 31 December	**1,458**	**523**	**1,830**	**3,811**
Net book amount at 1 January	**337**	**51**	**634**	**1,022**
Net book amount at 31 December	**479**	**40**	**3,407**	**3,926**

EUR thousand	Machinery and equipment	Other tangible assets	Right-of-use assets	Total
2018				
Cost at 1 January	1,534	525	753	2,812
Additions	68	17	568	653
Disposals	0	0	-26	-26
Exchange differences	-3	0	-2	-5
Cost at 31 December	**1,600**	**542**	**1,292**	**3,434**
Accumulated depreciation and impairment at 1 January	1,098	437	375	1,910
Depreciation	166	54	285	505
Exchange differences	-2	0	-1	-2
Accumulated depreciation and impairment at 31 December	**1,263**	**491**	**659**	**2,412**
Net book amount at 1 January	**436**	**88**	**378**	**902**
Net book amount at 31 December	**337**	**51**	**634**	**1,022**

Right-of-use assets consist of the following leases (including additions from IFRS 16 adoption 1 January 2019):

EUR thousand	Properties	Cars	IT equipment	Total right-of-use assets
1 Jan 2019	**1,475**	**1,002**	**639**	**3,117**
Increases	1,323	788	227	2,338
Acquisition of subsidiaries	93	149	0	242
Decreases	-191	-253	0	-444
Exchange differences	-12	-6	1	-16
31 Dec 2019	**2,689**	**1,680**	**867**	**5,236**
Accumulated depriaciations:				
1 Jan 2019	**0**	**276**	**383**	**659**
Depreciation for the period	777	356	183	1,317
Accumulated depreciations on disposals	-72	-76	0	-148
Exchange differences	3	0	0	3
31 Dec 2019	**708**	**555**	**566**	**1,830**
Net book amount at 1 January	**1,475**	**726**	**256**	**2,458**
Net book amount at 31 December	**1,981**	**1,125**	**301**	**3,407**

The Consolidated Statement of Profit or Loss shows the following depreciation charges relating to these leases:

EUR thousand	31 Dec 2019	1 Jan 2019
Properties	777	0
Cars	356	127
IT equipment	183	158
Depreciation charge right-of-use assets	**1,317**	**285**

Accounting policy

Right-of-use assets are capitalized at the commencement date of the lease and comprise the initial amount of the lease liability adjusted by lease payments made at or before the commencement date. Direct costs incurred from obtaining the lease are deducted, as well as any rent-free months or other discounts.

Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date of the lease either by the end of the estimated useful life of the right-of-use asset or by the end of the lease term, whichever is the earlier. Right-of-use assets are additionally adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially measured at the commencement date at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. The applicable lease term corresponds to the period during which the lease is non-cancellable, except when the Group is reasonably certain to exercise the renewal option or extend the contract. Lease liabilities are recognized at amortized cost using the effective interest method. Lease liabilities are mainly remeasured when future lease payments change due to index or interest rate changes, or when the Group's estimate of the use of a possible extension option changes. When a lease liability is remeasured, the carrying amount of the right-of-use asset is usually adjusted accordingly.

Managerial discretion

The Group has decided not to record right-of-use assets and lease liabilities for short-term leases with a maximum contract term of 12 months, and contracts with low value assets. The Group interprets low-value asset relief to apply to contracts in which the asset is not material to Nixu. The assessment of whether an asset is material and whether it qualifies for recognition under IFRS 16 is based on the materiality concept of the conceptual framework and the IAS 1 standard. Low-value items mainly include mobile phones, small office spaces, and other low value items. The Group recognizes the lease payments related to these contracts as expenses in equal instalments over the lease term. In addition, the Group has made an ex-post evaluation of the lease term if the lease includes an option to extend.

Leased assets

Nixu's leased assets consist of office premises in countries where the company has subsidiaries. The company headquarters are located in Espoo, Finland, at Keilaranta 15. The lease is fixed-term and valid until February 28, 2023. In 2019, the contract was expanded by leasing additional space. The lease is capitalized on the balance sheet until the end of the contract period. Nixu has two other offices in Finland in addition to its headquarters. These have been estimated as low-value and are not capitalized on the balance sheet. The Swedish offices are located in Stockholm, Uppsala, and Linköping. All are entered on the balance sheet with the following end dates: Stockholm, March 31, 2021; Uppsala, September 30, 2022; and Linköping, September 30, 2022. The Netherlands offices are located in Amsterdam and The Hague. The lease for Amsterdam is fixed-term and will expire on February 28, 2021. The lease for The Hague was signed in 2019 with a lease term until September 23, 2023, including two 12-month extension options. In the company's estimate, it is probable that the lease extension options will be used; therefore, the leases are capitalized on the balance sheet taking the extension periods into account. The Romania office has been classified as low-value and is not capitalized on the balance sheet. The Danish offices are located in Herlev and Aarhus. The lease for the Herlev office is a fixed-term contract valid until December 31, 2020. The Aarhus office has been classified as low-value and is not capitalized on the balance sheet.

EUR thousand	31 Dec 2019
Interest on lease liabilities	-114
Expenses relating to short-term or low value assets	-303

Company employees are entitled to a leased car as an employee benefit. The leases are typically for three to four years. In Netherlands, some cars are leased for less than a year and are not capitalized on the balance sheet. Laptops are generally leased, with a typical lease period of two years. Mobile devices are classified as low-value and are not capitalized on the balance sheet. Contracts classified as service contracts are not treated as right-of-use assets.

Accounting policy

Due to the adoption of IFRS 16, the accounting policy changed on January 1, 2019, with regard to leases where the Group is a lessee. The new accounting policy is described in 'Basis of preparation,' and the impact of the adoption is presented in 'Information on the adoption of new standards.'

Prior to December 31, 2018, Nixu classified laptop leases and company car leases as finance leases. Leases were classified as finance leases when the risks and rewards related to ownership were substantially held by Nixu. Other leases were classified as operating leases. Nixu recognized the asset and related liability of finance leases on the balance sheet as the lower of the leased asset's fair value or the present value of the minimum lease payments. Minimum lease payments made under a finance lease were apportioned between finance cost and reductions of the outstanding liability. The finance cost was 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 was depreciated in accordance with Nixu's policy for tangible assets. Other leases were classified as operating leases.

Finance leasing

Nixu has adopted IFRS 16 January 1,2019, and consequently no finance lease liabilities are reported as of December 31, 2019 in accordance with IAS 17. Instead, Nixu reports lease liabilities in accordance with IFRS 16.

EUR thousand	31 Dec 2019	31 Dec 2018
Gross lease liabilities - minimum lease payments		
Within 1 year	1,551	281
Later than 1 year and no later than 5 years	2,198	391
Total	**3,749**	**673**

6.2 Accounts receivable and other receivables

Current receivables

EUR thousand	31 Dec 2019	31 Dec 2018
Trade receivables and other receivables		
Trade receivables	12,098	9,994
Prepaid expenses and accrued income	3,523	1,216
Rental deposits	15	164
Other receivables	539	193
Total	**16,175**	**11,567**
Prepaid expenses and accured income		
Employer's statutory insurance premiums	11	20
Maintenance charges related to licenses	1,255	112
Grants receivable	127	173
Other items	2,130	910
Total	**3,523**	**1,216**

The age distribution of the Group's trade receivables as of December 31, 2019 and December 31, 2018 is shown below:

EUR thousand	31 Dec 2019	31 Dec 2018
Not due	9,743	7,020
Overdue by		
1-30 days	1,811	2,033
31-60 days	97	385
61-90 days	171	516
Yli 90 päivää	276	41
Total	**12,098**	**9,994**

Impairment on trade receivables amounted to EUR 204 (34) thousand.

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 Accounts payable and other debts

EUR thousand	31 Dec 2019	31 Dec 2018
Trade payables and other payables		
Trade payables	3,768	1,135
Accrued expenses	7,748	5,405
Derivative financial instruments	39	41
Other current liabilites	2,825	2,554
Total	**14,380**	**9,135**
Material items under accrued expenses		
Accrued personnel expenses	4,302	3,491
Accrued interests	105	89
Contract liabililities	2,255	1,436
Other accruals	1,086	389
Total	**7,748**	**5,405**
Material items under current liabilities		
Value added tax	1,914	1,696
Withholding tax and social insurance contributions	758	684
Other current liabilities	153	174
Total	**2,825**	**2,554**

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 information that the Group needs to present in order to comply with accounting standards, but which are not considered significant for understanding the Group's financial position and performance:

- Deferred taxes
- Related party transactions
- Contingent items and commitments, including leases
- New standards
- Later events

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 debts

EUR thousand	At 1 Jan	Recognized in profit or loss	Additions of lease agreements during the period	Adoption of IFRS 16	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2019							
Deferred tax assets							
Borrowings	133	-281	473	354	46		726
Tax losses	146	21			22	-5	185
Other items	11	-10		15	7		24
Total	**290**	**-270**	**473**	**370**	**76**	**-5**	**934**
Netting of deferred taxes	-285						-934
Deferred tax assets, net	**4**						**0**

EUR thousand	At 1 Jan	Recognized in profit or loss	Additions of lease agreements during the period	Adoption of IFRS 16	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2019							
Deferred tax liabilities							
Intangible assets	280	-183			413	-5	505
Tangible assets	130	-304	473	341	53		694
Appropriations	0	9					9
Borrowings	5	0					5
Other items	2	13		29	9		53
Total	**418**	**-464**	**473**	**370**	**475**	**-5**	**1,266**
Netting of deferred taxes	-285						-934
Deferred tax liabilities, net	**132**						**332**

EUR thousand	At 1 Jan	Recognized in profit or loss	Recognized in equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2018						
Deferred tax assets						
Borrowings	78	55			0	133
Tax losses	120	27			-2	146
Other items	63	-53	1	0	0	11
Total	**261**	**30**	**1**	**0**	**-2**	**290**
Netting of deferred taxes	-221					-285
Deferred tax assets, net	**41**					**4**

EUR thousand	At 1 Jan	Recognized in profit or loss	Recognized in equity	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2018						
Deferred tax liabilities						
Intangible assets	432	-140			-12	280
Tangible assets	76	54			0	130
Borrowings	9	-4				5
Other items	12	-10				2
Total	**530**	**-100**	**0**	**0**	**-12**	**418**
Netting of deferred taxes	-221					-285
Deferred tax liabilities, net	**310**					**132**

The Group's operations in the Netherlands and Sweden have been unprofitable. On 31 December 2019, realized losses amounted to EUR 6,788 thousand, of which unrecognized deferred tax assets amounted to EUR 1,367 (689) thousand.

Key solutions and estimates based on judgment: 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 Group's Corporate Leadership 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 2019, see note 3.2 Employee share-based incentive plan.

Purchase of goods and services

EUR thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Purchases of services	3	3

Nixu has purchased training services from a related party of a related party. Purchased services have been purchased at market price.

Loans receivables from related parties

EUR thousand	31 Dec 2019	31 Dec 2018
Loan receivables from related party (management team)	30	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 Contingent items and commitments, including leases

Guarantees and contingent liabilities granted

EUR thousand	31 Dec 2019	31 Dec 2016
Mortgages given on own behalf:		
Business mortgages	10,118	10,118
Loan amount	7,338	6,526

Other commitments

EUR thousand	31 Dec 2019	31 Dec 2016
Rental deposits	269	164

[1)] Business mortgages of Nixu Oyj and shares of Nixu Ab (2 500 pcs) and Ezenta A/S (100 pcs) were used as collateral for Nixu Corporation's 5,4 MEUR financial institution loan and 1,5 MEUR credit limit. At the end of the review period, the credit limit has remained unused.

7.4 Corrected financial information in 2019, attributable to the new IFRS 16 standard

Impact of the adoption of IFRS 16 are shown in table below:

EUR thousand	**2019**
Operating lease commitments at 31 December 2018 (incl. VAT)	2,577
Less VAT	-371
Operating lease commitments at 31 December 2018 (excl. VAT)	2,205
Discounted using the incremental borrowing rates of at 1 January 2019	2,089
Less:	
Short term leases	-131
Leases of low-value assets	-18
Other*	-45
Add:	
Finance lease liabilities recognised as at 31 December 2018	647
Lease liabilities recognised at 1 January 2019	**2 542**
Of which are:	
Current lease liabilities	1 150
Non-current lease liabilities	1 392
	2 542
Additional lease liabilities as a result of the initial application of IFRS 16	**1 895**

* Lease period adjustments (e.g. extension options), adjustments relating to changes in index affecting variable payments and exclusion of non-lease components

EUR thousand	**31 Dec 2019**	**1 Jan 2019**
Properties	1,981	1 475
Cars	634	350
Total right-of-use assets	**2,616**	**1 825**

7.5 Events After the Accountind Period

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

Parent Company’s Income Statement

	Notes	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
		EUR	**EUR**
REVENUE	1.	**34,187,458.27**	**28,338,582.19**
Other operating income	2.	**330,094.19**	**241,035.27**
Materials and services	3.		
Materials and services		-5,962,248.82	-3,391,425.36
Materials and services in total		**-5,962,248.82**	**-3,391,425.36**
Personnel costs	4.		
Wages and salaries		-16,016,148.97	-14,745,622.66
Social security costs			
Pension costs		-2,709,647.44	-2,584,016.57
Other social security costs		-448,134.70	-493,649.08
Personnel costs in total		**-19,173,931.11**	**-17,823,288.31**
Amortization and depreciation			
Amortization and depreciation according to plan		-573,945.80	-587,733.33
Amortization and depreciation in total		**-573,945.80**	**-587,733.33**
Other operating expenses	5.	**-7,171,618.61**	**-6,179,827.68**
OPERATING PROFIT		**1,635,808.12**	**597,342.78**
Financial income and expenses	6.		
From group companies		115,389.40	47,065.46
Receivables from non-group companies		0.00	795.40
Reduction in value of investments held as non-current assets		-1,968,736.00	
Interest expenses and other financial expenses			
Payables to non-group companies		-548,376.55	-406,712.25
Financial income and expenses in total		**-2,401,723.15**	**-358,851.39**
PROFIT BEFORE APPROPRIATIONS AND TAXES		**-765,915.03**	**238,491.39**
Appropriations			
Change in cumulative accelerated depreciation	7.	-47,114.35	0,00
Income taxes	7.	**-299,754.14**	**-123,468.25**
PROFIT FOR THE ACCOUNTING PERIOD		**-1,112,783.52**	**115,023.14**

Parent Company's Balance Sheet

	Notes	31 Dec 2019 EUR	31 Dec 2018 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights		96,360.81	224,841.81
Other long-term expenditure		1,657,613.48	1,979,590.39
Intangible assets in total		**1,753,974.29**	**2,204,432.20**
Tangible assets	9.		
Machinery and equipment		321,657.25	189,404.61
Tangible assets in total		**321,657.25**	**189,404.61**
Investments	10.		
Shares in group companies		16,873,346.21	11,902,361.95
Investments in total		**16,873,346.21**	**11,902,361.95**
NON-CURRENT ASSETS IN TOTAL		**18,948,977.75**	**14,296,198.76**
CURRENT ASSETS			
Receivables	11.		
Long-term receivables			
Intercompany receivables		3,662,270.73	1,912,414.93
Other non-current receivables		203,558.21	0.00
Non-current receivables in total		**3,865,828.94**	**1,912,414.93**
Current receivables			
Accounts receivable		6,532,375.67	7,020,652.07
Intercompany receivables		2,122,467.49	1,316,610.50
Other receivables		397,247.33	175,681.82
Prepayments and accrued income		2,469,789.93	1,114,033.48
Current receivables in total		**11,521,880.42**	**9,626,977.87**
Receivables in total		**15,387,709.36**	**11,539,392.80**
Cash in hand and at bank		**2,286,205.46**	**7,960,805.46**
CURRENT ASSETS IN TOTAL		**17,673,914.82**	**19,500,198.26**
ASSETS IN TOTAL		**36,622,892.57**	**33,796,397.02**

	Notes	31 Dec 2019 EUR	31 Dec 2018 EUR
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	12.		
Share capital		94,821.20	94,821.20
Invested unrestricted equity reserve		19,372,348.40	17,424,580.01
Retained profit		2,951,880.55	2,836,857.41
Profit for the accounting period		-1,112,783.52	115,023.14
SHAREHOLDERS' EQUITY		**21,306,266.63**	**20,471,281.76**
APPROPRIATIONS			
Cumulative accelerated depreciations		47,114.35	0.00
Appropriations in total		**47,114.35**	**0.00**
LIABILITIES	13.		
Current			
Loans from financial institutions		7,365,225.86	6,552,747.31
Accounts payable		1,270,443.43	848,583.46
Intercompany liabilities		132,394.73	164,053.95
Other liabilities		1,499,797.98	1,682,234.76
Accruals and deferred income		5,001,649.59	4,077,495.78
Current liabilities in total		**15,269,511.59**	**13,325,115.26**
LIABILITIES		**15,269,511.59**	**13,325,115.26**
EQUITY AND LIABILITIES IN TOTAL		**36,622,892.57**	**33,796,397.02**

Parent Company's Cash Flow Statement

	EUR 1 Jan - 31 Dec 2019	EUR 1 Jan - 31 Dec 2018
Profit/loss before appropriations and taxes	-765,915	238,491
Depreciation, amortization and write-downs	573,946	587,733
Other non-cash income and expenses	30,670	97,311
Financial income and expenses	2,401,723	358,851
Change in working capital	-795,953	9,863
Interest and other financial expenses paid	-384,147	-282,683
Interest from operations received	87,023	795
Taxes paid	-122,654	-380,629
Cash flow from operations	**1,024,692**	**629,733**
Investments	-8,752,559	-1,906,091
Cash flow from investments	**-8,752,599**	**-1,906,091**
Rights issue	1,197,768	0
Loan disbursement	2,481,250	0
Repayments of non-current loans	-1,628,918	-1,366,418
Repurchase of own shares	0	-4,176
Net cash flow from financing	**2,050,100**	**-1,370,594**
Change in liquid assets	**-5,677,806**	**-2,646,952**
Liquid assets at the beginning of the accounting period	7,960,805	10,607,757
Net increase/decrease in liquid assets	3,206	0
Liquid assets at the end of the accounting period	2,286,205	7,960,805

Notes to Parent Company Financial Statements

Notes to the income statement

	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2018
1. REVENUE BY MARKET AREA		
Finland	31,315,711.78	24,952,739.95
Foreign markets	2,871,746.49	3,385,842.24
Total	**34,187,458.27**	**28,338,582.19**
2. OTHER OPERATING INCOME		
Grants from TEKES and EU	206,048.93	105,956.99
Other income	124,045.26	135,078.28
Total	**330,094.19**	**241,035.27**
3. MATERIALS AND SERVICES		
Externally sourced materials and services	-5,962,248.82	-3,391,425.36
Total	**-5,962,248.82**	**-3,391,425.36**
4. PERSONNEL COSTS		
MANAGEMENT WAGES AND SALARIES		
Members of the Board and CEOs	394,351.00	311,800.00
NUMBER OF PERSONNEL		
Number of personnel	248	229
	248	**229**
5. OTHER OPERATING EXPENSES		
Rent payments	-680,371.00	-546,122.29
Purchased services	-1,092,321.74	-1,371,474.80
ICT costs	-1,312,714.20	-1,276,028.53
Marketing costs	-746,008.58	-614,662.66
Other operating expenses	-3,340,203.09	-2,371,539.40
Total	**-7,171,618.61**	**-6,179,827.68**
Auditors' fees		
Audit fees billed by PWC	-104,185.35	-83,340.22
Consulting fees billed by PWC	-9,791.00	-232,106.41
Tax consultancy by PWC	-8,360.00	-13,677.00
Total	**-122,336.35**	**-329,123.63**

6. FINANCIAL INCOME AND EXPENSES	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Other interest income and financial income from group companies	115,389.40	47,065.46
Other interest income and financial income from non-group companies	0.00	795.40
Write-downs on long term investments	-1,968,736.00	0.00
Other interest expenses	-548,376.55	-406,712.25
Total	**-2,401,723.15**	**-358,851.39**
7. INCOME TAXES		
Income taxes in the accounting period	-300,039.16	-120,567.58
Income taxes from previous accounting periods	285.02	-2,900.67
Total	**-299,754.14**	**-123,468.25**

Notes to the balance sheet

2019

8. INTANGIBLE ASSETS	Merger loss	Intangible rights	**Total**
Acquisition cost at the start of the accounting period	3,830,508.11	385,000.00	4,215,508.11
Increases	12,362.00		12,362.00
Acquisition cost at the end of the accounting period	**3,842,870.11**	**385,000.00**	**4,227,870.11**
Accumulated amortization and impairments at the start of the accounting period	-1,850,917.72	-160,158.19	-2,011,075.91
Amortization during the accounting period	-334,338.91	-128,481.00	-462,819.91
Accumulated amortization at the end of the period	**-2,185,256.63**	**-288,639.19**	**-2,473,895.82**
Book value at the end of the period	**1,657,613.48**	**96,360.81**	**1,753,974.29**

9. TANGIBLE ASSETS	Machinery and equipment	**Total**
Acquisition cost at the start of the accounting period	1,340,715.19	1,340,715.19
Increases	251,969.85	251,969.85
Acquisition cost at the end of the accounting period	**1,592,685.04**	**1,592,685.04**
Accumulated depreciation and impairments at the start of the accounting period	-1,151,310.58	-1,151,310.58
Depreciation during the accounting period	-119,717.21	-119,717.21
Accumulated depreciation at the end of the period	**-1,271,027.79**	**-1,271,027.79**
Book value at the end of the period	**321,657.25**	**321,657.25**

10. INVESTMENTS	Shares in subsidiaries	**Total**
Acquisition cost at the start of the accounting period	12,674,361.95	12 674 361,95
Increases	6,939,720.26	6 939 720,26
Acquisition cost at the end of the accounting period	**19,614,082.21**	**19 614 082,21**
Accumulated depreciation and impairments at the start of the accounting period	-772,000.00	-772,000.00
Depreciation during the accounting period	-1,968,736.00	-1,968,736.00
Accumulated depreciation at the end of the period	**-2,740,736.00**	**-2,740,736.00**
Book value at the end of the period	**16,873,346.21**	**16,873,346.21**

11. RECEIVABLES

	31 Dec 2019	31 Dec 2018
INTERCOMPANY RECEIVABLES		
Non-current		
Loans receivable, non-current	3,662,270.73	1,912,414.93
Current		
Accounts receivable	2,122,467.49	1,174,391.36
Current prepayments and accrued income	0.00	142,219.14
Current receivables in total	**2,122,467.49**	**1,316,610.50**
KEY PREPAYMENT AND ACCRUED INCOME ITEMS		
License fee deferral	788,679.31	112,245.84
Direct taxes	44,960.84	222,345.58
Grants from TEKES and EU	0.00	44,810.00
Production license	532,995.57	0.00
Grants from TEKES and EU	1,103,154.21	734,632.06
Total	**2,469,789.93**	**1,114,033.48**

12. SHAREHOLDER'S EQUITY

	31 Dec 2019	31 Dec 2018
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	17,424,580.01	17,424,580.01
Directed issue	1,947,768.39	0.00
Invested unrestricted equity reserve at the end of the accounting period	**19,372,348.40**	**17,424,580.01**
Retained profit at the start of the accounting period	2,951,880.55	2,841,033.73
Purchase of own shares		-4,176.32
Retained profit at the end of the accounting period	**2,951,880.55**	**2,836,857.41**
Profit for the accounting period	**-1,112,783.52**	**115,023.14**
Unrestricted equity in total	**21,211,445.43**	**20,376,460.56**
Shareholders' equity in total	**21,306,266.63**	**20,471,281.76**
Calculation of assets subject to profit distribution		
Profit subject to profit distribution		
Retained profit	2,951,880.55	2,836,857.41
Profit for the accounting period	-1,112,783.52	115,023.14
Profit subject to profit distribution	**1,839,097.03**	**2,951,880.55**
Other assets subject to profit distribution		
Invested unrestricted equity reserve	19,372,348.40	17,424,580.01
Other assets subject to profit distribution	**19,372,348.40**	**17,424,580.01**
Assets subject to profit distribution in total	**21,211,445.43**	**20,376,460.56**

13. LIABILITIES

	31 Dec 2019	31 Dec 2018
CURRENT LIABILITIES		
Loans from financial institutions	7,365,225.86	6,552,747.31
Total	**7,365,225.86**	**6,552,747.31**

On December 31, 2019, the Group did not meet the interest-bearing debt/EBITDA covenant. Providers of the financing gave a waiver to Nixu from the compliance with that covenant, and the bank loans did not mature. The noncurrent portion of the bank loans, amounting to EUR 5,533 thousand, will be classified under current liabilities because the exemptions granted to covenants do not extend beyond at least 12 months from the end of the financial year.

Other liabilities		
Purchase price liability from acquisition	1,499,797.98	1,640,974.76
Total	**1,499,797.98**	**1,640,974.76**

Material items included in accrued expenses		
Annual leave pay, including statutory social security contributions	2,414,475.75	2,131,914.37
Accrued payroll	77,872.00	417,824.41
Other accruals and deferred income	2,509,301.84	1,527,757.00
Total	**5,001,649.59**	**4,077,495.78**

14. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	31 Dec 2019	31 Dec 2018
Leasing liabilities		
Amounts payable for leasing contracts		
Maturing within the next 12 months	420,075.85	339,260.45
Maturing in more than 12 months	442,521.87	416,473.05
Total	**862,597.72**	**755,733.50**

Other commitments		
Rent liabilities	2,631,885.71	1,093,148.10
Mortgages	18,118,644.29	10,118,644.29
Deposits and pledged funds	208,113.75	147,466.94
Total	**20,958,643.75**	**11,359,259.33**

Business mortgages of Nixu Oyj and shares of Nixu Ab (2 500 pcs) and Ezenta A/S (100 pcs) were used as collateral for Nixu Corporation’s 5,4 MEUR financial institution loan and 1,5 MEUR 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	Finland	100%
Nixu B.V.	Netherlands	100%
Nixu AB	Sweden	100%
Nixu Inc.	United States	100%
Ezenta A/S	Denmark	100%

Signatures to the financial statements and annual report

THE BOARD OF DIRECTORS AND CEO

In Espoo 12th of February 2020

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

Teemu Tunkelo
Member of the Board

Anders Silwer
Member of the Board

Petri Kairinen
CEO

AUDITOR'S NOTE

Our auditors' report has been issued today.

In Espoo 13th of February 2020

PricewaterhouseCoopers Oy

Authorized Public Accountants

Heikki Lassila
Authorised Public Accountant (KHT)

Auditor's Report

To the Annual General Meeting of Nixu Oyj

To the Annual General Meeting of Nixu Oyj

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows 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 year ended 31 December 2019. The financial statements comprise:

- the consolidated balance sheet, income statement, 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, statement of cash flows 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 the 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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.4 to the Financial Statements.

Our Audit Approach

Overview

- Overall group materiality: € 358,000, which represents 0.7% of consolidated revenue
- Audit scope: We have audited companies in Finland, in Sweden and in Denmark, which comprise great majority of group´s profit and loss statement and balance sheet. In addition, we have performed group level procedures over specific consolidated accounts and analytical procedures to assess unusual movements across all entities.
- Revenue recognition
- Valuation of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality
358,000 €

How we determined it
0.7% of revenue

Rationale for the materiality benchmark applied
The groups profitability has been volatile during the last years due to internationalisation, development of new services, business combinations related integration costs and amortisation. We chose revenue as the benchmark for calculating materiality because it is commonly used by readers of the financial statements when evaluating the performance of the group. In addition, revenue is a widely accepted benchmark. We chose 0.7% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Group operates globally through several legal entities. Group's sales are mainly generated by the Finnish, Swedish and Danish companies and we have audited the Finnish, Swedish and Danish companies as part of our audit of the consolidated financial statements. We have considered that the remaining subsidiaries do not present a risk of material misstatement for consolidated financial statements and thus our procedures have been limited to targeted audit procedures over significant balances and analytical procedures performed at Group level.

By performing the procedures above at legal entities, combined with additional procedures at the Group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group

Revenue recognition

Revenue recognition

Refer to note 2.1 to the consolidated financial statements for the related disclosures.

The Group's revenue consists of sale of projects and assignments, managed services, continuous services and technology resale. Revenue from projects and assignments is recognised over time in the accounting period in which the services are rendered. Revenue from fixed-price projects is recognised 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. For managed and continuous services, revenue is recognised based on the amount Nixu is entitled to invoice on a monthly basis. Revenue from software licences is recognised at the point in time when the delivery of the software has occurred, the customer has obtained access to the software and is able to derive benefit from it. Due to materiality and judgment associated with the sales cut-off we have considered revenue recognition as key audit matter in the audit of the Group.

Valuation of goodwill

Refer to note 4.2 to the consolidated financial statements for the related disclosures.

In recent years the Group has expanded its activities through the acquisition of companies. As a result, the consolidated balance sheet includes a significant amount of goodwill. Goodwill is not amortised but is tested at least annually for impairment. Determining the cash flow forecasts underlying the impairment tests requires the management make judgments over certain key inputs, for example revenue growth rate and profitability, discount rate and long-term growth rate. Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment of goodwill is considered a key audit matter.

How our audit addressed the key audit matter

We evaluated the design and tested the operating effectiveness of certain key controls over revenue recognition.

We tested sample of revenue recognised during the year. We assessed appropriateness of the company's revenue recognition policy and tested a sample of revenue agreements to ensure revenue recognised was based on contractual terms and company's revenue recognition policy. We have also tested deferred revenue on a sample basis to assess appropriateness of revenue recognition.

In addition, we tested sample of fixed priced agreements.

Our audit procedures included, among others, assessing key inputs in the impairment calculations such as revenue growth, profitability and discount rate, by reference to the Board approved budgets, data external to the Group and our own views. We assessed the historical accuracy of forecasts prepared by management by comparing actual results for the year with the original forecasts. Furthermore, we considered the appropriateness of the Group's disclosures in respect of goodwill and impairment testing.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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 a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 5.7.1999. Our appointment represents a total period of uninterrupted engagement of 21 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

In our opinion

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

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

Helsinki 13 February 2020

PricewaterhouseCoopers Oy

Authorised Public Accountants

Heikki Lassila

Authorised Public Accountant (KHT)

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