



Financial Statements release

1.1.–31.12.2019 (IFRS)

Nixu Corporation
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On the path of strong growth

- Nixu continued its international expansion

Highlights for July–December 2019:

- Revenue: EUR 25,483 (20,660) thousand, change +23%. Organic growth: 1%. Managed continuous services grew by +71% representing 18% of revenue.
- EBITDA: EUR -929 (409) thousand, share of revenue: -4% (2%).
- The decline in EBITDA is explained by the increased loss in international operations.
- Adjusted EBITDA: EUR -529 (428) thousand, share of revenue: -2% (2%).
- EBIT: EUR -3,664 (-405) thousand, share of revenue: -14% (-2%).
- The weakening of the EBIT is explained by one-time impairment charges of EUR 1,627 thousand from goodwill and customer relationships.

Highlights for January–December 2019:

- Revenue: EUR 51,168 (40,127) thousand, change +27,5%. Organic growth: +12%. Managed continuous services grew by +90%.
- EBITDA: EUR 1,047 (-254) thousand, percentage of revenue 2% (-1%).
- Adjusted EBITDA: EUR 1,525 (120) thousand, percentage of revenue 3% (0%).
- The improvement in EBITDA was attributable to a change due to the adoption of IFRS 16 EUR 1,061 thousand.
- EBIT: EUR -2,628 (-1,451) thousand, percentage of revenue -5% (-4%). The weakening of the EBIT is explained by one-time impairment charges of EUR 1,627 thousand from goodwill and customer relationships.
- Nixu opened local operations in Denmark through the acquisition of Ezenta A/S, a company specializing in cybersecurity services. In addition, Nixu strengthened its market position in Sweden by acquiring the cybersecurity business of the security company Vesper Group.
- In connection with the strategy of being the best place to work, Nixu implemented matching share plan for employees and a share option scheme for key personnel.

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.

Key Figures

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Revenue	25,483	20,660	51,168	40,127
Profit/loss for the period	-4,006	-809	-3,518	-1,967
Earnings per share (EUR)	-0.54	-0.11	-0.48	-0.27
EBITDA	-929	409	1,047	-254
EBITDA, % of net sales	-3.6 %	2.0 %	2.0 %	-0.6 %
Adjusted EBITDA ¹	-529	428	1,525	120
Adjusted EBITDA, % of net sales ¹	-2.1 %	2.1 %	3.0 %	0.3 %
EBIT	-3,664	-405	-2,628	-1,451
EBIT, % of net sales	-14.4 %	-2.0 %	-5.1 %	-3.6 %
Adjusted EBIT ¹	-3,264	-387	-2,150	-1,077
Adjusted EBIT % ¹	-12.8 %	-1.9 %	-4.2 %	-2.7 %

¹ Extraordinary, non-recurring events that do not belong to normal business operations are handled as adjustment items. Such extraordinary items are, for example, non-recurring costs related to restructurings, acquisitions and listing that are included in other operating expenses. The non-recurring costs included in the operating profit of January-December 2019 were EUR 478 thousand (373). The non-recurring costs included in the operating profit of July-December 2019 were EUR 400 thousand (19).

EUR thousand	31-Dec-19	31-Dec-18
Equity ratio, %	37.3 %	50.5 %
Net interest-bearing debt	6,988	-2,112
Net gearing, %	45.4 %	-12.6 %

The figures presented in the financial statements release are audited.

Petri Kairinen, CEO of Nixu:

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

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

In terms of results, the year was mixed. The highly successful first half was followed by a challenging second half, during which we were forced to lower our growth forecast twice. Our growth remained lower than originally estimated due to a number of unrelated reasons. However, we believe that our long-term competitiveness has not suffered. In a services business such as Nixu's, lower than projected revenue is immediately reflected in profitability, as it is difficult to cut costs proportionally. In the second half, our EBITDA was extremely weak. However, we have taken a number of corrective measures, and I trust that we have a good possibility that our EBITDA will again be positive in the first half of 2020 despite the continuing investments in international growth.

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

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

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



Growth Strategy

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

The growth strategy is based on five development areas. By focusing its development efforts in the strategic themes, Nixu intends to achieve its vision and be the best workplace for cybersecurity professionals and the number one choice as a trusted cybersecurity partner of digital business for companies headquartered in Northern Europe.

1. Cybersecurity talent community

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

2. Cybersecurity partner for digitalization

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

3. Data-driven services on global platforms

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

4. Expanding market presence

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

5. Profitable, scalable growth

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

Growth ambition 2020–2024

In August 2019, the company announced its growth ambition for years 2020 to 2024. It does not, however, replace the company's financial guidance on an annual basis but illustrates the ambition set by the company's management and Board of Directors.

<u>Indicator</u>	<u>Level</u>	<u>Time period</u>
Organic revenue growth	15–25% per year	2020–2024
Inorganic revenue growth	Approximately 10% per year	2020–2024
Revenue	EUR 100 million	2021
Number of employees	1000 people	2023
EBITDA	15% of revenue	2024
Managed continuous services	over 50% of revenue	2024
Market coverage in Northern Europe	Five markets with over EUR 25 million revenue	2024

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

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

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

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

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

Revenue and Result for July–December 2019

Nixu Group's revenue stood at EUR 25,483 (20,660) thousand. Revenue was 23% higher than a year ago. 1% of the Group's revenue growth came from organic growth and the rest from acquisitions. The weakness of the organic growth was mainly due to weaker development of international sales.

Development of revenue broken by the type of service was:

- Projects and assignments accounted for 50% (57%) of the revenue, showing growth of 7% during the review period.
- All continuous services accounted for 37% (40%) of the revenue and compared to the previous year, the revenue grew by 13%. All continuous services include:
 - Managed services, which accounted for 18% (13%) of the revenue. Thanks to the success of Nixu Cyber Defense Center, managed services were one of the fastest growing areas with their growth figure of 71%.
 - Continuous services accounted for a 18% (27%) share of the revenue Change -16% to previous year.
- Technology resale accounted for 14% (3%) of the revenue. Due to the acquisition of Ezenta A/S, the share of technology resale of the revenue grew significantly.
- Nixu's EBITDA was EUR -929 (409) thousand. EBITDA decreased by approximately EUR 1,388 thousand in the comparison period due to increased international operations losses, which were EUR 1,454 thousand higher than in the comparison period.
- EBITDA adjusted with non-recurring costs was EUR -529 (428) thousand. The adjustment items of EUR 400 (19) thousand related to the restructuring costs of customer support service operations in the Netherlands. The adjustment items in the comparison period consisted of the costs of the transition to the Official List of Nasdaq Helsinki.
- Nixu's EBIT was EUR -3,664 (-405) thousand. In addition to the above, EBIT was affected by impairment charges and depreciations totaling EUR 2,735 (814) 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.

Revenue and Result for January–December 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 decreased 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 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 EUR 7,257 thousand. Impact of the IFRS 16 was EUR 2,774 thousand.

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

The net cash flow of operating activities June–December, 2019 was EUR 478 (-514) thousand.

On December 31, 2019, the Group did not meet the interest-bearing debt/EBITDA covenant relating to the loans. 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. The next covenant review date is June 30, 2020. At present, as at June 30, 2020, the Group does not meet the covenants relating to the loans. 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.

Personnel, Leadership and Management

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.

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 (as of 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, Finland 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.

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%

Annual General Meeting 2019

Nixu Corporation's Annual General Meeting was held in Espoo on April 25, 2019.

The General Meeting adopted the Annual Accounts and the Consolidated Annual Accounts and granted discharge from liability to the members of the Board of Directors, the CEO and the deputy CEO for the accounting period 1 January–31 December 2018.

The following ordinary members of the Board of Directors were elected: Kati Hagros, Juhani Kaskeala, Marko Kauppi, Kimmo Rasila, Tuija Soanjärvi, Teemu Tunkelo, and a new ordinary member, Anders Silwer.

The General Meeting resolved on the remuneration of the members of the Board of Directors as follows: The Chairman of the Board of Directors: EUR 3,200 per month, the Deputy Chairman: EUR 2,400 per month, and other Members of the Board: EUR 1,600 per month. For the work of the Audit Committee, the Chairman of the Committee will be paid an annual remuneration of EUR 2,000 and each Member shall be paid an annual remuneration of EUR 1,000. In addition, travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the company's travel policy.

PricewaterhouseCoopers Oy was re-elected as the audit firm of the company and Mr. Heikki Lassila, Authorized Public Accountant, will act as the Auditor in Charge.

It was resolved that the profit from the financial year would be transferred to the retained earnings account and that no dividend is paid on the basis of the balance sheet adopted for the financial year 1 January–31 December 2018.

The General Meeting resolved that the Board of Directors are authorized to resolve on the acquisition of the company's own shares. Up to 711,714 shares can be acquired using funds belonging to the unrestricted equity of the company. The authorization remains in force until the next AGM, however, up to June 30, 2020.

The Board of Directors are 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 up to 1,448,240 shares either against payment or without consideration. The authorization remains in force until the next AGM, however, up to June 30, 2020.

The resolutions of the AGM can be found on the company's website <https://www.nixu.com/investors/general-meeting>.

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 and each share entitles the holder to equal rights.

Nixu's shares are listed on the Official List of Nasdaq Helsinki Stock Exchange, under trading symbol NIXU.

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.

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.

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.

Risks and Uncertainties

Nixu identifies and manages risks, as a part of its normal business activities. The identified risks in Nixu's risk management have been described below, which, if realized, could have a great impact on the company's result. The risks are in accordance with the situation at the time of writing this report.

- The majority of the Nixu revenue is comprised of time its personnel invoiced for client projects and services. The inefficient allocation of work of personnel could lead to diminished margins in consultancy commerce. If the company cannot adapt to a fluctuation in client requests as well as efficient allocation of personnel, it may have immediate effects on the company's ability to create 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. Malfunctions in them may lead to the company not being able to produce its services as agreed.
- Nixu handles customer information in its operations. A breach to Nixu's systems could cause significant direct or indirect damage to company's operations.

- In their activities, Nixu processes personal client data. In addition, the company is the register keeper of the personal information of its own personnel. The General Data Protection Regulation (GDPR) of the EU, which took effect in 2018, imposes significant liability on the data processor and register keeper. Eventual shortcomings in following the legislation in question, if realized, may result in substantial direct and indirect adverse consequences to 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 constant services, which may accrue costs to Nixu. In its activities, additionally, the company has a usual risk of ending up in conflicts with its clients which pertain to the contents of agreements.
- Even though Nixu's strategy relies mainly on organic growth, the company is also constantly searching for growth opportunities from acquisitions. Failure of Nixu's potential acquisitions or integration difficulties may have a material adverse effect. Potential acquisitions can also present unexpected risks and latent responsibilities for which the company cannot prepare beforehand.
- Nixu's business requires great trust from its clients. Information security attacks are aimed at our clients' systems and potential problems in Nixu's services may result in substantial direct and indirect adverse consequences to Nixu.
- The financing agreements of the company include conventional covenant conditions, which, if breached, may complicate the company's financial position, especially in situations in which creditor would not consent to the renegotiation of said conditions, or providing their consent for the breaching of the covenant conditions.
- Fluctuations in demand, problems with controlling the business as well as changes in the financing market and in the national economy as well as risks of global trade and currency wars may lead to a decrease in demand and consequently to problems in financing day-to-day activities. Threat of currency war may also increase Nixu's currency risk.
- Nixu operates in a highly competitive market. If competition increases, Nixu may lose portions of its market share

and see a decrease in its margins. Losing any of the top ten customers in a short period of time can also affect a company's profitability.

- As part of its growth 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 consultation business. Implementing these changes can be challenging, potentially causing substantial direct and indirect adverse consequences for Nixu. In the current labor market situation, there is a strong demand for skilled cybersecurity professionals, which can lead to slower recruitment and higher wage costs.

Events After the Review Period

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

Financial reporting in 2020

The planned date for the Annual General Meeting is Tuesday, April 7, 2020.

Nixu will publish its half-year financial report for January–June 2020 on Thursday, August 13, 2020 in accordance with its disclosure policy. In addition to the half-year financial report and financial statements, Nixu will publish revenue information from the first and third quarters, as well as the CEO's overview and revenue information. The Q1/2020 CEO's overview and revenue information will be published on April 16, 2020, and Q3/2020 will be published on October 13, 2020.

Nixu will organize a revenue briefing for analysts, investors and media representatives on February 13, 2020 at 9:30 AM EEST at Scandic Simonkenttä, address: Simonkatu 9, Helsinki, Finland.

The event can also be watched as a live webcast at <https://nixu.videosync.fi/2019-q4-results>.

Espoo, February 12, 2020

Nixu Corporation

The Board of Directors

Consolidated statement of comprehensive income

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Revenue	25,483	20,660	51,168	40,127
Other operating income	156	199	385	345
Materials and services	-5,971	-2,413	-10,026	-4,304
Employee benefit expenses	-15,515	-13,710	-31,322	-27,115
Other operating expenses	-5,082	-4,327	-9,159	-9,306
Depreciation and amortization	-1,109	-442	-2,048	-825
Impairment charges	-1,627	-372	-1,627	-372
Operating result	-3,664	-405	-2,628	-1,451
Finance income	4	1	4	26
Finance expenses	-238	-210	-505	-463
Interest expenses on lease payments	-60	-19	-114	-32
Finance income and expenses, net	-294	-228	-616	-469
Result before taxes	-3,958	-634	-3,244	-1,920
Income tax expense	-47	-176	-274	-47
Result for the period	-4,006	-809	-3,518	-1,967
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Translation differences	45	124	-146	-278
Other comprehensive income for the period, net of tax	45	124	-146	-278
Total comprehensive income for the period	-3,961	-685	-3,663	-2,245
Result for the period attributable to:				
Owners of the parent	-4,006	-809	-3,518	-1,967
Result for the period	-4,006	-809	-3,518	-1,967
Total comprehensive income for the period attributable to:				
Owners of the parent	-3,961	-685	-3,663	-2,245
Total comprehensive income	-3,961	-685	-3,663	-2,245
Earnings per share for profit attributable to the owners of the parent during the year				
Basic and diluted earnings per share, EUR	-0.54	-0.11	-0.48	-0.27

Consolidated Statement of Financial Position

EUR thousand	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Goodwill	13,919	9,556
Other intangible assets	2,938	1,570
Tangible assets	520	388
Right-of-use assets	3,407	634
Other receivables	253	0
Deferred tax assets	0	4
Total non-current assets	21,037	12,152
Current assets		
Inventories	4	0
Trade receivables and other receivables	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	15,385	16,820
Liabilities		
Non-current liabilities		
Borrowings	0	1
Lease liabilities	2,117	381
Deferred tax liabilities	332	132
Other non-current liabilities	98	2
Total non-current liabilities	2,548	516
Current liabilities		
Borrowings	7,338	6,526
Lease liabilities	1,455	266
Trade payables and other payables	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	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Cash flows from operating activities				
Result for the period	-4,006	-809	-3,518	-1,967
Adjustments for:				
Depreciation and amortization	2,735	815	3,675	1,197
Other non-cash adjustments	402	25	410	42
Finance income and expenses, net	294	228	616	469
Income tax expense	47	176	274	47
Changes in working capital				
Change in trade receivables and other receivables	-1,487	-887	-2,347	62
Change in inventories	-1		-1	
Change in trade payables and other payables	2,574	184	2,690	142
Interests paid	-170	-130	-381	-314
Other finance income and expenses, net	-14	-9	-28	-9
Income taxes paid	101	-107	-158	-328
Net cash flows generated from operating activities	478	-514	1,233	-659
Cash flows from investing activities				
Purchases of tangible assets	-168	-47	-324	-84
Purchases of intangible assets	-64	45	-128	-96
Payments for business acquisitions, net of cash acquired	2	-168	-6,602	-168
Loans granted	0	0	-542	0
Proceeds from loans receivable	178	0	178	0
Net cash from investing activities	-51	-169	-7,418	-348
Cash flows from financing activities				
Proceeds from issues of shares and other equity securities	0	26	1,111	97
Proceeds from borrowings	0	0	2,481	0
Repayments of borrowings	-1,021	-767	-1,630	-1,385
Purchase of own shares	0	0	0	-4
Lease liability repayments	-635	-160	-1,131	-278
Net cash from financing activities	-1,656	-901	831	-1,570
Net decrease(-)/increase in cash and cash equivalents	-1,229	-1,585	-5,354	-2,577
Cash and cash equivalents at the beginning of the period	5,135	10,863	9,286	11,864
Exchange gains/losses (-) on cash and cash equivalents	17	7	-9	-1
Cash and cash equivalents at the end of period	3,923	9,286	3,923	9,286

Consolidated statement of changes in equity

	Attributable to owners of the parent				Total	Total equity
	Share capital	Invested unrestricted equity reserve	Cumulative translation difference	Retained earnings		
EUR thousand						
Equity at 1 Jan 2018	95	17,125	-163	1,844	18,901	18,901
Impact of adoption of IFRS 9				-5	-5	-5
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		160			160	160
Share based payments to employees				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		900			900	900
Share issue related to 2019 share-based compensation		1,128			1,128	1,128
Share based payments to employees				200	200	200
Total transactions with owners:	0	2,029	0	200	2,229	2,229
Equity at 31 Dec 2019	95	19,314	-587	-3,436	15,385	15,385

1 Notes to the balance sheet

About this Review

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”). 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.

The notes to the balance sheet have been segmented as follows

- Result for the period
- People
- Acquisitions and group structure
- Interest-bearing Net Debt and Equity
- Other relevant notes

1.1 Basis of preparation

This Financial Statements Review has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Nixu has applied the same accounting principles in the preparation of the Financial Statements Review as in the Financial Statements for 2019. Accounting policies comply with IFRS standards effective from January 1, 2019.

The Financial Statements Review does not, however, contain all information and the addendum information which is presented in the consolidated financial statement. Nixu’s Board of Directors has approved this Financial Statements Review in their meeting on February 12, 2020.

Nixu adopted IFRS 16 on January 1, 2019, applying a simplified approach and therefore the comparative information will not be restated.

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

1.2 Key accounting estimates

When preparing this Financial Statements Review, management is required to make judgments, estimates and presumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2 Result for the period

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

- Revenue
- Earnings per share

2.1 Revenue and Segments

The group’s proceeds from service sales accrue over time, whereas licenses fall due at specific times. These proceeds are broken down based on primary service areas and geographical areas:

The projects and assignments area includes one-off assignments. The extent and duration of these assignments range from individual inspection and consultation assignments to extensive project deliveries.

All continuous services include:

Managed services – Nixu CDC services and, for example, a range of continuous user management services where Nixu manages the technology delivered to a client and takes a continuous operational role in supporting the client’s functions. Managed information security services also include licenses sold for them, whether included in the price of the service or sold separately.

Continuous services – continuous services other than managed services, including continuous user management services. The difference between these services and other assignments is that continuous services are based on contracts of indefinite duration or those that are, in practice, extended automatically.

Technology Resale Area includes third party software and technology service licenses and technology resale usually in connection with other services. Proceeds from licenses also include proceeds from maintenance services. Licenses for managed information security services are not included in the license revenue.

Revenue Breakdown by Service Area

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Service type:				
Projects and assignments	12,674	11,795	27,706	23,460
Total continuous services	9,312	8,262	18,172	15,560
Managed services	4,666	2,721	8,485	4,459
Continuous services	4,647	5,541	9,688	11,102
Technology resell	3,497	603	5,290	1,107
Total	25,483	20,660	51,168	40,127

Revenue by geographical area:

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Finland	14,824	13,516	31,586	25,492
Sweden	4,299	4,048	8,830	8,100
Denmark	3,823	317	5,455	720
The Netherlands	1,001	1,092	1,623	2,031
Belgium	365	0	928	17
United Kingdom	298	418	1,007	1,133
Other	873	1,269	1,739	2,634
Total	25,483	20,660	51,168	40,127

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

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

2.2 Earnings per share

	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Result for the period attributable to the owners of the parent	-4,005,723	-809,330	-3,517,694	-1,966,985
Weighted average number of shares, undiluted	7,412,814	7,217,054	7,349,525	7,208,401
Earnings per share, basic (EUR)	-0.54	-0.11	-0.48	-0.27
Impact of shares related to share based incentive plan	45,223	11,739	25,851	20,562
Weighted average number of shares, fully diluted	7,458,037	7,228,793	7,375,375	7,228,964
Earnings per share, diluted (EUR)	-0.54	-0.11	-0.48	-0.27

The company has dilutive potential ordinary shares with respect to its share-based incentive plan, which is described in further detail in the Share-based incentive plan, below.

3 Personnel

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

- Employee benefits
- Share-based payments

3.1 Employee Benefits

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

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Wages and salaries	12,354	10,939	25,402	21,890
Social security expenses	1,079	1,029	2,116	2,012
Share-based payments	180	2	200	9
Pension expenses – defined contribution plans	1,902	1,739	3,603	3,204
Total	15,515	13,710	31,322	27,115

3.2 Share-Based Payments

The 2019 share-based incentive scheme

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.

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.

4 Acquisitions and intangible assets

This section presents details concerning Nixu's group structure, acquisitions made during the year, assets acquired and liabilities assumed as well as goodwill and other intangible assets recorded upon acquisition.

- Acquisitions
- Intangible assets

4.1 Acquisitions

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

Ezentia A/S

Nixu acquired the entire share capital of Danish Ezentia A/S in the beginning of April 2019. Ezentia is headquartered in Copenhagen. Ezentia specializes in continuous technology-based services and reselling of cybersecurity technologies. As a MDR (Managed Detection and Response) operator listed by research firm Gartner, Ezentia'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. 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	Ezentia A/S	Vesper
Purchase 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	-
Deferred tax asset	76	-
Inventories	3	-
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 recognized 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	Vesper and Ezentia
Year	2019
Revenue	6,307
Net profit	-317

Had the acquisitions of Ezentia 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 following table shows the net cash flow from acquisitions:

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 and Goodwill

The company's intangible assets include goodwill, client accounts and other intangible assets, such as software licenses.

EUR thousand	31-Dec-19	31-Dec-18
Net book amount at 1 January	11,126	12,080
Acquisition of subsidiaries	8,001	0
Additions	0	0
Disposals	0	0
Exchange differences	-139	-261
Amortization	-503	-320
Impairment charges	-1,627	-372
Net book amount at 31 December	16,858	11,126

On December 31, 2019, the amount of goodwill was EUR 13,919 thousand (9,556), the amount of customer relationships EUR 2,842 thousand (1,345) and the amount of other intangible assets EUR 96 thousand (225). Based on impairment tests, a write-off of EUR 627 thousand was made on the valuation of the Nixu B.V. and Ezenta A/S customer base.

Sweden's goodwill was written down by EUR 1,000 thousand.

5 Interest-bearing Net Debt and Equity

This chapter presents details concerning the Group's net interest-bearing debt and shareholders' equity:

- Interest-bearing Net Debt and Derivative Financial Instruments
- Shareholders' equity

5.1 Interest-bearing Net Debt and Derivative Financial Instruments

The table below presents the calculation of the Group's interest-bearing net debt:

EUR thousand	31-Dec-19	31-Dec-18
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 loans	8,794	6,792
Total loans	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):

Note	Drawn down	Ending date	Interest rate%	Loan amortization	31 Dec 2019	31 Dec 2018
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-year	2,188	-
Loan 5	2016	5/30/22	3.8%+3.8%	bullet	1,905	1,835
Loan 6	2017	9/30/20	0.00%	quarterly	95	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 3.80% 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 debt/EBITDA maximum 3,3x. The key figure 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.

Derivative Financial Instruments

At the closing of accounts, on December 31, 2019, the Group held two interest swap contracts (two interest swap contracts). On June 31, 2019, the fair value of the derivatives was negative EUR 39 (41) thousand. 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.

5.2 Equity

Share issues

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.

Payments of dividends

No dividends have been paid in the 2019 financial period (2018: 0).

6 Other relevant notes

6.1 Related Party Transactions

The following transactions were carried out with related parties:

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Purchases of services	1	0	3	3

Purchases of services

EUR thousand	31-Dec-19	31-Dec-18
Loan receivables from Leadership Team	30	0

The loans receivable are associated with the company's share-based incentive scheme

6.2 Contingencies and Commitments

EUR thousand	31-Dec-19	31-Dec-18
Mortgages given on own behalf:		
Business mortgages	10,118	10,118
Loan amount	7,338	6,526

Other commitments

EUR thousand	31-Dec-19	31-Dec-18
Rental deposits	269	164

6.3 Events after the Balance Sheet Date

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

6.4 Corrected financial information in 2019, attributable to the new IFRS 16 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%.

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
<u>Operating lease commitments at 31 December 2018 (excl. VAT)</u>	<u>2,205</u>
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
	<u>2,542</u>
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 :

Addendum 1

– The Corporation's key figures

In this release, Nixu presents certain indicators associated with the company's financial standing and result for the accounting period. Not all of the indicators are key figures pursuant to IFRS standards and, therefore, should be considered alternative indicators.

Nixu presents EBITDA, adjusted EBITDA, EBIT, adjusted EBIT, equity ratio, net interestbearing debt, net gearing, EBITDA and EBIT adjusted for non-recurring items as well as EBIT and EBITDA margin adjusted for non-recurring items as alternative indicators and additional information for the key figures that are presented herein in accordance with IFRS standards. It is the Management Team's opinion that these indicators provide significant additional information on the company's statement of comprehensive income and balance sheet. The indicators are widely used by analysts, investors and other parties, and provide additional information for analyzing the result of Nixu's operations and capital structure.

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

Key figures (IFRS)

EUR thousand	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Revenue	25,483	20,660	51,168	40,127
Profit/loss for the period	-4,006	-809	-3,518	-1,967
Earnings per share (EUR)	-0.54	-0.11	-0.48	-0.27
EBITDA	-929	409	1,047	-254
EBITDA, % of net sales	-3.6 %	2.0 %	2.0 %	-0.6 %
Adjusted EBITDA ¹	-529	428	1,525	120
Adjusted EBITDA, % of net sales ¹	-2.1 %	2.1 %	3.0 %	0.3 %
EBIT	-3,664	-405	-2,628	-1,451
EBIT, % of net sales	-14.4 %	-2.0 %	-5.1 %	-3.6 %
Adjusted EBIT ¹	-3,264	-387	-2,150	-1,077
Adjusted EBIT % ¹	-12.8 %	-1.9 %	-4.2 %	-2.7 %

¹ Extraordinary, non-recurring events that do not belong to normal business operations are handled as adjustment items. Such extraordinary items are, for example, non-recurring costs related to restructurings, acquisitions and listing that are included in other operating expenses. The non-recurring costs included in the operating profit of January–December 2019 were EUR 478 thousand (373). The non-recurring costs included in the operating profit of July–December 2019 were EUR 400 thousand (19).

EUR thousand	31-Dec-19	31-Dec-18
Equity ratio, %	37.3 %	50.5 %
Net interest-bearing debt	6,988	-2,112
Net gearing, %	45.4 %	-12.6 %

Reconciliation of Alternative Key Figures

	1 July – 31 Dec 2019	1 July – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Operating result	-3,664	-405	-2,628	-1,451
+Depreciation and amortization	2,735	814	3,675	1,197
=EBITDA	-929	409	1,047	-254
EBITDA	-929	409	1,047	-254
+ Costs related to listing and business	400	19	0	373
=Adjusted EBITDA	-529	428	1,047	120
Operating result	-3,664	-405	-2,628	-1,451
+ Costs related to listing and business combinations	400	19	0	373
=Adjusted operating result	-3,264	-387	-2,628	-1,077

Formulas for Calculating Key

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

Adjusted EBITDA is calculated by adding adjustment items to EBITDA.

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

Adjusted EBIT is calculated by adding adjustment items to EBIT.

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

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

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

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

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

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Nixu in Brief:

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

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