

# Half-Year Financial Report 2020

For January 1 – June 30, 2020 (IFRS)

## Growth of +14% during challenging times

### Highlights for January–June 2020

- Revenue: EUR 29,218 thousand (25,685), change +14%.  
Organic growth: +5%. Managed continuous services grew by +37% representing 18% of revenue.
- EBITDA: EUR 147 thousand (1,975), share of revenue: 1% (8%).
- Adjusted EBITDA: EUR 999 thousand (2,054), share of revenue: 3% (8%).
- EBIT: EUR -978 thousand (1,036), share of revenue: -3% (4%).
- Nixu initiated reorganization of its operations and a cost reduction program across Nixu Corporation to prepare for the impact of COVID-19 pandemic.
- Nixu signed a new credit facility of EUR 4 million for the next two years. The credit facility was not in use during the review period.

### Financial Guidance for 2020

On April 23, 2020, Nixu announced that it withdrew its financial guidance for 2020 for the time being due to the global COVID-19 pandemic. Forecasting the business remains very challenging in this situation. The financial guidance will be issued when the company is in a better position to assess the extent of the coronavirus pandemic's impact on its business.

# Key Figures

EUR thousand	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Revenue	29,218	25,685	51,168
Profit/loss for the period	-1,370	488	-3,518
Earnings per share (EUR)	-0.18	0.07	-0.48
EBITDA	147	1,975	1,047
EBITDA, % of net sales	0.5 %	7.7 %	2.0 %
Adjusted EBITDA <sup>1</sup>	999	2,054	1,525
Adjusted EBITDA, % of net sales <sup>1</sup>	3.4 %	8.0 %	3.0 %
EBIT	-978	1,036	-2,628
EBIT, % of net sales	-3.3 %	4.0 %	-5.1 %
Adjusted EBIT <sup>1</sup>	-126	1,115	-2,150
Adjusted EBIT % <sup>1</sup>	-0.4 %	4.3 %	-4.2 %

<sup>1</sup>Adjustment items are material items outside the ordinary course of business, which costs related to reorganization and business combinations. January-June 2020 EBITDA included the non-recurring costs EUR 852 (78) thousand.

EUR thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity ratio, %	33.9 %	43.0 %	37.3 %
Net interest-bearing debt	2,538	8,223	6,988
Net gearing, %	17.9 %	42.9 %	45.4 %

## Reconciliation of alternative performance measures

	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Operating result	-978	1,036	-2,628
+ Depreciation	1,125	939	3,675
=EBITDA	147	1,975	1,047
EBITDA	147	1,975	1,047
+Costs related to reorganization and business combinations	852	78	478
=Adjusted EBITDA	999	2,054	1,525
Operating result	-978	1,036	-2,628
+Costs related to reorganization and business combinations	852	78	478
=Adjusted operating result	-126	1,115	-2,150

The figures presented in the half-year financial report have not been audited.

# Petri Kairinen, CEO of Nixu:

This past spring demonstrated the possibilities of digitalization and, in particular, the crucial role digital services play in modern society. As the COVID-19 pandemic spread and various lockdown measures were put into place, remote work and online services often became the only avenues for people to handle their work and daily affairs. In this type of situation, it is absolutely vital for service providers to ensure the availability of their services. In terms of cybersecurity, our Nixuans supported our clients in this task, in line with our mission to keep the digital society running. We were successful in ensuring the availability of our services and handling our daily operations remotely, and this is set to continue for the foreseeable future.

Our clients reacted to the pandemic in many ways. Some of our clients increased their purchases and accelerated their projects, while others decided to hold back on their purchases and cancel their projects. In my opinion, when we assess what we have achieved during this situation, our current financial result is satisfactory. Our revenue grew by 14% and EBITDA was positive despite non-recurring items caused by the cost reduction program. After the onset of the pandemic, our main objectives were to ensure the continuity of our business and adequacy of our financial situation. In terms of cash management, we were successfully able to improve our financial position to an excellent degree. This was achieved by various means, for example with a new, 4-million-euro credit facility, which we did not need to take into use.

In May, we launched a cost reduction program that resulted in the termination of the employment of some Nixu employees, in addition to which several other employees were temporarily laid off or went on extended vacation as our client work situation continued to fluctuate. The main objective of the cost reduction program was to secure our profitability in the fall, as we cannot make any iron-clad predictions while the pandemic is gaining new ground in Nixu's market areas and around the world in general. I believe that we are now well-prepared for the fall and the uncertainty that this period may bring. I also believe that we are in a good position to serve our clients and their ever-increasing need for cybersecurity.

COVID-19 differs from other recessions in that our clients are still, for the most part, continuing their digitalization projects, even if they might be shortsightedly cutting back on their cybersecurity spend. I believe that this debt will need to be paid back at some point in the future, and this will be reflected in the growing need for cybersecurity services. In addition, several of our clients discovered new needs that are related to the pandemic, and we tailored a new set of solutions to these during the spring. We were also able to attract a commendable number of new orders.

From the perspective of Nixu's international operations, as our clients continue to operate remotely and become more used to virtual customer service, this also provides us with an excellent opportunity to intensify the cooperation between our different international markets. This will allow us to utilize the competitive advantage that a large and holistic selection of services can provide even in those markets where Nixu is not yet the largest cybersecurity provider locally.

Based on the actions that we have taken, I can look forward to the future with confidence. I would also like to thank Nixu's employees for understanding the seriousness of this current situation and the actions we have taken, and for their resilience in these exceptional times where we must all strive together remotely.

# Market Overview

According to forecasts by various central banks, the COVID-19 pandemic will reduce economic activity in 2020. The economic impact is expected to continue until 2021. The impact of the pandemic on the market, in general, will be very significant.

The cybersecurity market was expected to grow at a rate of 9.1 % globally during 2020 according to research published by the market research firm Gartner prior to COVID-19. According to Gartner the overall growth will decline to 4.2 % in 2020, but resume faster growth rate in 2021.

According to Nixu's management, the growing need for digital solutions resulting from remote work recommendations and increased digital transactions caused by the pandemic will create new and increased demand for cybersecurity. Nixu expects the 2020 market growth to be lower as predicted by the Gartner analysis, but the longer-term growth to increase due to the pandemic-forced faster adoption of digital ways of working.

## Growth Strategy

Nixu's growth strategy focuses particularly on cybersecurity services for digital business transformation. Developing and delivering cybersecurity services that enable clients to utilize the opportunities provided by the Industrial IoT and digital identities will be a key priority for Nixu.

In August 2019, the company announced its growth ambition for the period of 2020–2024 according to which, Nixu will seek strong growth in Northern Europe and expand its range of managed cybersecurity services, as well as its position as a trusted cybersecurity go-to partner for large enterprises. In the long term, neither the previously published strategy nor the growth ambition of Nixu Corporation have changed due to COVID-19. However, in the short term Nixu will not seek to grow according to its growth ambition. Instead, Nixu will secure the profitability and efficiency of its operations to be able to continue the implementation of its growth ambition in the emerging market.

## Revenue and Result for January–June 2020

For January–June, Nixu Group's revenue stood at EUR 29,218 thousand (25,685). Compared to the same period in the previous year, revenue increased by 14% (32%). Organic growth accounted for 5% of the Group's revenue growth, while the rest was attributable to acquisitions. The most significant factors contributing to the Group's increased revenue included strong growth in managed services as well as significant growth in cybersecurity technology resale as a result of previous acquisitions.

The impact of the COVID-19 pandemic was mainly reflected in project and assignment services as postponed and cancelled projects. In continuous services, the effects were limited to changes in the scope of services.

Development of revenue broken by the type of service:

- Projects and assignments accounted for 48% (59%) of the revenue, change of -7% from the corresponding period in the previous year.
- All continuous services accounted for 34% (34%) of the revenue and grew by 14%. compared to the corresponding period of the previous year. All continuous services include:
  - Managed services, which accounted for 18% (15%) of the revenue, showing growth of 37% from the corresponding period in the previous year.

- Continuous services accounted for a 17% (20%) share of the revenue. Change -4% from the corresponding period in the previous year.
- Technology resale accounted for 18% (7%) of the revenue showing growth of 189% from the corresponding period in the previous year. The increase was due to the acquisition of the Danish subsidiary (Ezenta A / S) during the comparison period. As a result, technology resale increased strongly.

Other operating income amounted to EUR 296 thousand (229). Other operating income grew by 29% due to the NOW-benefit obtained in the Netherlands.

In January-June, Nixu's EBITDA was EUR 147 thousand (1,975). EBITDA was burdened by non-recurring expenses of EUR 852 thousand (78) related to personnel costs due to the reorganization. In the comparison period, the adjustments were related to acquisition costs. In January-June, EBITDA was generally burdened by increased personnel expenses relative to materialized revenue. In addition, the share of lower-margin solutions, especially technology resale, increased in the service type structure. In addition, EBITDA was weakened by the reduced result of international operations.

EBITDA adjusted with non-recurring costs was EUR 999 thousand (2,054).

Nixu's operating result (EBIT) was EUR -978 thousand (1,036). In addition to the above, EBIT was affected by depreciation totaling EUR 1,125 thousand (939).

Financial expenses amounted to EUR 289 thousand (267). Financial expenses increased by 8% compared to the previous year due to the additional loan taken out in May 2019 and the rise in interest rates.

The result for the accounting period was EUR -1 370 thousand (488).

In the review period, Nixu initiated restructuring and a cost reduction program across Nixu Corporation to prepare for the COVID-19 recession. As of July 2020, the program targeted a permanent cost reduction of EUR 200 thousand on a monthly level and an annual one-time cost savings of about EUR 1 million before restructuring costs during the full year 2020.

## Financing and Investments

On June 30, 2020, Nixu Group's balance sheet totaled EUR 41,827 thousand (44,530).

The company's cash in hand on June 30, 2020 was EUR 7,662 thousand (5,135). The significant improvement in cash in hand is attributable to the tax and pension contribution deferrals applied as a result of the COVID-19 pandemic. These deferred payments amounted to EUR 3,332 thousand. The company signed a new credit facility of EUR 4,000 thousand in addition to the previous EUR 1,500 thousand. The credit facility was not used during the review period.

Net liabilities on June 30, 2020 amounted to EUR 2,538 thousand (8,223). The improvement in net liabilities is explained by the above-mentioned deferred payments and the non-realization of the additional payment for business acquisitions reported during the comparison period. In addition, cash management was successful. Particular attention was paid to the effective recovery of trade receivables.

Net cash flow from operating activities was EUR 4,759 thousand (755), mainly due to the change in trade receivables and the increase in other non-interest-bearing liabilities, which was affected by the above-mentioned deferred payments.

# Personnel, Leadership and Management

The number of personnel at Nixu at the end of June 2020 was 399 (393), which represents an increase of 6 employees from the corresponding period in the previous year. The number of employees increased during the first quarter, but the group-wide reorganization and cost-saving program launched in May had an impact on the development of the company's headcount. During the review period, Nixu had offices in Finland, Sweden, the Netherlands, Denmark and Romania.

The review period proved to be exceptional for Nixu's personnel. Nixu's key asset is its personnel, which is why it was extremely important for the company to take care of the well-being and safety of its employees during the global pandemic. In accordance with the recommendations issued by various national authorities, all Nixu market areas and offices moved to remote working and implemented other necessary precautions. Nixu's employees were able to continue their work fairly normally via remote connection. During this period of remote work, Nixu supported the well-being of its personnel by arranging training sessions on ergonomics, equipment lending opportunities, management training sessions for team leaders, virtual coffee breaks and after-work events.

Nixu measures the job satisfaction of its employees with the quarterly Nixu Pulse survey. During this extraordinary period, Nixu wanted to assess in particular the impact that remote working has had on the well-being and job satisfaction of its personnel. The survey results indicated that, despite the uncertainty caused by the pandemic and reorganization, job satisfaction has remained at a good level. The open responses to the survey highlighted, among other things, the key aspects Nixu employees appreciated, such as Nixu's culture, colleagues and community, and the support for remote work during the pandemic.

During the review period, Nixu continued its determined work to strengthen its image as an employer and develop its collaborative initiatives with cybersecurity communities in various countries, such as Finland, Sweden and the Netherlands. The company organized and supported several events for cybersecurity communities, worked in close collaboration with educational institutions, and sought to promote cybersecurity at the societal level. For example, in Finland Nixu organized in collaboration with HelSec and Future Female the half-year Cybersecurity Essentials training program for people who are interested in the cybersecurity industry. The objective of the program is to train more professionals to the industry and support the diversity of the cybersecurity sector in particular. Once again, Nixu's long-term work with communities yielded results: in the Universum Finland survey, the students in the field ranked Nixu among Finland's 50 Most Attractive IT Employers.

## Key Figures for Personnel

	30 Jun 2020	30 Jun 2019	31 Dec 2019
On average during the accounting period	415	369	388
Wages and salaries during the accounting period (EUR 1 000)	15,071	13,048	25,402
Average length of employment (years)	4.1	4.0	4.5
Average age (years)	40.1	40.2	40.6
Permanent employees	99 %	95 %	96 %
Part-time employees	5 %	5 %	6 %
Women's share of the group's personnel	20 %	20 %	21 %

## Nixu Corporate Leadership Team

On June 30, 2020 Nixu Corporate Leadership Team included:

- Petri Kairinen (Chief Executive Officer)
- Janne Kärkkäinen (Chief Financial Officer)
- Kim Westerlund (Chief Development Officer)
- Katja Müller (Chief People Officer)
- Jesper Svegby (Chief Commercial Officer)
- Valtteri Peltomäki (Market Area Leader, Finland)
- Björn-Erik Karlsson (Market Area Leader, Sweden), member of the Corporate Leadership Team as of March 1, 2020
- Niels Kemal Onat served as Market Area Leader, Denmark and Corporate Leadership Team member during March 1–15, 2020. As of March 16, 2020 Errit Müller has held this position.
- Matthijs van der Wel (Market Area Leader, Benelux until June 30, 2020), member of the Corporate Leadership Team as of March 1, 2020
- Pietari Sarjakivi (Business Area Leader, Managed security services), member of the Corporate Leadership Team as of March 1, 2020

To support future profitable growth as an international company, Nixu widened its leadership team to include market area leaders of international markets and managed services business area leader as of March 1, 2020.

As a result of the reorganization, the role of the Nixu Benelux Market Area Leader ceased to exist on June 30, 2020.

## Annual General Meeting 2020

Nixu's Annual General Meeting (AGM) was held on April 7, 2020. 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 2019.

Nixu Corporation's Board of Directors were selected Kimmo Rasila (Chairman), Marko Kauppi (Deputy Chairman), Kati Hagros, Anders Silwer, Tuija Soanjärvi, and a new full member Jaya Baloo.

PricewaterhouseCoopers Oy was re-elected as the audit firm of the company. PricewaterhouseCoopers Oy has informed that Ms. Enel Sintonen, Authorized Public Accountant, will act as the Auditor in Charge.

The AGM resolved, in accordance with the proposal of the Board of Directors, that the loss from the financial year would be transferred to the retained earnings / loss account and that no dividend was paid for 2019.

The AGM approved all proposals made by the Board of Directors as described in the Notice to the AGM published on March 13, 2020. The resolutions of the AGM can be found in the Company's stock exchange release on April 7, 2020 and on the company's website <https://www.nixu.com/investors/AGM-2020>.

## Audit Committee

On April 30, 2020, Nixu Corporation's Board of Directors elected from among its members Tuija Soanjärvi as Chair and Marko Kauppi and Anders Silwer as members of the Audit Committee.

The role of the Audit Committee is, among other things, to monitor the company's financial reporting process and the effectiveness of internal control, internal audit and risk management systems.

## Personnel and Remuneration Committee

Nixu Corporation's Board of Directors established on April 30, 2020 the Personnel and Remuneration Committee, which assist the Board of Directors in particular handling and preparing personnel and remuneration matters. Nixu's Board of Directors elected from among its members Kati Hagros as Chair of the Personnel and Remuneration Committee, and Jaya Baloo and Kimmo Rasila as members.

## 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
Jan-Jun 2020	654,014	5,798,502	11.30	6.98	8.72	7.70

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Market capitalization (EUR)	57,078,667.80	84,473,731.65	77,834,547.00
Number of shareholders	3,598	3,052	3,475
Total number of shares	7,425,219	7,326,148	7,425,219
Number of the company's own shares held by the company	12,405	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.

There were no shares issued during the half-year period.

## Flagging Notifications

Nixu has not received any flagging notifications during the review period.

# Risks and Uncertainties

The risks and uncertainties are presented in more detail in connection with the consolidated financial statements for the financial year ended 31 December 2019 in the Board of Directors' report.

The COVID-19 pandemic contributed to an increase in the likelihood of several previously verified risks. Nixu has a large customer base, and for several client companies, COVID-19 posed significant business challenges that were also reflected in service purchases from Nixu. As the COVID-19 crisis continues, cost reduction programs of clients could have an unexpected impact on Nixu's business.

Employees' health and ability to work, and thus the continuity of operations and services, is the most significant COVID-19 specific risk for Nixu. The well-being of Nixu employees in a remote work environment is also a significant risk if the situation persists.

## Events After the Review Period

There were no major events after the review period.

## Accounting Principles for the Half-Year Report

This half-year report has been prepared in accordance with the *IAS 34 Interim Financial Reporting* standard. The accounting principles and calculation methods used in this half-year report are identical to those used in Nixu's annual financial statements, excepting those specified by new and revised standards that became effective on January 1, 2020.

Other amendments to IFRSs and their interpretations have no material impact on the Group.

The figures presented in this half-year report have not been audited. All figures are rounded off, which means that there may be discrepancies between the sum of constituent items and the totals shown.

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 interest-bearing debt, net gearing 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 way, and therefore Nixu's alternative performance measures may not be comparable with similarly named measures presented by other companies.

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

# Financial Reporting in 2020

Nixu revised its Disclosure Policy during the review period. The main changes, that came into force on June 1, 2020, relate to the silent period and English as an official language for communications. Previously, the silent period was twice a year before the publication of the Financial Statements and Half-Year Financial Report. Currently, the silent period begins at least 30 calendar days before the publication of full-year and half-year results as well as the quarterly (Q1 and Q3) revenue information. The company's investor communications languages are Finnish, and as of June 1, 2020, also English.

The Q3/2020 CEO's review and revenue information will be published on October 13, 2020.

Nixu will organize a revenue briefing for analysts, investors and the media on August 13, 2020 at 9:30 AM EEST as a webcast. The live webcast will be available at <https://nixu.videosync.fi/2020-q2-results>.

Espoo, August 12, 2020

Nixu Corporation  
The Board of Directors

# Consolidated Statement of Comprehensive Income

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
<b>Revenue</b>	<b>29,218</b>	<b>25,685</b>	<b>51,168</b>
Other operating income	296	229	385
Materials and services	-8,022	-4,055	-10,026
Employee benefit expenses	-18,255	-15,806	-31,322
Other operating expenses	-3,090	-4,077	-9,159
Depreciation and amortization	-1,125	-939	-2,048
Impairment charges	0	0	-1,627
<b>Operating result</b>	<b>-978</b>	<b>1,036</b>	<b>-2,628</b>
Finance income	4	0	4
Finance expenses	-289	-267	-505
Interest expenses on lease payments	-57	-55	-114
<b>Finance income and expenses, net</b>	<b>-342</b>	<b>-322</b>	<b>-616</b>
<b>Result before taxes</b>	<b>-1,319</b>	<b>715</b>	<b>-3,244</b>
Income tax expense	-50	-227	-274
<b>Result for the period</b>	<b>-1,370</b>	<b>488</b>	<b>-3,518</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Translation differences	-12	-190	-146
<b>Other comprehensive income for the period, net of tax</b>	<b>-12</b>	<b>-190</b>	<b>-146</b>
<b>Total comprehensive income for the period</b>	<b>-1,381</b>	<b>298</b>	<b>-3,663</b>
Result for the period attributable to:			
Owners of the parent	-1,370	488	-3,518
<b>Result for the period</b>	<b>-1,370</b>	<b>488</b>	<b>-3,518</b>
Total comprehensive income for the period attributable to:			
Owners of the parent	-1,381	298	-3,663
<b>Total comprehensive income</b>	<b>-1,381</b>	<b>298</b>	<b>-3,663</b>
<b>Earnings per share for profit attributable to the owners of the parent during the year</b>			
Basic and diluted earnings per share, EUR	-0.18	0.07	-0.48

# Consolidated Statement of Financial Position

EUR thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13,909	16,208	13,919
Other intangible assets	2,675	3,839	2,938
Property, plant and equipment	448	471	520
Right-of-use assets	3,042	3,316	3,407
Other receivables	253	181	253
Deferred tax assets	0	2	0
<b>Total non-current assets</b>	<b>20,327</b>	<b>24,015</b>	<b>21,037</b>
<b>Current assets</b>			
Inventories	4	3	4
Trade receivables and other receivables	13,681	15,036	16,175
Current income tax receivables	153	340	115
Cash and cash equivalents	7,662	5,135	3,923
<b>Total current assets</b>	<b>21,500</b>	<b>20,515</b>	<b>20,217</b>
<b>Total assets</b>	<b>41,827</b>	<b>44,530</b>	<b>41,255</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	95	95	95
Invested unrestricted equity reserve	19,314	19,314	19,314
Translation differences	-599	-632	-587
Retained earnings	-3,273	-98	82
Result for the period	-1,370	488	-3,518
<b>Total equity attributable to owners of the parent</b>	<b>14,167</b>	<b>19,167</b>	<b>15,385</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	5,279	6,358	0
Lease liabilities	1,827	2,167	2,117
Deferred tax liabilities	180	408	332
Other non-current liabilities	251	0	98
<b>Total non-current liabilities</b>	<b>7,537</b>	<b>8,933</b>	<b>2,548</b>
<b>Current liabilities</b>			
Borrowings	1,727	3,510	7,338
Lease liabilities	1,367	1,323	1,455
Trade payables and other payables	16,762	11,457	14,380
Current income tax liabilities	266	141	148
<b>Total current liabilities</b>	<b>20,123</b>	<b>16,431</b>	<b>23,321</b>
<b>Total liabilities</b>	<b>27,660</b>	<b>25,364</b>	<b>25,869</b>
<b>Total equity and liabilities</b>	<b>41,827</b>	<b>44,530</b>	<b>41,255</b>

# Consolidated Statement of Cash Flows

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
<b>Cash flows from operating activities</b>			
Result for the period	-1,370	488	-3,518
Adjustments for:			
Depreciation and amortization	1,125	939	3,675
Other non-cash adjustments	252	8	410
Finance income and expenses, net	342	322	616
Income tax expense	50	227	274
Changes in working capital			
Change in trade receivables and other receivables	2,355	-860	-2,347
Change in inventories	0	0	-1
Change in trade payables and other payables	2,357	116	2,690
Interest paid	-160	-212	-381
Interest received	4	0	0
Other finance income and expenses, net	-76	-14	-28
Income taxes paid	-121	-259	-158
<b>Net cash flows generated from operating activities</b>	<b>4,759</b>	<b>755</b>	<b>1,233</b>
<b>Cash flows from investing activities</b>			
Purchases of tangible assets	-33	-156	-324
Purchases of intangible assets	-64	-64	-128
Payments for business acquisitions, net of cash acquired	0	-6,604	-6,602
Loans granted	0	-542	-542
Proceeds from loans receivable	202	0	178
<b>Net cash from investing activities</b>	<b>105</b>	<b>-7,367</b>	<b>-7,418</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	0	1,111	1,111
Proceeds from borrowings	0	2,481	2,481
Repayments of borrowings	-348	-609	-1,630
Lease liability repayments	-784	-496	-1,131
<b>Net cash from financing activities</b>	<b>-1,133</b>	<b>2,487</b>	<b>831</b>
<b>Net decrease (-) / increase in cash and cash equivalents</b>	<b>3,731</b>	<b>-4,125</b>	<b>-5,354</b>
Cash and cash equivalents at the beginning of the period	3,923	9,286	9,286
Exchange gains / losses (-) on cash and cash equivalents	8	-26	-9
<b>Cash and cash equivalents at the end of period</b>	<b>7,662</b>	<b>5,135</b>	<b>3,923</b>

# Consolidated Statement of Changes in Equity

EUR thousand	Attributable to owners of the parent				
	Share capital	Invested unrestricted equity reserve	Cumulative translation difference	Retained earnings	Total equity
<b>Equity at 1 Jan 2019</b>	95	17,285	-441	-119	16,820
Result for the period				488	488
Other comprehensive income for the period:					
Translation differences			-190		-190
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>-190</b>	<b>488</b>	<b>298</b>
<b>Transactions with owners:</b>					
Issue of shares as consideration for a business combination		900			900
Share issue related to 2019 share-based compensation		1,128			1,128
Share based payments to employees			20		20
<b>Total transactions with owners:</b>	<b>0</b>	<b>2,029</b>	<b>0</b>	<b>20</b>	<b>2,049</b>
<b>Equity at 30 Jun 2019</b>	<b>95</b>	<b>19,314</b>	<b>-632</b>	<b>390</b>	<b>19,167</b>
<b>Equity at 1 Jan 2020</b>	<b>95</b>	<b>19,314</b>	<b>-587</b>	<b>-3,436</b>	<b>15,385</b>
Result for the period				-1,370	-1,370
Other comprehensive income for the period:					
Translation differences			-12		-12
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>-12</b>	<b>-1,370</b>	<b>-1,381</b>
<b>Transactions with owners:</b>					
Share based payments to employees			163		163
<b>Total transactions with owners:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>163</b>	<b>163</b>
<b>Equity at 30 Jun 2020</b>	<b>95</b>	<b>19,314</b>	<b>-599</b>	<b>-4,643</b>	<b>14,167</b>

# Revenue and Result for the Accounting Period

## Revenue and Segments

The group's proceeds from service sales accrue over time, whereas cybertechnology resell fall due at point in time. 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 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Service type:			
Projects and assignments	13,964	15,032	27,706
Total continuous services	10,077	8,860	18,172
Managed services	5,223	3,819	8,485
Continuous services	4,854	5,041	9,688
Technology resale	5,178	1,793	5,290
Total	29,218	25,685	51,168

### Revenue by Geographical Area:

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Finland	16,057	16,762	31,586
Denmark	6,023	1,632	5,455
Sweden	4,820	4,531	8,830
The Netherlands	582	622	1,623
Norway	565	36	374
Belgium	484	563	928
Other	687	1,539	2,372
Total	29,218	25,685	51,168

The geographical breakdown of revenue is based on the locations of the client 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.

## Earnings per Share

	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Result for the period attributable to the owners of the parent	-1,369,519	488,029	-3,517,694
Weighted average number of shares, undiluted	7,412,814	7,285,187	7,349,525
<b>Earnings per share, basic (EUR)</b>	<b>-0.18</b>	<b>0.07</b>	<b>-0.48</b>
Impact of shares related to share-based incentive plan	44,506	6,158	25,851
Weighted average number of shares, fully diluted	7,457,320	7,291,344	7,375,375
<b>Earnings per share, diluted (EUR)</b>	<b>-0.18</b>	<b>0.07</b>	<b>-0.48</b>

The company has dilutive potential ordinary shares with respect to its share-based incentive plan.

## People

### Employee Benefits

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

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Wages and salaries	15,071	13,048	25,402
Social security expenses	1,068	1,037	2,116
Share-based payments	163	20	200
Pension expenses - defined contribution plans	1,953	1,701	3,603
<b>Total</b>	<b>18,255</b>	<b>15,806</b>	<b>31,322</b>

### Share-Based Payments

Nixu has a share-based All-Employee Matching Share Plan and option scheme launched in 2019. Details of these schemes were presented in section 3.2 of the Notes to the Group's financial statements for the year ended on December 31, 2019.

# Acquisitions and Group Structure

Nixu acquired Ezenta A/S and Vesper AB's cybersecurity business in early April 2019. Details of the combination of these businesses were presented in section 4.1 of the Notes to the Group's financial statements for the year ended on December 31, 2019.

In the financial statements for the year ended on December 31, 2019, Nixu stated that the subsidiaries Expert Solution Center Inc. and Swedish Forensic Technologies AB were in dissolution. The dissolution of the subsidiaries was completed during the review period.

## Intangible Assets and Goodwill

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

EUR thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
Net book amount at beginning of the period	16,858	11,126	11,126
Acquisition of subsidiaries	0	9,339	8,001
Exchange differences	-17	-202	-139
Amortization	-257	-216	-503
Impairment charges	0	0	-1,627
<b>Net book amount at end of the period</b>	<b>16,584</b>	<b>20,046</b>	<b>16,858</b>

On June 30, 2020, the amount of goodwill was EUR 13,909 thousand (16,208), the amount of customer relationships EUR 2,643 thousand (3,677) and the amount of other intangible assets EUR 32 thousand (161).

## Goodwill impairment testing

The company has prepared goodwill impairment tests due to general uncertainty caused by the COVID-19.

Amount of EUR 257 thousand have been reallocated from Benelux goodwill to CGU Finland due to reorganization of Romania's shared services function.

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 have been reviewed but no changes were needed.
- The long-term EBITDA percentages are shown below:

	Finland	Sweden	Benelux	Denmark
<b>30 Jun 2020</b>	10%	8%	8%	8%
<b>31 Dec 2019</b>	10%	6%	6%	7%

EBITDA margins have been updated to better reflect the industry's average long-term profitability percentages. During the review period, the company has taken cost-saving measures aimed at changing the cost structure and getting closer to the industry's profitability levels.

Other key assumptions used in the periods presented were:

- the average annual growth rate of revenue 7%–13% (31.12.2019: 10%–20%), and
- the average EBITDA margin 0%–8% (31.12.2019: 2%–8%).

Company has considered the weaker economic environment caused by COVID-19 by lowering the growth phase assumptions for the next two years.

### *Sensitivity*

The difference between the recoverable amount of cash-generating unit and the book value is the smallest for the Benelux and Sweden, and therefore the results of sensitivity analysis is presented for these units.

The recoverable amount of a cash-generating unit in Benelux would be equal to its book value as of June 30, 2020, 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 9% to 5% (20% to 4%); or
- The long-term EBITDA margin would have dropped from 8% to 7% (6% to 4%).

The recoverable amount of a cash-generating unit in Sweden would be equal to its book value as of June 30, 2020, 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 9% to 7%; or
- The long-term EBITDA margin would have dropped from 8% to 7,6%.

The goodwill values arose from the acquisition executed in earlier financial periods.

# Net Debt and Equity

## Interest-bearing Net Debt and Derivative Financial Instruments

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

EUR thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Non-current borrowings</b>			
Loans from financial institutions	5,279	6,358	0
Lease liabilities	1,827	2,167	2,117
<b>Total non-current borrowings</b>	<b>7,106</b>	<b>8,525</b>	<b>2,117</b>
<b>Current loans</b>			
Loans from financial institutions	1,727	2,056	7,338
Lease liabilities	1,367	1,323	1,455
Contingent consideration	0	1,455	0
<b>Total current loans</b>	<b>3,094</b>	<b>4,833</b>	<b>8,794</b>
<b>Total loans</b>	<b>10,201</b>	<b>13,358</b>	<b>10,911</b>
Less cash and cash equivalents	7,662	5,135	3,923
<b>Net debt</b>	<b>2,538</b>	<b>8,223</b>	<b>6,988</b>

## Borrowings

On June 30, 2020, Nixu's loans from financial institutions included a EUR 4,000 thousand floating rate loan that was taken out in 2014, variable and fixed rate loans amounting to EUR 5,900 thousand which were drawn-down in 2017 related to the financing arrangements and a EUR 2,500 thousand floating rate loan that was taken out in 2019.

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

EUR thousand	Drawn down	Maturity	Interest rate	installment	30 Jun 2020	30 Jun 2019	31 Dec 2019
Loan 1	2014	10/9/20	3.75%	monthly	418	955	597
Loan 2	2017	11/30/20	3.75%	monthly	346	865	515
Loan 3	2017	5/30/22	4.15%	bullet	2,065	2,065	2,065
			4.35%+ 6	half-on-			
Loan 4	2019	3/28/23	month euribor	year	2,188	2,500	2,188
Loan 5	2016	5/30/22	3.8%+3.8%	bullet	1,977	1,905	1,905
Loan 6	2017	9/30/20	0.00%	quarterly	32	160	96
<b>Total</b>					<b>7,026</b>	<b>8,450</b>	<b>7,365</b>

The interest rates of the loans ranged between 3.75% and 4.35% (June 30, 2019: 3.00%-3.80) and for EUR 1,977 thousand the capitalized interest rate was of 3.80% (June 30, 2019: 3.80%) on the review period that ended on June 30, 2020.

During the review period, Nixu signed a new EUR 4 million revolving credit facility agreement to secure sufficient cash reserves due to the exceptional situation caused by the COVID-19 pandemic. The covenants for the credit facility and loans are as follows: equity ratio at least 30% up to the

review date of June 30, 2022 and at least 32% always thereafter. EBITDA of at least EUR 0 on the review date of December 31, 2020, at least EUR 380 thousand on the review date of June 30, 2021, and at least EUR 1,000 thousand on the review date of December 31, 2021. EBITDA on December 31, 2020 is calculated based on the fourth quarter of 2020 and EBITDA on June 30, 2021 is calculated based on the first half of 2021, after which EBITDA is calculated based on the previous 12 months. The Group's interest-bearing net debt/EBITDA indicator will be reviewed every six months on June 30 and December 31, with the first review on June 30, 2022. The net debt-to-EBITDA ratio may not exceed 3.7 up to the review date of June 30, 2022, 3.25 up to the review date of December 31, 2022, and 3.0 up to subsequent review dates.

The Group met the covenant conditions related to the loans on June 30, 2020 and in the comparison period on June 30, 2019. The Group failed to meet the interest-bearing debt/EBITDA covenant on December 31, 2019, and the loans were classified as current. As the covenants were met on June 30, 2020, and the current estimate is that they will also be met on December 31, 2020, the loans were classified as non-current and current.

The fair value of the loans does not materially differ from their carrying amount, as the interest rates of the loans are close to the current market rates (the financing agreement was renewed in May 2020). The company's risk premium has not changed significantly after the loans were withdrawn. The fair values of Nixu's loans are based on cash flows discounted at the current borrowing rate. The different terms of the loans (maturity, priority order, collateral) are taken into account in determining the value. The loans are classified at level 2 of the hierarchy of fair values, as the fair value is determined mainly using the observable market interest-rate curve.

## Derivative Financial Instruments

At the closing of accounts, on June 30, 2020, the Group held two interest swap contracts. These agreements are used to hedge 31% of the company's loan funds against cash flow risk (June 30, 2019: 30%). 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. On June 30, 2020, the fair value of the derivatives was negative EUR 33 thousand (June 30, 2019: negative EUR 54 thousand).

## Equity

### Payments of dividends

No dividends have been paid in the 2020 financial period (2019: 0).

## Related Party Transactions

The following transactions were carried out with related parties:

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Purchases of services	0	2	3
EUR thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
Loan receivables from related party (management team)	16	45	30

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

## Contingencies and Commitments

EUR thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Mortgages given on own behalf:</b>			
Business mortgages	10,118	10,118	10,118
Loan amount	7,026	8,290	7,338

## Formulas for Calculating Key Figures

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

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

**Adjustment items** are material items outside the ordinary course of business, which costs related to restructuring 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.

**Further information:**

CEO Petri Kairinen, Nixu Corporation  
Telephone: +358 40 832 1832, e-mail: [petri.kairinen@nixu.com](mailto:petri.kairinen@nixu.com)

**Distribution:**

Nasdaq Helsinki  
Main media  
[www.nixu.com](http://www.nixu.com)

**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.  
[www.nixu.com](http://www.nixu.com)