

The background of the cover is white with several large, overlapping triangles in various shades of blue. One large triangle on the left contains the text. Other triangles are positioned in the top right, middle right, and bottom right. The text is white and centered within the leftmost triangle.

nixu

Annual Report
2020

Cybersecurity is as an asset for society

The Covid-19 pandemic has contributed to accelerating the digitalization of society, while emphasizing the importance of cybersecurity for society as a whole. As the operating environment and conditions change radically, companies and organizations are increasingly relying on digital solutions. Ensuring their security with comprehensive cybersecurity services is the key task of Nixu. In this way, Nixu keeps the digital society running in accordance with its mission. Cybersecurity is a prerequisite for digital business.

ANNUAL REPORT 2020

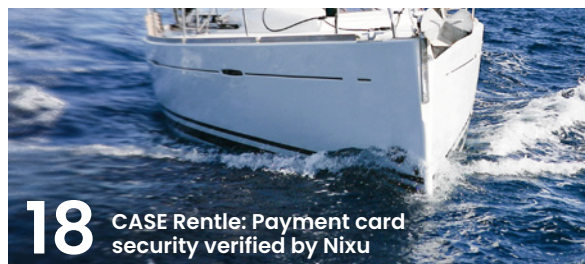
Nixu's Annual Report is published in Finnish and English. It contains three sections:

ANNUAL REVIEW,

FINANCIAL REVIEW, including the Financial Statements, Report of the Board of Directors, and Auditor's Report

CORPORATE GOVERNANCE, including the Corporate Governance Statement and Remuneration Report.

The information presented in the financial statements is audited, except for the Report of the Board of Directors. Other information in the report is unaudited.



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We keep the digital society running

Nixu is a cybersecurity services company on a mission to keep the digital society running. Nixu's passion is to help organizations embrace digitalization securely. Partnering with its clients Nixu provides practical solutions for ensuring business continuity, an easy access to digital services and data protection. It aims to provide the best workplace to its team of almost 400 cybersecurity professionals with a hands-on attitude.

Nixu is the largest company specialized in cybersecurity services on the Nordic market. Its clients are typically large, internationally operating companies or government organizations. Nixu has Nordic roots and employs experts in Finland, Sweden, the Netherlands, Denmark, and Romania. From these locations, Nixu's experts work on customer assignments around the world.

Nixu has a strong brand and it has established its position as a trusted cybersecurity partner for its clients. More than 30 years of experience in the sector, the best experts in the industry, and a wide range of comprehensive cybersecurity services make Nixu a reliable partner for clients, an attractive place to work for cybersecurity experts, and an interesting investment for shareholders. Founded in 1988, Nixu's shares are listed on the Nasdaq Helsinki Stock Exchange (stock symbol: NIXU).

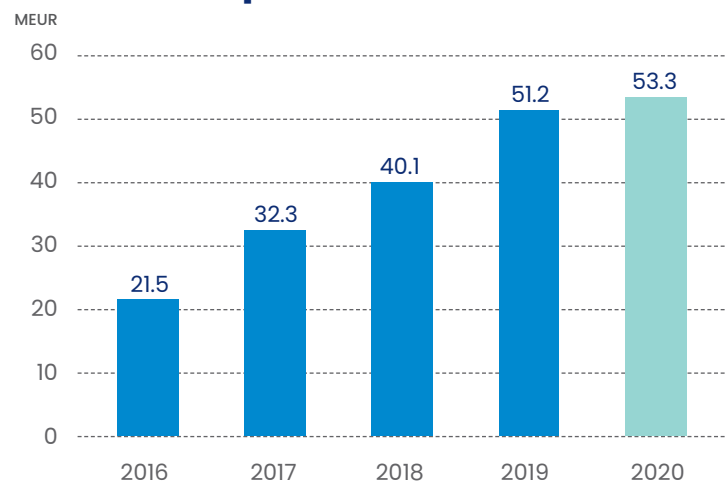
KEY FIGURES 2020

EUR thousand	1.1.-31.12.2020	1.1.-31.12.2019
Revenue	53,272	51,168
Profit/loss for the period	-1,835	-3,518
Earnings per share (EUR)	-0.25	-0.48
EBITDA	2,895	1,047
EBITDA, % of net sales	5.4 %	2.0 %
Adjusted EBITDA ¹	3,687	1,525
Adjusted EBITDA, % of net sales ¹	6.9 %	3.0 %
EBIT	-702	-2,628
EBIT, % of net sales	-1.3 %	-5.1 %
Adjusted EBIT ¹	90	-2,150
Adjusted EBIT % ¹	0.2%	-4.2%

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 and acquisitions and that are included in other operating expenses. The non-recurring costs included in the operating profit of January-December 2020 were EUR 792 thousand (478).

EUR thousand	31.12.2020	31.12.2019
Equity ratio, %	34.4%	37.3%
Net interest-bearing debt	2,244	6,988
Net gearing, %	16.0%	45.4%

Development of revenue MEUR



REVENUE GROWTH

4 %
(2019: 27.5%)

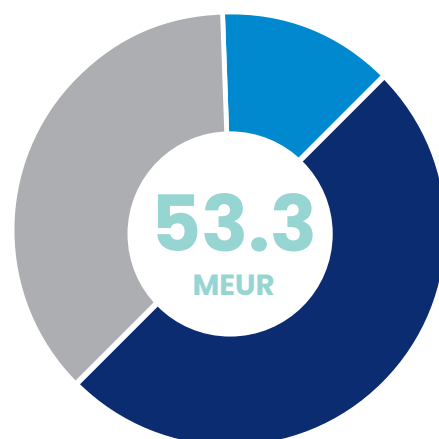
PERSONNEL

373
(2019: 419)

MARKET AREAS

4
(2019: 4)

Breakdown of revenue by service type



- Projects and assignments 50%
- Total continuous services 37%
- Technology resell 13 %

SHARE OF INTERNATIONAL REVENUE

39 %
(2019: 38%)

Nixu CEO **Petri Kairinen**

The year 2020 was a very exceptional due to the uncertainty caused by the coronavirus pandemic. At the same time, the pandemic and the ensuing restrictions led to a wave of digitalization, the impact of which will be felt long after the pandemic has subsided.



The demand for cybersecurity services is directly linked to the level of digitalization of companies and society. The second wave of the pandemic, which accelerated around the turn of the year, and the delay in vaccinations will extend the uncertainty a little longer than expected, but, in general, we see 2021 as bright in terms of demand for cybersecurity. In fact, the number of new orders in the last quarter of 2020 topped our previous record.

In 2020, Nixu focused on maintaining business continuity by protecting the health of our personnel, ensuring the adequacy of our finances, streamlining sales operations, and renewing our service structure. After the savings measures, we were able to lighten our cost structure, and we were also more successful in our sales efforts in the fall than anticipated. All of this led to significantly improved profitability in the fall. EBITDA in the second half of the year was 11% of revenue, and our revenue grew by 1%. The improved profitability was partly attributable to the reduction in costs, which will be restored to nearly the earlier level once the situation normalizes.

As previously announced, on March 1, 2021, Nixu will move to a new operating model in which all functions are international and client service and competence development activities are company-wide. The new normal created by the coronavirus pandemic, with increasing remote work and remote deliveries, gives us an excellent opportunity to take this crucial step in making Nixu a strong and unified European cybersecurity player. This will allow us to achieve a sufficiently critical mass for the different units, and strengthen our competitiveness in markets outside Finland. The operating model aims to increase client intimacy and focus, strengthen the development of expertise, and improve profitability through more efficient service provision.

"2021 seems bright in terms of demand for cybersecurity"

Our clients have also build up cybersecurity teams of their own, and many Nixu employees have moved to work with client organizations. Consequently, our personnel turnover was higher than normal towards the end of the year. For this reason, we estimate that growth in the first half of 2021 will be slower and accelerate in the second half of the year due to new recruitment and the new operating model.

Nixu's vision is to be the go-to partner in cybersecurity services for large enterprises, especially in the area of business digitalization. In line with this goal, Nixu is launching a separate business unit focused on ensuring industrial IoT solution security. We believe that this initiative will generate interesting growth opportunities with large international industrial hardware manufacturers. At the same time, we will support our second vision of being the best place to work for cybersecurity professionals by offering work opportunities with the latest IoT technologies and business models.

The data breach incidents that became public at the end of the year, such as Solarwinds and, in Finland, Vastaamo and the Finnish Parliament, are likely to raise public awareness of cyber risks. We believe that this and the general digitalization trend will bring significant growth opportunities for 2021. I would like to thank all Nixuans, who worked hard to ensure our delivery capacity in the challenging year of 2020. This work now gives us the keys to growth.

Year 2020

MARCH:

- The global Covid-19 pandemic began to cause major changes to the global economy. The resulting uncertainty also affected Nixu's business environment, which resulted in the company withdrawing its financial guidance in March 2020
- Nixuans quickly moved to remote working in all countries and offices in accordance with the recommendations of the authorities.
- Nixu tailored new solutions and services to address its clients' new cybersecurity needs caused by the pandemic, as the digitalization needs of society accelerated sharply.

APRIL:

- Nixu strengthened its Board of Directors' international cybersecurity expertise. The Annual General Meeting held in April 2020, elected Dutch-American information security professional Jaya Baloo as a new Board member.

MAY:

- To prepare for the Covid-19 recession, Nixu launched a cost reduction program to reduce its fixed costs and achieve one-time savings.

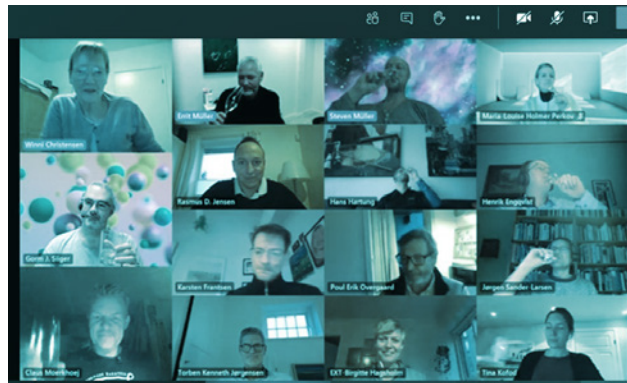


SEPTEMBER:

- The data breach of the Vastaamo Psychotherapy Center was revealed, deeply shaking Finnish society. At the end of September, Nixu started working with Vastaamo to investigate the data breach and prevent further breaches by strengthening the protection of its information systems.

OCTOBER:

- October: Although uncertainty in the market continued, Nixu provided financial guidance for 2020, according to which the company expects its revenue to grow in 2020 and EBITDA to improve from the previous year.



NOVEMBER:

- Nixu expanded into the Danish market in 2019 with the acquisition of Ezenta A/S. On November 1, 2020, the Danish team celebrated its 20th anniversary on the Danish market.



- Nixu met with members of the Finnish state administration in Espoo to discuss current cybersecurity issues and the national digital identification solution, as well as to promote the secure digital society together with the state administration.

The cybersecurity market grows despite the pandemic

The cybersecurity market continued to grow in 2020, although growth slowed slightly from the previous year due to the covid-19 pandemic. In 2021, growth is projected to accelerate again. In the longer term, the pandemic will act as an accelerator for the strong digitalization of society.

Accelerated digitalization and the increased adoption of cloud services and remote working technologies supported the growth in demand for cybersecurity services in 2020. On the other hand, cost-cutting measures following the global downturn, caused by the covid-19 pandemic, affected organizations' priorities and demand for cybersecurity services. As a result, the demand for cybersecurity services lagged behind the previous year's growth. According to Gartner's estimate, in 2020, the spending of information security services grew by on average of about 4%, whereas in the previous year the growth was about 8%.

The lockdown measures in spring 2020 significantly reduced the revenue of many companies globally, which contributed to cost saving programs and personnel reduction measures in numerous organizations. At the same time, organizations' investment capacity decreased and cost awareness increased, which contributed to competition also in the cybersecurity sector.

According to Gartner's estimate, the growth in information security consulting spending decreased substantially in 2020. In 2020, growth rate was about 6%, compared to 9% in the previous year. This was due to the fact that most information security consulting is related to broader dig-

italization projects or other areas of information security that were at a standstill due to the pandemic. However, growth in consulting services spending is expected to accelerate again in 2021. It is also expected that new consultancy contracts will emerge, as the importance of risk assessment has increased in companies' business impact assessments.

The pandemic also slowed the growth of spending on outsourcing services. In 2020, spending on IT outsourcing services increased by 7%, while in 2019 it increased by almost 9%. According to forecasts, investments in IT outsourcing will continue to be stable in the future. Such outsourcing services include managed cybersecurity services that Nixu also provides to its clients. The interest in outsourcing has also remained during the corona pandemic, as outsourcing is seen as a potential cost optimization method, a way of replacing any employees laid off during the pandemic, and as a path to rapid recovery and business continuity.

Digitalization requires organizations to pay great attention to cybersecurity and invest in ensuring the continuity of digital business operations. IDC predicts security services will be the largest and fastest-growing segment of the security market, accounting for roughly half of all spending throughout the 2020–2024 forecast period, attaining a 10.5% five-year CAGR. Gartner forecasts that spending on security services will grow at an annual rate of about 6% over the next four years. The spending remains most robust in IT outsourcing and consulting services.

References:

Gartner Forecast Analysis 07/2020: Information Security and Risk Management, Worldwide. OECD 12/2020: OECD Economic Outlook, Volume 2020 Issue 2. IDC 08/2020: Ongoing Demand Will Drive Solid Growth for Security Products and Services, According to New IDC Spending Guide



Megatrends drive the development of Nixu's business

Global megatrends serve as growth drivers for the cybersecurity market and shape the development of the industry in Nixu's operating environment. They prompt the development of personnel competence, cybersecurity services and operations to ensure that Nixu can respond effectively to the requirements of the operating environment and the changing needs of its clients. The Covid-19 crisis may accelerate some ongoing changes, but the developments outlined in the megatrends have not gone anywhere.

THE DIGITALIZATION OF SOCIETY

The rapid digitalization of society is a megatrend that is growing the cybersecurity market in the coming years. The Covid-19 pandemic has contributed to accelerating the digitization of society, while emphasizing the importance of cybersecurity for society as a whole. At the same time, it also supports the demand for Nixu's services as new digital business models are not sustainable without comprehensive cybersecurity and reliable identity management.

RISE IN CYBERCRIME

The rise in cybercrime is a megatrend that will strongly grow the cybersecurity market. Factors such as the expanding use of cloud services, digital transactions, and remote access to industrial control have increased the impact achieved by cyber-attacks and fueled the growth of cybercrime and state influencing. Cybercrime is expected to increase and evolve strongly in the future, increasing the need for more sophisticated cybersecurity activities in organizations both large and small.

DEVELOPMENT IN LEGISLATION

Legislation imposes increasing demands on actors in society. Increasing regulation and statutory obligations, as well as the reputational and trust risk and financial sanctions associated with non-compliance, will increase the demand for cybersecurity solutions in the future. An example of this is the EU General Data Protection Regulation (GDPR), which entered into force in 2018 and imposes the same requirements on the protection of personal data and privacy protection in all EU Member States.

Growth Strategy

In 2019, Nixu announced its growth targets 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 partner for large enterprises. These goals are supported by Nixu's growth strategy, which focuses particularly on cybersecurity services for digitalizing businesses. Nixu is increasingly developing its cybersecurity services to support its customers in utilizing the industrial internet and digital identities in business.

As a result of the global Covid-19 pandemic, Nixu announced in May 2020 that it would not seek growth in the short term in accordance with the growth targets set for 2020–2024, but would ensure the profitability and efficiency of its operations during this exceptional period to be able to continue the implementation of its growth ambition as soon as the market situation normalizes. However, Nixu's strategy and the passion for growth have not changed in the long term.

NIXU'S STRATEGIC DEVELOPMENT AREAS:

Cybersecurity talent community

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

Cybersecurity partner for digitalization

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



Data-driven services on global platforms

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

Expanding market presence

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

Profitable, scalable growth

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



MISSION

Nixu keeps the digital society running.

VISION

The number one choice as a trusted cybersecurity partner in digitalization for companies headquartered in Northern Europe and the best place to work for cybersecurity professionals.

STRATEGIC DEVELOPMENT AREAS

ACTIONS

TARGETS FOR 2020–2024*



Cybersecurity talent community

- Investing in recruitment, developing continuous learning, and improving the company's reputation in the cybersecurity community

- 1,000 employees in 2023



Cybersecurity partner for digitalization

- Continuous development of the range of cybersecurity services

- Revenue EUR 100 million in 2021



Data-driven services on global platforms

- Digitization of own business

- Managed continuous services exceed 50% of revenues in 2024



Expanding market presence

- Strategic acquisitions to open up new markets. Nixu's network of experts will be built in Northern Europe

- 5 markets worth more than EUR 25 million in 2024



Profitable, scalable growth

- Despite investments in growth, Nixu is building its growth to be scalable

- EBITDA 15% of revenue in 2024. Organic revenue growth 15–25% and inorganic growth 10% per year on average.

* Nixu is not seeking growth in the short term in accordance with the growth targets set for 2020–2024, but ensures the profitability and efficiency of its operations during this exceptional period.

A holistic cybersecurity partner

Nixu wants to be a holistic and trusted cybersecurity partner of digital business for companies headquartered in Northern Europe.

Nixu's business operations mainly comprise of producing different cybersecurity services to its clients. Cybersecurity means technologies, solutions, services and other methods that are used to protect companies', other organizations' and individual users' information and information systems in digital networks against online crime (cybercrime) and other malfunctions. Cybersecurity services refer to both professional services and technology-based managed services.

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

Nixu provides services for clients in several industries, such as the manufacturing industry, sales, security-critical state administration, online services, banking and financing, telecommunications and device manufacturers, and the media.

Nixu's clients are typically large, internationally operating companies or government organizations. These companies are facing digital transformation on many fronts. The emergence of new digital businesses and the transformation of old business models, in particular, such as the utilization of Industrial Internet (Industrial IoT), will lead to a widespread need for cybersecurity expertise within the organization even beyond IT departments.

Nixu has gained the position as a trusted partner for many of its clients. With this position, its customers' wish Nixu to solve more and diverse challenges. Typically, Nixu's customer base is very stable, and its customers are served by Nixu for a long time, allowing building of customer-specific expertise.

In 2019, Nixu started to measure its customer satisfaction with the Net Promoter Score (NPS), an internationally recognized measure of customer satisfaction. In 2020, Nixu's NPS score was 57 (2019:48) which means that customer satisfaction with Nixu's services is at an excellent level.

NIXU SERVED MORE THAN

580

CLIENTS

CLIENT ASSIGNMENTS IN OVER

20

COUNTRIES

**CUSTOMER
SATISFACTION**

57

NPS

Nixu's service concepts

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



Security engineering

We improve the security in all phases of the development lifecycle of applications, services and hardware you develop or purchase.



Digital Identity

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



Cloud transformation

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



Compliance and certification

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



IoT

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



Cyber Defense

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



Cybersecurity outsourcing

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



Safety and reliability

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



Cybersecurity exercises and training

Cyber attacks are the new normal. Fortunately, you can prepare for incidents with cybersecurity exercises and practice how to detect, react, and communicate. After the activities, your organization has better capabilities for detecting cyberattacks before your business is endangered.

Partnership takes identity and access management to the next level

CASE: Gard

Gard, a global marine insurance provider, partners with Nixu to implement a modern and secure cloud-based identity and access management solution.

Gard selected Nixu as its trusted partner for a development program that supports Gard's cloud-first strategy by implementing a new Identity and Access Management solution (IAM) that includes a solution both for Identity Governance and Administration (IGA), and in a later phase, for Privileged Access Management (PAM).

Due to cooperation with Nixu, Gard has a new scalable and cost-efficient IGA solution in place that secures Gard's sensitive information by ensuring that the right people have the right access to the right resources for only the right amount of time. The solution also increases agility and organizational efficiency by simplifying and automating the work required to manage accounts.



Monitoring keeps the business newspaper Børsen at the forefront

CASE: Børsen

To fight against the ever-increasing cyber threats, the Danish business newspaper Børsen started a partnership with Nixu.

With the partnership Børsen can utilize Nixu's Managed Detection and Response solution and Threat Intelligence services. The Nixu expert team is available and ready around the clock at the Nixu Cyber Defense Center to respond to potential threats against clients.

"As a result of the cooperation that provides us reliable Managed Detection and Response solution and dedicated support, I can sleep at night," says **Brian Skibby, IT Manager at Børsen.**

CASE: Rentle

Rentle accelerates sustainable consumption of durable goods powered with modern rental-specific payment methods. Its SaaS-based platform is designed for companies globally providing end customers with rentals.

Nixu performed an independent onsite assessment, in which a Nixu Qualified Security Assessor (PCI DSS auditor) assessed Rentle's entire environment in which payment card payments are accepted. As a result Rentle's platform and its supporting operations were found to be compliant with all of the payment card industry's relevant security requirements. As evidence of this, PCI DSS attestation of compliance was completed for Rentle. With the attestation of compliance, Rentle's customers and other stakeholder companies can easily confirm that Rentle is compliant with and is committed to following all payment card industry security requirements.



Rentle Modernizes the Rental Business – Payment Card Security Verified by Nixu

We want to provide the best place to work for cybersecurity professionals

As a specialist organization, Nixu's key asset is its personnel. Nixu's cybersecurity community consists of multitalented and skilled cybersecurity professionals with best-in-class expertise. They share a genuine passion for cybersecurity and the hunger to continuously develop their professional skills.

Nixu had 373 (419) employees at the end of 2020. The decrease in the number of personnel is explained by Nixu's restructuring and fierce competition for the best talent as the Covid-19 pandemic hampered recruitment.

Diverse Nixu

Full-time employees accounted for 95% of Nixu's personnel, and 99% of the employment contracts were valid until further notice. The average career length was five years. 15% of the personnel were over 50 years of age and 12% were under 31, with the average age being 42. At the end of 2020, 21% of Nixu's personnel were women and 79% were men. Nixu had offices in Finland, Sweden, the Netherlands, Denmark, and Romania, with employees representing 17 nationalities. At the end of 2020, three of the six members of Nixu's Board of Directors were women, and Board members represented four nationalities.

Nixu reacted quickly to the Covid-19 pandemic

When the pandemic broke out, Nixu's priority was to ensure the safety and well-being of its personnel. In accordance with the recommendations issued by various national authorities, all Nixu market areas immediately moved to remote working and implemented other necessary precautions to ensure the safety of personnel and constrain the pandemic.

Nixu's employees were able to continue their work fairly normally via remote connection. However, the transition to remote working put employees in a new situation: it changed the way to work together and increased the need for well-being support.

Support for coping and well-being at work

Nixu supported the coping and well-being of its personnel by providing a wealth of information related to remote working and well-being, as well as investing in ergonomics by lending office furniture and arranging ergonomics training. In addition, team leaders' capabilities were boosted through crisis management training. Nixu's characteristic sense of community was also firmly maintained by making hobby club activities virtual and organizing casual team meetings and after-work events remotely.

In addition to ensuring the safety and well-being of employees, Nixu also prepared for the consequences of the pandemic financially. To prepare for the change in the market situation and the recession, Nixu launched a group-wide restructuring and cost reduction program in May 2020. These measures also had an impact on personnel.

We share your passion for cybersecurity

NUMBER OF PERSONNEL

373

AVERAGE AGE OF
EMPLOYEES

42

17

NATIONALITIES

AVERAGE CAREER
LENGTH

5

YEARS

WOMEN 21 %
MEN 79 %

Job satisfaction

Nixu wants to be the best place to work for cybersecurity professionals, which is why job satisfaction is paramount to it. Employee satisfaction is measured quarterly. During the exceptional period of 2020, Nixu wanted to assess the impact that remote working had on the well-being and job satisfaction of its personnel.

Job satisfaction had remained at a good level. In the survey, employees highlighted positive aspects, such as Nixu's culture, colleagues and the work community, as well as the support received during the pandemic for remote working. The results showed that up to 75% of the personnel would like to work more remotely even after the pandemic. In general, job satisfaction was affected not only by internal issues, such as the uncertainty caused by Nixu's restructuring, but also by external factors, such as general concern about the pandemic and the apathy related to remote working, also identified in a study by the Finnish Institute of Occupational Health.

Competence development

The expertise of the personnel is developed using a wide range of learning solutions, including on-the-job learning, e-learning, workshops, and coaching.

One key way to develop competence is the Nixu Learning as a Service (LaaS) solution. This involves a digital application that gives employees easy access to internal services from which they can choose a training package to match their individual needs.

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

In 2020, content to support well-being in remote working and managing one's own work was added to the training service. These contents provided Nixu employees with tools to manage their physical and mental well-being during the pandemic.

Employer image

Nixu's employer image has developed favorably for several years. According to the survey conducted by Universum in 2020, Nixu was again one of the most attractive employers among IT professionals and students, ranking 38th and 45th. This is an excellent achievement, as Nixu operates in a fairly specialized competence area and targets its services only at enterprise customers, which naturally affects Nixu's visibility to the general public.

During the review period, Nixu strengthened its employer image by promoting cooperation between Nixu's personnel and the broader cybersecurity community through events and trainings. In collab-

oration with HelSec and Future Female, Nixu organized a six-month free Cybersecurity Essentials training program aimed at training new talent in the cybersecurity industry, increasing diversity in the sector, and raising interest in cybersecurity among women, in particular. Nixu also continued to collaborate with institutions providing cybersecurity studies and, as part of cooperation with educational institutions, carried out workshops for students on recognizing social manipulation.

In addition, Nixu engaged in charity. Through corporate collaboration, it provided its expertise to SOS Children's Villages Finland and conducted a comprehensive information security audit of the organization's web application. Nixu also donated to Save the Children organization.

Nixu's values: We are professional, collaborative, humane and passionate about cybersecurity



Sushant Aggarwal
Amsterdam

For a representative of a cybersecurity company, being professional is highly important. Professionalism is the value that allows us – not only to provide our best for our customers – but also support our colleagues at Nixu. For me, professionalism means a sense of responsibility for work, and how it affects others. I can help my colleagues and share my knowledge even on projects that are not my own, and I can trust that others will do the same. This kind of flexibility and ability to help others comes with professionalism. At Nixu, employees professionalism is very much trusted.



Steven Müller
Copenhagen

Being kind and respectful makes us more eager to help each other. The value of humane behavior is important both when interacting with customers and with Nixu colleagues, and it brings happiness to my work. Here in Denmark we are very close to each other – we are like a family. Every Friday we get together to meet and greet remotely. That strengthens personal relationships and our team dynamics. That is also why I have been here so long – 9 years already. By always being very congenial, I've become friends with many customers as well.



Thomas Åkerman
Stockholm

Collaboration is one of the most important values for the company, and at Nixu it exists in reality. In cybersecurity, there are many different areas of expertise and knowledge. We need collaboration because nobody knows everything and there is always room to learn new things. By collaborating we can provide our customers with comprehensive knowledge and expertise. Therefore, I see collaboration as a business advantage: We are able to work as One Nixu. If we learn from each other and collaborate, we can contribute in the best possible way.



Anu Laitila
Espoo

Nixu's passion for cybersecurity can be seen in its daily operations. It is extremely important for us to keep our customers happy: we are not content merely with good, but require the quality of outcomes to be excellent. We make a comprehensive commitment to customer assignments and help our customers with challenging cybersecurity projects. We always find the best solution – not the easiest solution – to meet our customers' specific needs. I particularly appreciate the fact that experienced Nixu employees, with a long history in the industry, are inspired again and again by cybersecurity challenges and are always eager to learn new things, as well as to share their expertise with Nixu colleagues and the wider cybersecurity community. They serve as a great example and role model for all of us.

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The Board of Director's Report

The development of Nixu Group in the accounting period of January 1, 2020 – December 31, 2020

Nixu Group's revenue stood at EUR 53,272 (51,168) thousand. Revenue increased by 1% from the previous year. The Group's revenue growth came from acquisitions.

Development of revenue by service type:

- Projects and assignments accounted for 50% (54%) of the revenue, a decrease of 4% compared to the previous year.
- All continuous services accounted for 37% (36%) of the revenue and increased by 9% compared to the previous accounting period. All continuous services include:
 - Managed services, which accounted for 20% (17%) of revenue. The growth continued.
 - Continuous services accounted for a 17% (19%) share of the revenue and decreased by 4% from the previous year.
 - Technology resale accounted for 13% (10%) of the revenue.

Other operating income stood at EUR 533 (385) thousand. Other operating income included grant from the Netherlands EUR 337 thousand.

Nixu's EBITDA was EUR 2,895 (1,047) thousand.

EBITDA showed a significant growth from the comparison period due to a considerable decline in other operating expenses, increased operational efficiency, and the savings achieved through reorganization. In addition, EBITDA was improved by the reduced losses of international operations.

Adjusted EBITDA was EUR 3,687 (1,525) thousand. The adjustment items of EUR 792 (478) thousand were related to reorganization costs. The figure for the comparison period also included acquisition costs.

Nixu's EBIT was EUR -702 (-2,628) thousand. In addition to the above, EBIT was affected by depreciations and impairments amounting to EUR 3,597 (3,675) thousand. EBIT was affected by an impairment of EUR 1,420 (1,627) thousand on goodwill.

Financial income and expenses amounted EUR -666 (-616) thousand.

The result for the year was EUR -1,835 (-3,518) thousand.

Financing and investments

On December 31, 2020, Nixu Group's balance sheet total was EUR 40,712 (41,255) thousand.

The company's cash in hand on December 31, 2020 was EUR 6,031 (3,923) thousand. The significant improvement in cash in hand is attributable to savings achieved through increased operational efficiency and reorganization. Tax payments deferred until 2021 as allowed by legislation amounted to EUR 1,163 thousand. The company signed a new credit facility of EUR 4,000 thousand in addition to the previous credit facility of EUR 1,500 thousand. The credit facilities were not in use at the end of the review period.

Net liabilities on December 31, 2020 amounted to EUR 2,244 (6,988) thousand. The change in net liabilities is attributable not only to the improvement in cash in hand but also the repayment of loans.

Net cash flow from operating activities was EUR 5,275 (1,233) thousand. The increase was mainly due to the change in trade receivables and the increase in the result of the year.

Group structure

At the end of the financial year, the Group consisted of the following 100%-owned companies by the parent company: Nixu Certification Oy, Nixu B.V., Nixu AB, Nixu Inc and Nixu A/S. In addition, the Nixu Group consisted of Nixu Cybersecurity Srl. owned by Nixu B.V. 96% and Nixu Oyj by 4%.

Key indicators for the group

The financial period Jan 1, 2020 – Dec 31, 2020 was the company's 31st. The following key figures represent the company's financial status and its results:

EUR thousand	2020	2019	2018
Revenue	53,272	51,168	40,127
EBIT	-702	-2,628	-1,451
EBIT, % of net sales	-1.3%	-5.1%	-3.6%
Equity ratio, %	34.4%	37.3%	50.5%

Personnel

The number of personnel was 373 (419) at the end of 2020. The decrease in the number of personnel is explained, among other things, by Nixu's restructuring and the fierce competition for the best talent as the Covid-19 pandemic hampered recruitment.

Nixu reacted quickly to the Covid-19 pandemic. Nixu's priority was to ensure the safety and well-being of its personnel. Nixu immediately moved to remote working and implemented other necessary precautions to ensure the safety of its personnel. In addition, Nixu supported the coping and well-being of its personnel during the period of remote working.

Nixu's employee satisfaction is measured quarterly. In 2020, job satisfaction remained at a good level. In general, job satisfaction was affected not only by internal issues, such as the uncertainty caused by Nixu's restructuring, but also by external factors, such as general concern about the pandemic.

Nixu promotes diversity and the company's values create a solid base for the Nixu culture. Respect for diversity and equality is a foundational pillar of the Nixu work community and part of Nixu's Ethical Code of Conduct. By the end of 2020, more than one fifth (21%) of Nixu's employees were women and the personnel represented 17 nationalities. At the end of 2020, three of the six members of Nixu's Board

of Directors were women, and Board members represented three nationalities. Nixu actively aims at increasing the diversity of the industry by offering employment opportunities, training new cybersecurity experts, and seeking to get women in particular interested in cybersecurity.

Management

During the accounting period, Nixu's Board of Directors consisted of Kimmo Rasila (Chairman), Marko Kauppi (Deputy Chairman), Kati Hagros, Juhani Kaskeala (until April 7, 2020), Tuija Soanjärvi, Teemu Tunkelo (until March 24, 2020), Anders Silwer and Jaya Baloo (from April 8, 2020).

The Audit Committee consisted of the following members: Tuija Soanjärvi (Chair), Juhani Kaskeala (until April 7, 2020) ja Teemu Tunkelo (until March 24, 2020). As of April 8, 2020, the Audit Committee consisted of Tuija Soanjärvi (Chair), Marko Kauppi and Anders Silwer.

In 2020, the Personnel and Remuneration Committee consisted of the following members: Kati Hagros (Chair), Jaya Baloo and Kimmo Rasila.

Members of Nixu Corporate Leadership Team during the accounting period:

- Petri Kairinen (Chief Executive Officer)
- Janne Kärkkäinen (Chief Financial Officer)
- Kim Westerlund (Chief Development Officer)
- Katja Müller (Chief People Officer)
- Jesper Sveiby (Chief Commercial Officer)
- Valtteri Peltomäki (Market Area Leader, Finland)
- Björn-Erik Karlsson (Market Area Leader, Sweden), member of the Corporate Leadership Team as of Mar 1, 2020
- Niels Kemal Onat (Market Area Leader, Denmark) and Corporate Leadership Team member during Mar 1–15, 2020, as of Mar 16, 2020 Errit Müller has held this role
- Matthijs van der Wel (Market Area Leader, Benelux until Jun 30, 2020, Senior Advisor Jul 1 – Dec 31, 2020, member of the Corporate Leadership Team Mar 1 – Dec 31, 2020
- Pietari Sarjakivi (Business Area Leader, Managed security services until Sep 30, 2020, Senior Advisor as of Oct 1, 2020), member of the Corporate Leadership Team as of Mar 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.

Key figures for Personnel

	2020	2019	2018
Average number during the accounting period	399	388	346
Wages and salaries during the accounting period (EUR 1,000)	27,505	25,402	21,890
Average employment (years)	5.0	4.5	3.9
Average age (years)	41.8	40.6	40.0
Permanent employees	99%	96%	98%
Part-time employees	5%	6%	4%
Women's share of the group's personnel	21%	21%	18%

Shares issue decisions during the financial year:

There were no share issues during the accounting period. Nixu acquired a total of 10,000 own shares. The repurchased shares were acquired on the basis of the authorization given by the Annual General Meeting on April 7, 2020 and shall be used as a part of the Company's All-Employee Matching Share Plan 2019–2021.

The Board of Directors proposes that the AGM resolves to authorize the Board of Directors to resolve on the repurchase of the company's own shares in one or several instalments as follows:

Up to 730,100 shares can be acquired using funds belonging to the unrestricted equity of the company. The proposed amount corresponds to approximately ten (10) per cent of all the shares in the company on the date of the notice, taking into account the company's own shares already held by the company.

Acquisitions under the authorization are proposed to be carried out on the marketplace of which rules allow the company to trade with its own shares. The shares shall be repurchased through public trading on the marketplaces where the shares in the company are admitted to public trading. The consideration to be paid for the purchased shares shall be based on the market price.

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

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

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

The authorization is proposed to remain in force until the next AGM, however, up to June 30, 2021, whichever is the earliest and it would replace the authorization granted by the earlier AGM regarding on the repurchase of the company's own shares.

Authorization for a share issue

The Board of Directors proposes that the AGM resolves to authorize the Board of Directors to decide on the issuance of new shares through a share issue or by granting other special rights entitling to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, and/or disposing shares held by the company as follows:

The Board of Directors may, in one or more tranches, issue new shares or grant special rights entitling to shares in accordance with Chapter 10, Section 1 of the Companies Act and dispose treasury shares.

The total number of shares to be issued under the authorization may not exceed 1,485,000. The authorization includes the right to decide to issue either new shares or treasury shares either against payment or without consideration. New shares or treasury shares may be issued in deviation from the shareholder's pre-emptive rights, if there exists a weighty financial reason for the company to implement such directed share issue or, in the case of an issue without consideration, an especially weighty financial reason for it both for the company and with regard to the interests of all shareholders in the company.

Shares and shareholders

NIXU	Shares traded	Total value (EUR)	High (EUR)	Low (EUR)	Average price (EUR)	Latest (EUR)
Jan–Jun 2020	654,014	5,798,502	11.30	6.98	8.72	7.70
Jul–Dec 2020	1,076,144	9,498,588	10.20	7.70	8.68	9.62
Jan–Dec 2020	1,730,158	15,297,090	11.30	6.98	8.70	9.62

	December 31, 2020	December 31, 2019
Market capitalization (EUR)	71,215,071	77,834,547
Number of shareholders	3,987	3,475
Total number of shares	7,425,219	7,425,219
Number of the company's own shares held by the company	22,405	12,405

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

The Board of Directors is authorized to resolve on the other terms and conditions as well as actions pertaining to the issuance of shares, option rights and to the granting of other special rights entitling to shares as well as the disposal of treasury shares.

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

The authorization is proposed to remain in force until the next AGM, however, up to June 30, 2021, whichever is the earliest, and it would replace the previous authorizations granted regarding a directed share issue and the disposal of treasury shares.

Flagging Notifications

According to the announcement received by Nixu Corporation, Handelsbanken Fonder AB's holding in Nixu's shares decreased under 5 percent on December 22, 2020. (Stock Exchange Release December 23, 2020)

Research and Development

During 2020, Nixu implemented internal development projects and the Group recognized research and development costs amounting to EUR 775 (884) thousand through profit or loss in the financial year that ended December 31, 2020.

In 2020, Nixu started a development project to obtain ISO 27001 information security certification. As part of the certification process, Nixu continued to improve the processes of its information security management system and harmonized security practices across the Group. This work will continue in 2021.

In addition, Nixu participated in national and international projects during 2020, which received funding from the EU and Business Finland, among others.

In 2020, Nixu was involved in developing a digital identity and authentication infrastructure for Sitra's IHAN project. With the IHAN® project, Sitra is laying a foundation for a fair data economy, where successful digital services are based on trust and create value for everyone. The main objectives of the project are to create a human-driven method for data exchange and set up EU-level rules and guidelines for the ethical use of data.

As one of the founding members of the Findy consortium, Nixu contributed coordination work and provided technical expertise to its development in 2020. The Finnish Findy consortium coordinates an open, non-profit national digital trust infrastructure for Finland.

In 2020, Nixu participated in the Mad@Work project led by VTT Technical Research Centre of Finland. The project uses data collected from workplaces and other sources to improve employee wellbeing, safety, performance and working environments. The project seeks solutions within the international consortium of the ITEA3 cluster, which involves a total of 18 partners from five countries. Nixu has contributed its expertise by ensuring that privacy and data protection are sufficiently taken into account in data transfer in the project. Nixu also assesses the privacy of AI solutions and ethical issues.

Nixu is a member of the MEDINA consortium. The three-year MEDINA project, launched at the end of 2020, aims to provide a holistic framework that enhances cloud customers' control and trust in consumed cloud services by supporting CSPs (IaaS, PaaS and SaaS providers) towards the successful achievement of a continuous certification aligned with the EU CSA. The new EU Cybersecurity Act (EU CSA) seeks to improve trust in the European ICT market through a European certification scheme.

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 continued Covid-19 pandemic contributes to an increase in the likelihood of risks. Nixu has a large customer base, and for several client companies, Covid-19 poses still significant business challenges that may reflect in the amount of service purchased from Nixu. As the Covid-19 pandemic continues, cost reduction programs of clients may still have an unexpected impact on Nixu's business. The Covid-19 pandemic may affect different countries in different ways, depending on local constraints on the spread of the disease.

Nixu 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 poses a significant risk as the situation persists. As the exceptional situation prolongs, the well-being and resilience of personnel in a remote work environment can also be associated with a significant risk to the company's operations.

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's services are partly based on services and products provided by third parties, and dependent on their continuity, technical quality and the quality of third party services. Vendors' service performance has a direct impact on Nixu's service profitability. In the worst case, the company may even lose clients because of poor service quality produced by one of the third parties.

Nixu handles customer information in its operations. A breach to Nixu's systems and materialized cybersecurity threat may 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.

Although Nixu's strategy relies mainly on organic growth, the company is also constantly searching for growth opportunities from acquisitions. If the acquired companies do not meet the set targets or if Nixu fails to integrate the acquired companies, both could seriously disrupt the company's operations. Potential acquisitions can also present unexpected risks and latent liabilities for which the company cannot prepare in advance.

Nixu's business requires great trust from its clients. Information security attacks 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.

Nixu operates in a highly competitive market. If competition increases, Nixu may lose market share and see a decrease in its margins. Losing any of the ten largest clients or losing a significant number of clients from the continuous services client base within a short period of time may also affect the 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 consultancy business. Implementing these changes can be challenging, potentially causing substantial direct and indirect consequences for Nixu.

There is a strong demand for skilled cybersecurity professionals in the current labor market, which has increased employee turnover and can lead to slower recruitment and increased salary costs. The demand for the services provided by the company may decrease if the company is unable to maintain the competence of its personnel at the correct technical level and adapt to changes in its clients' business operations.

Future outlook

The demand for cybersecurity services is directly linked to the level of digitalization of companies and society. Digitalization requires organizations to pay great attention to cybersecurity and invest in ensuring the continuity of digital business operations. The Covid-19 pandemic and the ensuing restrictions led to a wave of digitalization, the impact of which will be felt long after the pandemic has subsided. The research company IDC predicts security services will be the largest and fastest-growing segment of the security market that consists of services, software and hardware, and the services account for roughly half of all spending throughout the 2020–2024 forecast period, attaining a 10.5% five-year CAGR.

Events after the review period

On February 9, 2021, the company announced a new operating model and the supporting organizational structure and Corporate Leadership Team. The operating model aims at a unified way of operating internationally and increasing customer intimacy and focus.

Financial Guidance for 2021

Nixu estimates its revenue to grow organically and its EBITDA to increase from 2020.

Simultaneously investments to growth are increased.

The Board of Directors' proposal for the distribution of profits

On December 31, 2020, the parent company's assets subject to profit distribution amounted to 16,103,961.15 EUR of which the loss for the year amounts to EUR 5,016,744.64. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2020.

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

Consolidated Statement of Comprehensive Income

EUR thousand	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Revenue	2.1	53,272	51,168
Other operating income	2.4	533	385
Materials and services	2.3	-12,245	-10,026
Employee benefit expenses	3.1, 3.2, 3.3	-33,456	-31,322
Other operating expenses	2.4	-5,210	-9,159
Depreciation and amortization	4.2, 6.1	-2,176	-2,048
Impairment charges	4.2	-1,420	-1,627
OPERATING RESULT		-702	-2,628
Finance income	5.2	3	4
Finance expenses	5.2	-566	-505
Interest expenses on lease payments	5.2, 6.2	-103	-114
Finance income and expenses, net		-666	-616
Result before taxes		-1,368	-3,244
Income tax expense	2.5	-468	-274
RESULT FOR THE PERIOD		-1,835	-3,518
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation differences		223	-146
Other comprehensive income for the period, net of tax		223	-146
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-1,612	-3,663
Result for the period attributable to:			
Owners of the parent		-1,835	-3,518
RESULT FOR THE PERIOD		-1,835	-3,518
Total comprehensive income for the period attributable to:			
Owners of the parent		-1,612	-3,663
TOTAL COMPREHENSIVE INCOME		-1,612	-3,663
Earnings per share for profit attributable to the owners of the parent during the year	2.6		
Basic and diluted earnings per share, EUR		-0.25	-0.48

Notes are an integral part of the Financial Statements.

Consolidated Statement of Financial Position

EUR thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	4.2	12,716	13,919
Other intangible assets	4.2	2,509	2,938
Tangible assets	6.1	404	520
Right-of-use assets	6.1, 6.2	2,555	3,407
Other receivables		252	253
Deferred tax assets	8.1	62	0
Total non-current assets		18,499	21,037
Current assets			
Inventories		6	4
Trade receivables and other receivables	7.1	16,140	16,175
Current income tax receivables		35	115
Cash and cash equivalents		6,031	3,923
Total current assets		22,213	20,217
TOTAL ASSETS		40,712	41,255
EQUITY AND LIABILITIES			
Equity			
Share capital		95	95
Invested unrestricted equity reserve		19,314	19,314
Translation differences		-364	-587
Retained earnings		-3,203	82
Result for the period		-1,835	-3,518
Total equity attributable to owners of the parent	3.2, 5.4	14,007	15,385
Liabilities			
Non-current liabilities			
Borrowings	5.1, 5.3	4,971	0
Lease liabilities	5.1, 6.2	1,447	2,117
Deferred tax liabilities	8.1	215	332
Other non-current liabilities		282	98
Total non-current liabilities		6,916	2,548
Current liabilities			
Borrowings	5.1, 5.3	621	7,338
Lease liabilities	5.1, 6.1	1,237	1,455
Trade payables and other payables	7.2	17,336	14,380
Current income tax liabilities		596	148
Total current liabilities		19,789	23,321
Total liabilities		26,705	25,869
TOTAL EQUITY AND LIABILITIES		40,712	41,255

Notes are an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

EUR thousand	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Cash flows from operating activities			
Result for the period		-1,835	-3,518
Adjustments for:			
Depreciation and amortization	4.2, 6.1	3,597	3,675
Other non-cash adjustments ¹⁾		279	410
Finance income and expenses, net	5.2	666	616
Income tax expense	2.5	468	274
Changes in working capital			
Change in trade receivables and other receivables		-102	-2,347
Change in inventories		-2	-1
Change in trade payables and other payables		2,861	2,690
Interests paid		-403	-381
Other finance income and expenses, net		-126	-28
Income taxes paid		-127	-158
Net cash flows generated from operating activities		5,275	1,233
Cash flows from investing activities			
Purchases of tangible assets	6.1	-76	-324
Purchases of intangible assets	4.2	-96	-128
Payments for business acquisitions, net of cash acquired	4.1	0	-6,602
Loans granted	3.2	0	-542
Proceeds from loans receivable		366	178
Net cash from investing activities		194	-7,418
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	3.2, 5.4	0	1,111
Proceeds from borrowings	5.1	0	2,481
Repayments of borrowings	5.1	-1,737	-1,630
Purchase of own shares	5.4	-91	0
Lease liability repayments	5.1	-1,547	-1,131
Net cash from financing activities		-3,375	831
Net decrease(-)/increase in cash and cash equivalents		2,094	-5,354
Cash and cash equivalents at the beginning of the period		3,923	9,286
Exchange gains/losses (-) on cash and cash equivalents		14	-9
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		6,031	3,923

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

Notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

		Attributable to owners of the parent				
EUR thousand	Note	Share capital	Invested unrestricted equity reserve	Cumulative translation difference	Retained earnings	Total
Equity at 1 Jan 2019		95	17,285	-441	-118	16,820
Result for the period					-3,518	-3,518
Other comprehensive income for the period:						
Translation differences				-146		-146
Total comprehensive income for the period		0	0	-146	-3,518	-3,663
Transactions with owners:						
Issue of shares as consideration for a business combination	4.1, 5.4		900			900
Share issue related to 2019 share-based compensation	3.2, 5.4		1,128			1,128
Share based payments to employees	3.2				200	200
Total transactions with owners:		0	2,029	0	200	2,229
EQUITY AT 31 DEC 2019		95	19,314	-587	-3,436	15,385
Equity at 1 Jan 2020		95	19,314	-587	-3,436	15,385
Result for the period					-1,835	-1,835
Other comprehensive income for the period:						
Translation differences				223		223
Total comprehensive income for the period		0	0	223	-1,835	-1,612
Transactions with owners:						
Share based payments to employees	4.1, 5.4		0		324	324
Purchase of own shares	5.4				-91	-91
Total transactions with owners:		0	0	0	234	234
EQUITY AT 31 DEC 2020		95	19,314	-364	-5,038	14,007

Notes are an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

Section 1: Notes on Financial Statements

These consolidated interim financial statements comprise of Nixu Corporation ("the Company") or ("the Parent Company") and its subsidiaries (together referred to as the "Group" or "Nixu").

Nixu is a cybersecurity services company on a mission to keep the digital society running. Our passion is to help organizations embrace digitalization securely. Partnering with our clients we provide practical solutions for ensuring business continuity, an easy access to digital services and data protection. We aim to provide the best workplace to our team of over 400 cybersecurity professionals with a hands-on attitude. With Nordic roots we serve enterprise clients worldwide. Nixu shares are listed on the Nasdaq Helsinki stock exchange. The Nixu Corporation shares are listed on the Official List of Nasdaq Helsinki stock exchange. The Parent Company domicile is in Espoo, and the registered address is Keilaranta 15, 02150 ESPOO. A copy of the financial statements is available on the Internet at www.nixu.com.

Nixu's Board of Directors has approved these financial statements in their meeting on February 17, 2021. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General meeting of Shareholders.

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

- Result for the year;
- People;
- Acquisitions and group structure;
- Interest-bearing Net Debt and Equity and
- Other assets and liabilities

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

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

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

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

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

Basis of preparation

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

Key accounting estimates

In preparing these financial statements, management are required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting

policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

- Revenue: Revenue recognition of large fixed-price projects (note 2.1.)
- Revenue: Recognition of license revenue – Nixu as an agent (note 2.1.)
- Segment information: aggregation of operating segments (note 2.2.)
- Acquisitions: Determination of the fair value of the net assets acquired (note 4.1.)
- Acquisitions: Management judgement relating to the determination of contingent consideration (note 4.1.)
- Intangible assets, including goodwill impairment testing: Allocation of goodwill and estimation of the carrying value (note 4.2.)
- Intangible assets, including goodwill impairment testing: The economic useful life of customer relationships (note 4.2.)
- Deferred taxes: Recognition of deferred tax assets and deferred tax liabilities (note 8.1.)

The Group has estimated the accounting effects of the Covid-19 pandemic. In general, the Covid-19 pandemic has not had a significant impact on Nixu's figures and asset values in the 2020 period. Most of the customers' digitalization projects have continued despite the pandemic. Nixu estimates that the rapid increase in digitalization in companies due to the pandemic and the possible postponed implementation of information security projects will be reflected in the growing demand for cybersecurity services in the future.

Impact in the financial reporting of the Covid-19 pandemic

During the review period, Nixu launched a Group-wide restructuring and cost saving program to prepare for the recession caused by the Covid-19 pandemic.

In accordance with IAS 36, non-financial assets must be tested for impairment whenever there is an indication that their value may be impaired. In addition, goodwill is tested

at least annually. Nixu monitored the development of the situation during the year and assessed its impact on financial reporting, including non-current assets and the valuation of trade receivables. For more information on impact, see Section 4.2 of the notes “Intangible assets, including goodwill impairment testing”.

The Group reviewed its model of expected credit losses on trade receivables and determined that there was no need for change.

The Nixu B.V. unit received a grant from the authorities intended to support employment or temporarily secure cash flow. A total of EUR 337 thousand has been recorded in grants received.

To prepare for the potential impact of the Covid-19 pandemic, the company signed a new EUR 4,000 thousand credit facility agreement in addition to the existing credit facility of EUR 1,500 thousand. For more information on financing arrangements, see Section 5.1 of the notes “Net interest-bearing debt”.

Section 2: Result for the period

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

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

2.1 Revenue

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

The **Projects and assignments** area includes one-off assignments, whose duration and scope range from extensive delivery projects to individual audit and consultancy assignments.

All continuous services include:

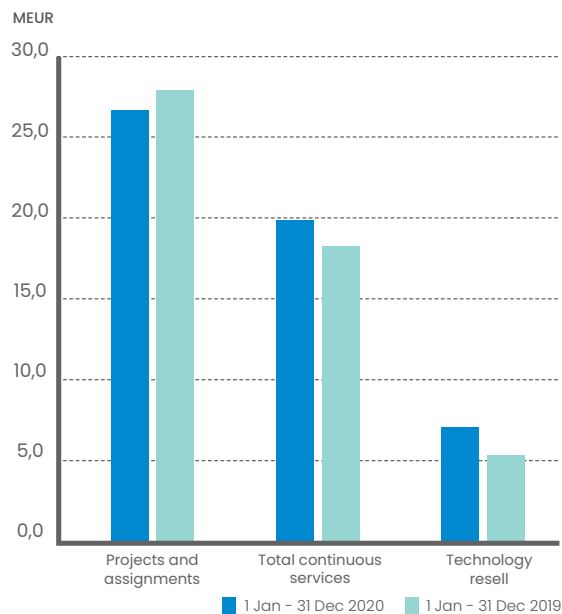
- Managed services include services such as Nixu CDC services and continuous identity and access management services, where Nixu takes the management responsibility for the technology provided and a continuous operational role in supporting customer operations. Managed security services also include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

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

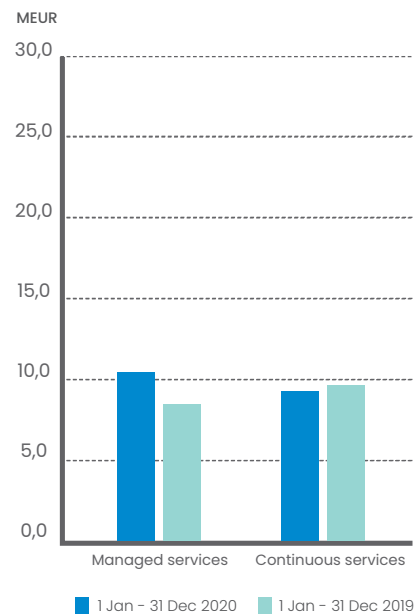
EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Service type:		
Projects and assignments	26,529	27,706
Total continuous services	19,746	18,172
Managed services	10,446	8,485
Continuous services	9,300	9,688
Technology resell	6,998	5,290
Total	53,272	51,168

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Finland	32,395	31,586
Sweden	8,834	8,830
Denmark	7,364	5,455
The Netherlands	1,343	1,623
Norway	1,027	374
Belgium	730	928
Other	1,579	2,372
Total	53,272	51,168

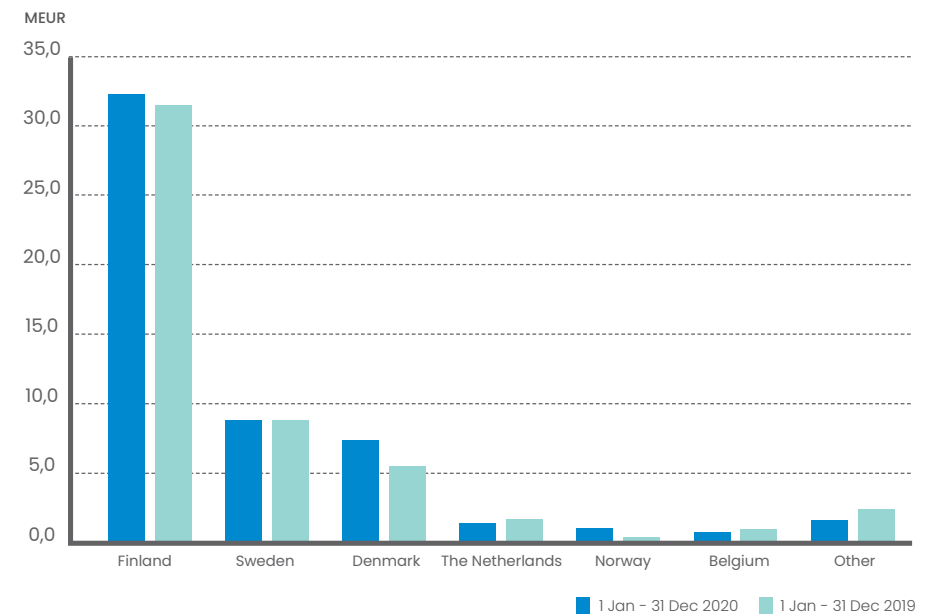
Revenue by type of service



Total continuous services in detail



Revenue by geography



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

Contractual assets and liabilities

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

EUR thousand	31 Dec 2020	31 Dec 2019
Contract assets – Projects and assignments	944	973
Receivables	9,540	11,124
Contract assets and receivables total	10,484	12,098
Costs to obtain contracts with customers		
Managed services (CDC)	12	18
Licenses	3,137	1,255
Costs to obtain contracts with customers total	3,149	1,273
Contract liabilities¹		
Projects and assignments	734	596
Managed services	22	37
Continuous services	148	87
Licenses	3,436	1,535
Contract liabilities total	4 341	2,255

¹⁾ Included in accrued expenses, see Note 7.2. Trade payables and other liabilities.

of the license in advance. Production licenses paid in advance that will be charged from customers in future and had been periodized was EUR 650 (619) thousand.

Contract liabilities

Contract liabilities are recognized for payments received from services that have not been provided. Revenue from CDC implementation services has been recognized by Nixu as a contract liability 22 (37) and amortized over the period during which continuous managed CDC services are provided. In all continuous services, i.e. managed cybersecurity services and continuous services the performance provided is typically based on a fixed monthly fee, and payment takes place monthly.

For some CDC contracts, CDC projects include service level agreements that are monitored on a monthly basis and, if necessary, recognized. Some customers have been granted volume discounts based on turnover which are recognized. Such volume discounts for 2020 are EUR 5 (115) thousand.

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

From contract liabilities, a revenue of EUR 2,018 (1,386) thousand has been recognized for the reporting period.

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

Projects and assignments

Revenue from projects and assignments is recognized over time in the accounting period in which the services are rendered. The performance related to the projects does not create an asset with an alternative use, and Nixu has an enforceable right to payment for the performance completed.

For projects and assignments agreements which are invoiced on time incurred, revenue is recognized in the amount to which Nixu has a right to invoice on monthly basis. Revenue from fixed-price projects is recognized based on service provided by the end of the reporting period as a proportion of the total services to be provided. This is de-

Accounting policy

All revenue is recognized on a gross basis, because Nixu acts as a principal towards the customer. Revenues are reported after the deduction of indirect taxes and any discounts allowed.

Nixu accounts for each service and license as a separate performance obligation, because they are separately identifiable and customer can benefit from each service and product separately. Service contracts do not involve significant customization of the software.

Contracts with customers include some variable consideration, such as discounts, target prices, or sanctions related to the achievement of a service level in continuous services. Nixu estimates the amount of variable consideration based on expected value at the inception of the contract and at the end of each reporting period, and includes in the transaction price only the amount that meets criteria of being highly probable. The transaction price is allocated to the performance obligations based on their relative stand-alone selling prices. Nixu does not grant its customers payment terms exceeding one year, and the contracts do not include significant financing components.

Contract assets

Contract assets are recognized for provided services that have not yet been invoiced. For projects and assignments, invoicing is typically based on the performance agreed upon in the contract which is invoiced monthly on an hourly basis in accordance with the work performed. The charge may also be based on a fixed price which is invoiced gradually. A separate hourly rate has been determined for additional work. The change in the contract assets is mainly due to a normal seasonal variation and to the fact that some of the projects require prior approval of an invoice according to the customer's process before the actual invoice can be sent.

The Cyber Defence Center (CDC) service contracts include set-up costs relating to the implementation of the service, which are capitalized as costs to fulfil a contract and amortized over the contract period. In 2020, the accrued amount of costs to fulfill a contract be amortized on later periods was EUR 12 (18) thousand. The CDC service launched in 2015 has grown significantly in a short period of time, which explains the change the assets and liabilities. CDC service production needs production licenses, the costs of which are charged from customer as part of the monthly invoice; however, Nixu pays to license vendor for the next year's use

terminated based on the actual labour hours spent in proportion to the total expected labour hours. If the services rendered by Nixu exceed the payment, a contract asset is recognized. The contract asset is transferred to receivables when entitlement to payment becomes unconditional. If the payments exceed the services rendered, a contract liability is recognized.

Managed services and continuous services

When Nixu's customer receives and consumes simultaneously the benefits from the services, Nixu recognizes revenue as managed services, other continuous services, software when provided as a service (SaaS), and maintenance services are provided. As a general rule, revenue is recognized in the amount to which Nixu has a right to invoice on monthly basis.

Contracts on continuous services normally include only one performance obligation, which is a series of distinct services. Contractual penalties relating to service levels are recognized as an adjustment to revenue. The requirement for the allocation of variable consideration to a distinct service in a series is met in continuous services, where Nixu allocates and recognizes variable consideration in the period during which it has a contractual right to a fee.

Technology resell

Revenue from software licenses is recognized at a point in time upon delivery of the software when the customer has obtained an access to software and the customer is able to benefit from the software. License revenue also includes maintenance services, for which revenue is recognized over time as the customer simultaneously receives and consumes the benefit from the service. Revenue from hardware is typically recorded at the time when the customer's approval of the delivery is received. Equipment maintenance and the license allowing updates are recognized over time as the customer simultaneously receives and consumes the benefits of service.

Contract costs

Where the criteria for capitalization are met, Nixu recognizes as an asset the incremental costs of obtaining a contract, such as sales bonuses, and the costs to fulfil a contract, such as set-up costs at the inception of the contract.

The incremental costs of obtaining a contract and costs to fulfil a contract that meet the capitalization criteria are presented in the statement of financial position as part of the contract asset. Any incremental costs of obtaining a contract are recognized as an expense as incurred if the amortization period of such capitalized costs would be one year or less. Costs to fulfil a contract recognized as an asset are amortized in 1 to 3 years depending on the contract period.

Application of practical expedients

Nixu applies practical expedient permitted in IFRS 15 of recognizing incremental costs of obtaining contract and disclosing part of unrecognized revenue of projects and assignments and managed services and continuous services (transaction price allocated to performance obligations not satisfied) as contracts of these services have an expected duration of less than one year (contracts for managed services and continuous services are continued until further notice or can be terminated within a year as a general rule) or Nixu recognizes revenue based on invoicing.

Key judgements and estimates

Fixed-price projects

The fixed-price projects mainly consist of separate audit and consultation assignments with an average duration of [6] months. The deliveries of some more extensive fixed-price solutions may involve uncertainties, such as delays in projects or costs incurred in excess of initial estimates. For this types of projects, management uses judgement and assesses the amount recognized as revenue from the project. Estimates of revenues, costs or extent of progress toward completion of projects and assignments are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

License revenue – Nixu as principal

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

services and the license owning party only provides limited support services to Nixu, Nixu has concluded to be a principal on the arrangement. If Nixu does not have above obligations, Nixu will consider acting as an agent.

2.2 Segment information

Nixu has only one reportable segment. Nixu's CEO is the Group's chief operating decision maker (CODM) and operating segments are determined on the basis of information reviewed by the CEO for the purposes of allocating resources and assessing the operating segment's performance.

The CODM of Nixu has determined that in the fiscal year 2020 there are four operating segments: Finland, Sweden, Netherlands and Denmark. All operating segments provide cyber security services consisting of projects and assignments, continuous services and license sales. The management of Nixu has decided to aggregate these operating segments into one reportable segment that consists all Nixu's operations. Therefore separate segment information is not disclosed.

Key judgements and estimates

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

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

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

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

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

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

EUR thousand	31.12.2020	31.12.2019
Finland	4,910	5,302
Sweden	6,716	7,028
Netherlands	719	2,463
Denmark	5,840	5,992
Total	18,185	20,784

2.3 Materials and services

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Subcontracting	2,766	2,491
Hosting and technology resell related expenses	9,479	7,535
Total	12,245	10,026

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

2.4 Other operating income and expenses

Other operating income includes mainly grants received. The amount of grants for the financial year ended December 31, 2020 was EUR 406 (237) thousand.

Accounting policy

Government grants received as cash are recognized when there is a reasonable assurance that the grant will be received and the Group will comply with the attached conditions. Government grants are recognized in the income statement in the period necessary to match them with the costs they are intended to compensate.

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

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Marketing expenses	794	1,198
Personnel related expenses	1,297	3,080
ICT expenses	1,209	1,231
Facilities	457	526
External services	1,194	1,869
Other operating expenses	259	1,255
Total	5,210	9,159

Other operating expenses include general expenses such as marketing expenses, fees of experts and consultants, as well as costs related to telecommunications and information technology.

Auditors' fees

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Statutory audit	153	127
Tax advisory services	10	8
Other services	8	10
Total	171	145

Accounting policy

Research and development costs are expensed as incurred, except for certain development costs, which are capitalized as they generate future economic benefits, and Nixu can measure the cost reliably.

Nixu does not have any capitalized development costs in its financial statements. In the financial year ended December 31, 2020, the Group recognized EUR 775 (884) thousand in research and development expenses through profit or loss.

2.5 Income taxes

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Current tax on result for the period	639	467
Adjustments in respect of prior years	16	2
Total current income tax expense	655	469
Deferred tax		
Change in deferred tax assets	239	270
Change in deferred tax liabilities	-427	-464
Total deferred tax	-187	-195
Income tax expense	468	274

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

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Result before taxes	-1,368	-3,244
Tax calculated at Finnish tax rate 20%	-274	-649
Tax effect of:		
Effect of other tax rates for foreign subsidiaries	-35	-55
Expenses not deductible for tax purposes ¹	359	298
Utilization of previously unrecognized tax losses	0	-9
Unrecognized deferred tax assets on tax losses ²	408	548
Change in income tax rates	0	0
Other items	-2	-2
Adjustment in respect of prior years	11	144
Income tax expense in income statement	468	274

¹) Non-deductible expenses mainly include transaction costs for acquisitions, expenses treated as personnel expenses in connection with acquisitions, and expenses related to share based payments. Expenses not deductible in 2020 include a write-off on goodwill of EUR 1,420 (1,000) thousand.

²) The operations of the Group's subsidiaries Nixu B.V and Nixu AB, have been unprofitable and the Group has not recognized any deferred tax assets for these losses. In 2020, the amount of losses for which no deferred tax asset was recognized is EUR 2,004 (3,341) thousand. This has a significant impact on the Group's effective tax rate. Further information on the Group's deferred taxes is presented in Note 8.1.

Accounting policy

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group companies operate and generate taxable income. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6 Earnings per share

	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Result for the period attributable to the owners of the parent	-1,835,236	-3,517,694
Weighted average number of shares, undiluted	7,410,832	7,349,525
Earnings per share, basic (EUR)	-0.25	-0.48
Impact of shares related to share based incentive plan	44,046	25,851
Weighted average number of shares, fully diluted	7,454,877	7,375,375
Earnings per share, diluted (EUR)	-0.25	-0.48

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

Accounting policy

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the reporting period (excluding any treasury shares).

Diluted earnings per share adjusts the figures used in the determination of the basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Section 3: Personnel

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

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

3.1 Employee benefits

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Wages and salaries	27,505	25,402
Social security expenses	2,054	2,116
Share-based payments	324	200
Pension expenses – defined contribution plans	3,572	3,603
Total	33,456	31,322
	2020	2019
Number of employees at the end of period	373	419
Average number of employees during the period	399	388

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

Group employees are included in the performance-based annual bonus scheme. The annual bonus is based on the financial ratios of the group, the unit and the team and the achievement of personal performance targets. In Finland, annual bonuses are transferred to the Personnel Fund if the person so wishes to increase the commitment of the personnel to long-term goals and promote its interest in the Group's financial success. The Personnel Fund is a personnel fund owned and managed by the employees in accordance with the Employees Fund Act, which owned 120,465 Nixu shares on December 31, 2020. The amount of annual bonuses transferred to the Personnel Fund in 2020 was EUR 291 thousand. The Personnel Fund was established in October 2016.

Accounting policy

Liabilities related to short-term employee benefits

Short-term employee benefits include salaries including fringe benefits and vacation pays payable within 12 months. Short-term employee benefits are recognized as other liabilities in respect of employee service up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled.

A liability is recognized for the amount expected to be paid under short-term bonus plan if the criteria for paying such bonuses are met.

Defined contribution plans

For defined contribution plans, contributions are paid to pension insurance companies. Once the contributions have been paid, there are no further payment obligations. Contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

3.2 Employee share-based incentive plan

The 2019 share-based incentive plan

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

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

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

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

Share-based incentive plan 2019–2021

Plan	All-Employee Matching Share Plan 2019–2021
Annual General Shareholders' Meeting date	25 Apr 2018
Initial amount, pcs	50,000
Dividend adjustment	No
Grant Date	6 Jun 2019
Beginning of earning period	6 Jun 2019
End of Earning period	31 Mar 2021
End of restriction period	31 Mar 2021
Vesting Conditions	Own investment and Continued Employment
Maximum contractual life, yrs	1.8
Remaining contractual life, yrs	0.2
Number of persons at the end of reporting year	146
Payment method	Cash and Equity

Changes during the period

1 Jan 2020

Outstanding in the beginning of the period	49,213
Reserve in the beginning of the period	787

Changes during period

Granted	0
Forfeited	6,216
Earned (gross)	0
Delivered (net)	0

31 Dec 2020

Outstanding at the of the period	49,997
Reserved at the of the period	7,003

No new shares were granted during the 2020 financial year.

The incentive plan is classified as an equity-settled share-based incentive plan. On the review period ended December 31, 2020, the plan increased the company's employee benefit expenses and retained earnings by EUR 238 (150) thousand.

In connection with these shares, Nixu no longer had any loan receivables on 31 December 2020 (31 December 2019, the loan receivable was EUR 366 thousand).

Issuance of stock options to key employees

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

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

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

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

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

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

The share subscription price shall be the following:

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

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

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

Plan	Nixu Corporation Stock Options 2019A
Annual General Shareholders` Meeting date	25 Apr 2018
Initial amount, pcs	115,000
The subscription ratio for underlying shares, pcs	1
Initial exercise price, €	12.09
Dividend adjustment	Yes
Current exercise price, €	12.09
Initial allocation date	14 Jun 2019
Vesting date	1 Oct 2021
Maturity date	31 May 2023
Own Investment in Nixu shares, performance targets in; Revenue, Employee Net Promoter Score and Customer Satisfaction	
Vesting conditions	
Maximum contractual life, yrs	4
Remaining contractual life, yrs	2.4
Number of persons at the end of reporting year	52
Payment method	Equity

Changes during period 2019A**1 Jan 2020**

Outstanding in the beginning of the period	110,700
Reserve in the beginning of the period	4,300

Changes during period

Granted	0
Forfeited	9,200
Invalidated during period	0
Exercised	0
Weighted average subscription price, €	0
Weighted average price of shares, € *)	0
Expired	0

31 Dec 2020

Exercised at the end of period	0
Outstanding at the of the period	101,500
Vested and outstanding at the of the period	0
Reserved at the of the period	13,500

*weighted average price for the company share during the reporting period or partial instrument term there in 2020

The incentive plan is classified as an equity-settled share-based incentive plan. On the review period ended December 31, 2020, the plan increased the company's employee benefit expenses and retained earnings by EUR 86 (50) thousand.

Accounting policy

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

3.3 Information on key management personnel disclosures

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

Remuneration of the Members of the Board

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Salaries, remuneration and benefits		
Kimmo Rasila	39	38
Marko Kauppi	31	28
Jaya Baloo	15	0
Kati Hagros	21	19
Juhani Kaskeala	6	20
Anders Silwer	21	13
Tuija Soanjärvi	25	21
Teemu Tunkelo	6	20
Total	165	158

There are 6 members on the Board of Nixu. In 2020, Nixu's Annual General Meeting decided that the Board's remuneration will be the same. The Chairman of the Board receives a fee of EUR 3,200 (3,200), Deputy Chairman EUR 2,400 (2,400) and other members of the Board of Directors EUR 1,600 per month (1,600). Travel expenses will be reimbursed in accordance with Nixu's travel policy.

The audit committee members in 2020 were Tuija Soanjärvi (Chair), Marko Kauppi (member) and Anders Silwer (member). For the work of the Audit Committee, the Chair of the Committee will be paid an annual remuneration of EUR 4,000 (2,000) and each Member will be paid an annual remuneration of EUR 2,000 (1,000). Nixu's Personnel and Remuneration Committee was established in 2020. The chairman was Kati Hagros, the other members were Jaya Baloo and Kimmo Rasila. For the work of the Committee, the Chair of the Committee will be paid an annual remuneration of EUR 2,000 and each Member will be paid an annual remuneration of EUR 1,000.

Corporate Leadership Team salaries and fees

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Management team remuneration (except CEO)		
Wages, salaries and benefits	1,078	650
Share-based payments	21	21
Pension expenses		
– defined contribution plans	163	119
Total	1,262	790

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

The remuneration of the CEO

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Wages, salaries and benefits	160	229
Share-based payments	7	7
Pension expenses		
– defined contribution plans	28	41
Total	195	278

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

Board and management shareholdings

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

Name	Role	Shares
Kimmo Rasila	Chairman of the Board	157,132
Shares held by related parties		4,000
Marko Kauppi	Vice-Chairman of the Board	16,000
Through Tenendum Oy		248,800
Jaya Baloo	Member of the Board	0
Kati Hagros	Member of the Board	3,239
Anders Silwer	Member of the Board	0
Tuija Soanjärvi	Member of the Board	0
Petri Kairinen	CEO	37,640
Janne Kärkkäinen	CFO, deputy CEO	7,455
Björn-Erik Karlsson	Sweden Market Area Leader	1,000
Errit Müller	Market Area Leader (deputy)	0
– Through Secbit A/S,	(non-Finnish, nominee registered)	27,181
Katja Müller	CPO	1,000
Valtteri Peltomäki	Finland Market Area Leader	8,787
Pietari Sarjakivi	Senior Advisor	8 001
Jesper Sveiby	CCO	50
Matthijs van Der Wel	Senior Advisor	1 000
Kim Westerlund	CDO	27 109

Section 4: Acquisitions and group structure

This section provides information on Nixu's group structure, the acquisitions done during the reporting period, the assets acquired and liabilities assumed as well as the goodwill and other intangible assets recognized related to the acquisitions.

- Acquisitions
- Intangible assets including goodwill impairment testing
- Group structure

4.1 Acquisitions

Nixu acquired Ezenta A/S 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.

There were no acquisitions during the review period

4.2 Intangible assets, including goodwill impairment testing

EUR thousand	Goodwill	Customer relationships	Other intangible assets	Total
2020				
Cost at 1 January	14,919	4,578	385	19,883
Exchange differences	273	91	0	364
Cost at 31 December	15,192	4,670	385	20,247
Accumulated amortization and impairment at 1 January	1,000	1,736	289	3,025
Amortization	0	390	96	487
Impairment charges	1,420	0	0	1,420
Exchange differences	55	33	0	89
Accumulated amortization and impairment at 31 December	2,476	2,160	385	5,021
Net book amount at 1 January	13,919	2,842	96	16,858
Net book amount at 31 December	12,716	2,509	0	15,226
EUR thousand	Goodwill	Customer relationships	Other intangible assets	Total
2019				
Cost at 1 January	9,556	2,082	385	12,023
Acquisition of subsidiaries	5,475	2,526	0	8,001
Exchange differences	-112	-29	0	-142
Cost at 31 December	14,919	4,578	385	19,883
Accumulated amortization and impairment at 1 January	0	737	160	897
Amortization	0	375	128	503
Impairment charges	1,000	627	0	1,627
Exchange differences	0	-2	0	-2
Accumulated amortization and impairment at 31 December	1,000	1,736	289	3,025
Net book amount at 1 January	9,556	1,345	225	11,126
Net book amount at 31 December	13,919	2,842	96	16,858

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

Nixu utilizes in its cybersecurity services and continuous services mainly licensed technology and software provided by third parties.

Accounting policy

Goodwill represents the excess amount the Group has paid in acquiring a business over the fair value of the assets and liabilities acquired. Goodwill is carried at cost less any accumulated impairment losses and is considered as having an indefinite useful economic life. It is allocated to the cash generating unit of which the acquisition forms part. Goodwill is not amortized and is tested for impairment at least annually or when there is an indication of impairment.

Customer relationships, which are considered separately identifiable, are acquired assets obtained through business combinations and they are measured at fair value at the date of acquisition. Customer relationships are subsequently carried at cost less accumulated amortization and impairment losses. Customer relationships are amortized in 10 to 12 years. Amortization period of customer relationships is based on the Nixu's historical length of customer relationships and customer churn. All other intangible assets are carried at cost less any accumulated amortization and impairment losses. Other intangible assets are amortized in 3 to 5 years.

Key solutions and estimates based on judgment

Nixu's management has estimated the useful life of the customer relationships recognized on the acquisitions. Useful lives are estimated at each balance sheet date and adjusted when necessary.

Goodwill impairment testing

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

EUR thousand	31.12.2020	31.12.2019
Finland	3,157	2,900
Sweden	5,032	4,834
Netherlands	0	1,677
Denmark	4,527	4,508
Total goodwill	12,716	13,919

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

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

	Finland	Sweden	Netherlands	Denmark
31.12.2020	9%	9%	9%	9%
31.12.2019	8%	9%	8%	9%

- The long-term EBITDA percentages are shown below:

	Finland	Sweden	Netherlands	Denmark
31.12.2020	12%	10%	11%	9%
31.12.2019	11%	9%	9%	8%

- Other key assumptions used in the periods presented were the average annual growth rate of net sales (10% -14%) and the average EBITDA margin (-2% -11%).

The company has taken into account the general uncertainty of economic situation caused by the Covid-19 pandemic by lowering the growth rate in 2022 and thus the EBITDA assumption.

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

The recoverable cash flow based on value in use in 2020 exceeded the book value by EUR 53,7 (44.5) million in Finland, EUR 0.7 (-1.0) million in Sweden and EUR 3.5 (0.3) million in Denmark.

The company decided to reorganize its Netherlands-functions resulting to changes in cash-generating unit and need for impairment of MEUR 1.4 after which no goodwill is allocated to Netherlands.

Sensitivity

The recoverable amount of the cash-generating unit in Sweden would be equal to its book value as of December 31, 2020 if any of the key assumptions changed as follows (with other assumptions remaining unchanged):

- the average annual growth rate of revenue would have dropped from 13% to 11%; or
- the long-term EBITDA margin would have dropped from 10.4% to 9.8%

The recoverable amount of the cash-generating unit in Denmark would be equal to its book value as of December 31, 2020 if any of the key assumptions changed as follows (with other assumptions remaining unchanged):

- the average annual growth rate of revenue would have dropped from 14% to 2%; or
- the long-term EBITDA margin would have dropped from 9% to 6%

Goodwill arose from the acquisitions carried out in previous financial years.

Key solutions and estimates based on judgment

Management makes significant estimates and judgements in determining the level at which the goodwill is allocated to and in assessing the carrying value of goodwill. Nixu tests goodwill annually and other intangible assets when there is an indication that the assets may be impaired (assessed at least each reporting date). The goodwill is allocated to groups of cash-generating units, which are the operating segments of Nixu, reflecting the lowest levels at which the goodwill is monitored for internal management purposes. The recoverable amount is the higher of CGU's fair value less costs of disposal and value in use. The value in use calculations are based on discounted cash flows expected to arise from the goodwill.

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

- forecasting of future cash flows – these are based on the Nixu's latest approved internal five year forecasts and reflect expectations of revenue growth, operating expenses, EBITDA margin, capital expenditure and cash flows, based on past experience and management's expectation of future market changes.

- discount rates applied to those cash flows – pre-tax discount rates used are the weighted average expense of capital determined by current market inputs and adjusted for the risks specific to the CGU. The adjusted after-tax discount rate is translated to a pre-tax rate for each cash generating unit (CGU) based on the specific tax rate applicable to where the CGU operates.
- the expected long-term growth rates – cash flows beyond the five year period (after year 2025) are extrapolated using estimated growth rates. The growth rates are based on the expected long-term performance of each CGU in their respective market and are consistent with the long-term average growth rates of the cybersecurity service market.

Estimates and judgements are subject to change as a result of changing economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

Goodwill's carrying amount is written down to its recoverable amount if goodwill's carrying amount is greater than its estimated recoverable amount. An impairment loss recognized for goodwill is not reversed in a subsequent period. Any impairment charge is recognized in the income statement if the carrying amount of a CGU exceeds its recoverable amount.

Other intangible assets are tested by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

Impact of IFRS 16 adoption has taken into account.

4.3 Group structure

Consolidated companies in the Financial Statement

	Parent Proportion, %	Group Proportion, %
Subsidiaries:		
Nixu Certification Oy	100%	100%
Nixu B.V	100%	100%
Nixu Cybersecurity SRL	4%	100%
Nixu AB	100%	100%
Nixu Inc.	100%	100%
Ezenta A/S	100%	100%

Subsidiaries are all acquired in 2016, 2017 and 2019, excluding Nixu Certification Oy, Nixu B.V. and Nixu Inc., the company's own subsidiaries.

Subsidiaries: Accounting policy

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Assets and liabilities in subsidiaries are translated into euro at the rate prevailing on the balance sheet date. Income and expenses in subsidiaries are translated into euro using an average rate. Translation differences that arise when translating the financial statements of subsidiaries are recognized in other comprehensive income and accumulated in a separate component of equity, called translation differences.

Foreign currency denominated transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or if items have been revalued, at the measurement dates exchange rates. Foreign exchange gains and losses arising in respect of business operations, such as sales and purchases, are recognized in operating result. Foreign exchange differences arising from financial instruments are recognized in finance expenses.

Non-controlling interests in the net assets of consolidated entities are allocated their share of net profit after tax in the income statement, and are identified separately from the Group's equity in those entities.

Section 5: Interest-bearing net debt and equity

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

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

5.1 Net interest-bearing debt

Nixu's Net Debt Position:

EUR thousand	31 Dec 2020 Carrying value	31 Dec 2019 Carrying value
Non-current borrowings		
Loans from financial institutions	4,971	2,117
Lease liabilities	1,447	0
Total non-current borrowings	6,418	2,117
Loans from financial institutions	621	7,338
Lease liabilities	1,237	1,455
Total current borrowings	1,858	8,794
Total borrowings	8,276	10,911
Less cash and cash equivalents	6,031	3,923
Net debt	2,244	6,988

Borrowings

On December 31, 2020, Nixu's loans from financial institutions consisted of variable and fixed-rate loans amounting to EUR 5,900 thousand, drawn in connection with the 2017 financing arrangement, and a variable-rate loan of EUR 2,500 thousand drawn in 2019.

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

EUR thousand	Drawn down	Maturity	Interest rate	Installment	Remaining debt 31 Dec 20	Remaining debt 31 Dec 19
Loan 1	2014	10/9/20	3.75%	monthly	0	597
Loan 2	2017	11/30/20	3.75%	monthly	0	515
Loan 3	2017	5/30/22	4.15%	bullet	2,065	2,065
Loan 4	2019	3/28/23	4.75%+6. month euribor	half-on-year	1,563	2,188
Loan 5	2017	5/30/23	3.8%+3.8%	bullet	1,977	1,905
Loan 6	2017	9/30/20	0.00%	quarterly	0	96
Total					5,605	7,365

The interest rates on the loans ranged from 3.75% to 4.75%, with the capitalized interest rate for a EUR 1,977 thousand portion at 3.80% on the period ended December 31, 2020.

The company's credit facility agreement totals EUR 5,500 thousand. The credit facility was not in use at the end of the accounting period on December 31, 2020. During the review period, Nixu signed a new EUR 4 million revolving credit facility agreement.

The loan drawn in 2014 matured on October 9, 2020 (on December 31, 2019, the outstanding amount was EUR 597 thousand). A part of the loans withdrawn in 2017 are paid at once on their due dates. The share of the loan paid off in monthly installments matured on November 30, 2020 (on December 31, 2019, the outstanding amount was EUR 515 thousand). The loan drawn in 2019 is being paid in half-yearly installments and will mature on March 28, 2023. As of December 31, 2020, the outstanding amount was EUR 1,563 (2,188) thousand.

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, and 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. For more information on short-term loans and covenants related to loan agreements, see Section 5.3 of the notes. Financial risk and capital management – liquidity risk.

The Group met the covenant conditions related to the loans on December 31, 2020. In the comparison period, the Group did not meet the covenant conditions relating to the loans, and on December 31, 2019, the non-current portion of the loans, amounting to EUR 5,533 thousand, was classified under current liabilities.

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

Accounting policy

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Derivative financial instruments

As part of its normal business operations, the Group is a party to derivative contracts designed to hedge against exposure to interest rate fluctuations in accordance with the Group's financial risk management principles (see "Financial risk and capital management"). At the point of the Financial Statement, the Group has one interest rate swap on December 31, 2020 (two interest swap contracts). On December 31, 2020, the fair value of the derivatives was negative EUR 30 (39). 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, 2020 was EUR 2,065 (2,364) 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 swap will mature in 2022.

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

Accounting policy

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are classified as held for trading.

The fair value of interest rate swaps is determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates at the measurement date.

Cash and cash equivalents

Nixu's cash and cash equivalents consist of cash and demand deposits with MFIs. Nixu's cash and cash equivalents as of December 31, 2020 amounted to EUR 6,031 (3,923) thousand.

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Net Debt Reconciliation

EUR thousand	Cash and cash equivalents	Other borrowings due within 1 year	Other borrowings due after 1 year	Lease liabilities due within 1 year	Lease liabilities due after 1 year	Other loans due after 1 year	Total net debt
1 Jan 2019	9,286	6,526	0	266	381	1	-2,112
Adoption of IFRS 16, impact 1 Jan 2019				884	1,011		1,895
Cash flows	1,248	724		-1,131		-1	-1,656
Acquisition of subsidiaries	-6,602			100	108		6,810
Foreign exchange adjustment	-9			-29	-60		-80
Other non-cash movements		89		1,366	676		2,131
31 Dec 2019	3,923	7,338	0	1,455	2,117	0	6,988
Cash flows	2,094	-1,737		-1,547			-5,378
Other non-cash movements	14	-4,981	4,971	1,329	-670		635
31 Dec 2020	6,031	621	4,971	1,237	1,447	0	2,244

5.2 Financial income and expenses

EUR thousand	31 Dec 2020	31 Dec 2019
Finance income		
Foreign exchange gains on financing activities	0	0
Interest income	3	4
Finance income total	3	4
Finance expenses		
Foreign exchange losses on financing activities	-56	-104
Interest and finance charges paid/payable for lease liabilities	-103	-114
Interest on borrowings	-390	-371
Fair value losses on derivatives	9	2
Other finance costs	-130	-32
Finance expenses total	-669	-619
Finance income and expenses total	-666	-616

The Group's financial expenses include mainly interest expenses on loans, exchange rate losses and the change in the fair value of interest rate swaps.

5.3 Financial Risk and Capital Management

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

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

Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from primarily with respect to the Swedish krona and US dollar. The Group has a subsidiary in Denmark, but the Danish krone is pegged to the euro at a fixed rate that can only fluctuate slightly. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign opera-

tions. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Exposure to foreign exchange risk has been limited and Nixu's finance team monitors the changes in the situation.

Group companies' sales and purchases are mainly denominated in the Group's operating currencies. The Group's exposure to currency risk arising from business transactions has been limited. The Group is exposed to currency changes in the U.S. Dollar, especially as a result of USD sales to the US by Nixu's Denmark subsidiary and the parent company. The Group does not actively use derivative instruments to hedge against currency risk.

If the euro had weakened / strengthened against the US dollar by 10% on December 31, 2020, with all other factors remaining unchanged, the recalculated net profit after taxes would have been EUR 12 (10) thousand higher / lower, mainly due to USD trade receivables of 12 (246) thousand dollars and of a USD 41 (60) in bank account balance in the parent company and Danish subsidiary.

On December 31, 2020, the parent company had SEK 1,243 (9,000) thousand domestic receivables. The exchange rate difference arising from this internal debt was offset by the euro-denominated liabilities of the Group's Swedish subsidiaries. Net exposure to exchange rate fluctuations in the Swedish krona was not significant on December 31, 2020.

Cash flow and fair value interest rate risk

Nixu's interest rate risk arises from variable rate long-term borrowings. Loans with variable interest rate exposes the Group to cash flow interest rate risk. Nixu manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps in which fixed interest rate is paid and variable interest rate is received. Read more on derivatives under note 5.1. On the balance sheet date December 31, 2020 the Group has one interest rate swap contracts (two interest rate swap contract) outstanding on which 57% (44%) of the loan principal is hedged against cash flow risk. The figures presented in the table are contract-based, undiscounted figures.

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

Interest rate risk

EUR thousand	31 Dec 2020	31 Dec 2019
Variable interest rate borrowings	3,628	5,365
Fixed interest rate borrowings	1,977	2,001
Total	5,605	7,365
EUR thousand	31 Dec 2020	31 Dec 2019
Variable interest rate borrowings	3,628	5,365
Interest rate swaps (notional principal amount)	2,065	2,364
Net exposure to cash flow interest rate risk	1,563	3,001

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

If interest rates on December 31, 2020 had been higher than 100 basis points, all other factors remaining unchanged, the result for the period after taxes would have been EUR 29 (51) thousand as a result of higher interest expenses on floating rate loans and lower. The interest rate sensitivity has been determined by shifting the interest rate curve by 100 basis points (no scenario based on decreased interest rate is presented due to the low market interest rates). In the sensitivity analysis, it has been noted that on December 31, 2020, interest rate swaps had a total nominal value of EUR 2,065 (2,364) thousand which reduced sensitivity to interest rate fluctuations. The interest rate position includes all external floating rate liabilities.

Credit risk

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

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

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

For information regarding the credit losses recognized and the ageing of the trade receivables, refer to 7.1 Trade and other receivables.

Liquidity risk

Nixu monitors the Group's liquidity needs monthly to ensure that sufficient cash is available to meet the needs of the business and, at the same time, to constantly maintain a sufficient number of undrawn committed credit facilities. The amount of cash and cash equivalents on December 31, 2020 was EUR 36,031 (3,923) thousand. In addition, the Group has unutilized committed credit facilities totalling EUR 5,500 (1,500) thousand as of December 31, 2020. In terms of future payments, the most important source of financing is cash flows from operations and liquid assets, combined with potential new or equity financing.

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

The covenants 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, and 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 December 31, 2020. In the comparison period, the Group did not meet the covenant conditions relating to the loans, and on December 31, 2019, the non-current portion of the loans, amounting to EUR 5,533 thousand, was classified under current liabilities.

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

Capital management

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

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

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

As at December 31, 2020 Nixu's equity ratio was 34.4% (37.3%).

The capital structure shall secure Nixu's debt financing being in line with covenants. More information on covenant

terms and their fulfillment is provided in the liquidity risk section. Planned structure should take into account both current and future business needs, as well as ensure competitive cost of financing.

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

EUR thousand	Under 1 year	1-2 years	2-5 years	Over 5 years	Contractual undiscounted cash flows	Carrying value
31 Dec 2020						
Non-derivatives						
Loans from financial institutions	625	2,690	2,290		5,605	5,592
Lease liabilities	1,304	1,080	408		2,791	2,684
Other loans				282	282	282
Trade payables and other payables*	17,336				17,336	17,336
Total	19,265	3,770	2,697	282	26,014	25,894
Derivatives						
Interest rate swaps	30				30	30
Total	30	0	0	0	30	30

* Excluding non-financial items

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

* Excluding non-financial items

5.4 Equity

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

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

	Number of shares
1 Jan 2019	7,228,793
Share issues	184,021
31 Dec 2019	7,412,814
Purchase of own shares	-10,000
31 Dec 2020	7,402,814

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

EUR thousand	2020	2019
At 1 January	12,405	12,405
Purchase of treasury shares	10,000	0
At 31 December	22,405	12,405

The company's own shares acquired during the periods presented have been acquired in public trading on Nasdaq Helsinki Oy.

The invested unrestricted equity reserve

There are no changes during the financial year.

Accumulated translation differences

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

Accounting policy

Ordinary shares are classified as equity. Incremental expenses directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the parent company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the owners of the parent company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the parent company.

Invested unrestricted equity fund includes, subject to the Companies Act, the subscription price of the investments made by the shareholders to the Company unless otherwise decided by the Company.

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Section 6: Non-financial assets and liabilities

This section provides information about the group's non-financial assets and liabilities, including;

- Tangible assets, right-of-use-assets including depreciations and finance leases
- Lease liabilities

6.1 Tangible assets, including depreciation

EUR thousand	Machinery and equipment	Other tangible assets	Right-of-use assets	Total
2020				
Cost at 1 January	1,937	564	5,236	7,737
Additions	68	8	926	1,003
Disposals	-16	0	-468	-484
Exchange differences	2	0	36	39
Cost at 31 December	1,991	572	5,731	8,294
Accumulated depreciation and impairment at 1 January	1,458	523	1,830	3,811
Depreciation	176	16	1,498	1,689
Depreciations on disposals	-16	0	-175	-191
Exchange differences	2	0	24	26
Accumulated depreciation and impairment at 31 December	1,620	539	3,176	5,335
Net book amount at 1 January	479	40	3,407	3,926
Net book amount at 31 December	372	32	2,555	2,959

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

Accounting policy

Tangible assets are measured at cost less accumulated depreciation and possible impairment. The useful lives of tangible assets are 3–10 years. The useful life of an asset is reviewed at least at the end of each financial year and adjusted, if appropriate. Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

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

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

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

Managerial discretion

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

6.2 Leased assets

Nixu's leased assets consist of office premises in countries where the company has subsidiaries. The company headquarters are located in Espoo, Finland, at Keilaranta 15. The lease is fixed-term and valid until February 28, 2023. In 2019, the contract was expanded by leasing additional space. The lease is capitalized on the balance sheet until the end of the contract period. Nixu has two other offices in Finland in addition to its headquarters. These have been estimated as low-value and are not capitalized on the balance sheet. The Swedish offices are located in Stockholm, Uppsala, and Linköping. All are entered on the balance sheet with the following end dates: Stockholm, March 31, 2021; Uppsala, September 30, 2022; and Linköping, September 30, 2022. The Netherlands offices are located in Amsterdam and

The Hague. The lease for Amsterdam is fixed-term and will expire on February 28, 2021. The lease for The Hague was signed in 2019 with a lease term until September 23, 2023, including two 12-month extension options. In the company's estimate, it is probable that the lease extension options will be used; therefore, the leases are capitalized on the balance sheet taking the extension periods into account. The Romania office has been classified as low-value and is not capitalized on the balance sheet. The Danish offices are located in Herlev and Aarhus. The lease for the Herlev office is a fixed-term contract valid until December 31, 2021. The

Aarhus office has been classified as low-value and is not capitalized on the balance sheet.

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

EUR thousand	31 Dec 2020	31 Dec 2019
Interest on lease liabilities	-103	-114
Expenses relating to short-term or low value assets	-190	-303

Right-of-use assets consist of the following leases:

EUR thousand	Properties	Cars	IT equipment	Total right-of-use assets
1 Jan 2020	2,689	1,680	867	5,236
Increases	269	458	200	926
Decreases	0	-468	0	-468
Exchange differences	25	8	4	36
31 Dec 2020	2,983	1,678	1,070	5,731
Accumulated depreciations:				
1 Jan 2020	708	555	566	1,830
Depreciation for the period	808	475	215	1,498
Accumulated depreciations on disposals	0	-175	0	-175
Exchange differences	19	3	2	24
31 Dec 2020	1,535	858	783	3,176
Net book amount at 1 January	1,981	1,125	301	3,407
Net book amount at 31 December	1,448	820	287	2,555

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

EUR thousand	31 Dec 2020	31 Dec 2019
Properties	808	777
Cars	475	356
IT equipment	215	183
Depreciation charge right-of-use assets	1,498	1,317

Accounting policy

Short-term leases with a maximum contract term of 12 months, and contracts with low value assets are not recorded in right-of-use assets and lease liabilities.

The portion paid for the interest of the lease liability is presented as part of the cash flow from operating activities and the portion paid for the capital of the lease liability is presented as part of the financing cash flow.

Section 7: Operating Assets and Liabilities

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

- Trade and other receivables
- Trade and other payables

7.1 Accounts receivable and other receivables

Current receivables

EUR thousand	31 Dec 2020	31 Dec 2019
Trade receivables and other receivables		
Trade receivables	10,484	12,098
Prepaid expenses and accrued income	5,506	3,523
Rental deposits	20	15
Other receivables	131	539
Total	16,140	16,175
Prepaid expenses and accrued income		
Employer's statutory insurance premiums	11	11
Maintenance charges related to licenses	3,137	1,255
Grants receivable	35	127
Other items	2,323	2,130
Total	5,506	3,523

The age distribution of the Group's trade receivables as of December 31, 2020 and December 31, 2019 is shown below. The share of prepayments EUR 1,468 thousand and bad debt provision on recognized on group level EUR 10 thousand have not been deducted from the age distribution of trade receivables below:

Impairment on trade receivables amounted to EUR -228 (204) thousand.

EUR thousand	31 Dec 2020	31 Dec 2019
Not due	10,410	9,743
Overdue by		
1-30 days	1,189	1,811
31-60 days	1	97
61-90 days	39	171
over 90 days	312	276
Total	11,952	12,098

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

Accounting policy

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. The amount of the impairment loss is recognized in profit or loss. Write-down is made if there is objective evidence that the receivable can not be collected for example due to customer's bankruptcy or debt restructuring. Subsequent recoveries of amounts previously written off are credited against expenses in profit or loss.

7.2 Accounts payable and other debts

EUR thousand	31 Dec 2020	31 Dec 2019
Trade payables and other payables		
Trade payables	3,392	3,768
Accrued expenses	10,663	7,748
Derivative financial instruments	30	39
Other current liabilities	3,251	2,825
Total	17,336	14,380
Material items under accrued expenses		
Accrued personnel expenses	5,138	4,302
Accrued interests	109	105
Contract liabilities	4,341	2,255
Other accruals	1,075	1,086
Total	10,663	7,748
Material items under current liabilities		
Value added tax	1,939	1,914
Withholding tax and social insurance contributions	1,026	758
Other current liabilities	286	153
Total	3,251	2,825

Accounting policy

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost. They represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid. The amounts are unsecured and are paid in accordance with the Group's terms of trade. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period.

Section 8: Other notes

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

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

8.1 Deferred taxes

Accounting policy

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and debts

EUR thousand	At 1 Jan	Recognized in profit or loss	Additions of lease agree- ments during the period	Exchange rate differences	At 31 Dec
2020					
Deferred tax assets					
Borrowings	726	-371	184	2	541
Tax losses	185	137		1	323
Other items	24	-6			18
Total	934	-239	184	3	883
Netting of deferred taxes	-934				-821
Deferred tax assets, net	0				62

EUR thousand	At 1 Jan	Recognized in profit or loss	Additions of lease agree- ments during the period	Exchange rate differences	At 31 Dec
2020					
Deferred tax liabilities					
Intangible assets	505	-36		10	479
Tangible assets	694	-364	184	2	516
Appropriations	9	-9			0
Borrowings	5	-3			3
Other items	53	-14			39
Total	1,266	-427	184	12	1,036
Netting of deferred taxes	-934				-821
Deferred tax liabilities, net	332				215

EUR thousand	At 1 Jan	Recognized in profit or loss	Recognized in equity	Adoption of IFRS 16	Acquisition of subsidiaries	Exchange rate differences	At 31 Dec
2019							
Deferred tax assets							
Borrowings	133	-281	473	354	46		726
Tax losses	146	21			22	-5	185
Other items	11	-10		15	7		24
Total	290	-270	473	370	0	-2	934
Netting of deferred taxes	-285						-934
Deferred tax assets, net	4						0
2019							
Deferred tax liabilities							
Intangible assets	280	-183			413	-5	505
Tangible assets	130	-304	473	341	53		694
Appropriations	0	9					9
Borrowings	5						5
Other items	2	13		29	9		53
Total	418	-464	473	370	475	-5	1266
Netting of deferred taxes	-285						-934
Deferred tax liabilities, net	132						332

The Group's operations in the Netherlands and Sweden have been unprofitable. On 31 December 2020, realized losses amounted to EUR 8,581 (6,788) thousand, of which unrecognized deferred tax assets amounted to EUR 1,734 (1,367) thousand. Of the losses, EUR 5,615 thousand will be due during 2023-2027 and EUR 2,966 thousand later. Nixu A/S has been unprofitable. Deferred tax assets of EUR 323 (185) thousand have been recognized.

Key solutions and estimates based on judgment: recognition of deferred tax assets

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax assets are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows that relate among others to the amount of future revenue, operating costs and finance

costs. The Group's ability to generate taxable income depends also on factors related to general economy, finance, competitiveness and regulations that the Group is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized.

8.2 Related Party Transactions

Related parties of the Group consist of the parent company and Group companies mentioned in note 4.3. Related parties are also key management personnel and their close family members as well as entities controlled by them. Key management personnel are the members of the Board of Directors, CEO and Group's Corporate Leadership Team. The remuneration of the key management personnel including their ownership in Nixu is presented in note 3.3. For information on loans granted to personnel in connection with a share issue 2019, see note 3.2 Employee share-based incentive plan.

Purchase of goods and services

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Purchases of services	0	3

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

Loans receivables from related parties

EUR thousand	31 Dec 2020	31 Dec 2019
Loan receivables from related party (management team)	0	30

Loan receivables relate to the Nixu's share-based incentive plan. Terms and repayment schedule of the loan receivables have been described in note 3.2.

8.3 Contingent items and commitments, including leases**Guarantees and contingent liabilities granted**

EUR thousand	31 Dec 2020	31 Dec 2019
Mortgages given on own behalf:		
Business mortgages	10,118	10,118
Loan amount	5,592	7,338
Other commitments		
EUR thousand	31 Dec 2020	31 Dec 2019
Rental deposits	269	269

¹⁾ Business mortgages of Nixu Oyj and shares of Nixu Ab (2 500 pcs) and Ezenta A/S (100 pcs) were used as collateral for Nixu Corporation's 5,6 MEUR financial institution loan and 1,5 MEUR credit limit. At the end of the review period, the credit limits have remained unused.

8.4 New and amended standards and interpretations adopted in 2020

The Group has applied the following new and amended standards and interpretations which are effective from 1 January 2020:

- Amendments to IAS 1 and IAS 8: Definition of Material. Amendments will clarify the definition of material and align the definition used in the Conceptual Framework and the standards themselves. The effective date for these amendments is 1 January 2020. The Group is considering an amended materiality definition in the Group's consolidated financial statements and disclosures.
- Amendments to References to the Conceptual Framework in the IFRS Standards. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence, and measurement uncertainty in financial reporting. The effective date for these amendments is 1 January 2020. The amendments do not have a significant effect on the Group.
- Amendments to IFRS 3 Business combinations. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs, or other economic benefits to investors and others. The effective date for these amendments is 1 January 2020. The amendments do not have significant effect on the Group.
- Amendments to IFRS 9, IAS 39 and IFRS 7. The amendments are related to the Interest Rate Benchmark Reform and require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from the interest rate benchmark reform. The effective date for these amendments is 1 January 2020. The amendments do not have a significant effect on the Group.
- Other standards, standard amendments and interpretations do not have a material effect on the Group's consolidated financial statements or disclosures.

8.5 Events After the Accounting Period

On February 9, 2021, the company announced a new operating model and the supporting organizational structure and Corporate Leadership Team. The operating model aims at a unified way of operating internationally and increasing customer intimacy and focus.

8.6 Company information

Name of reporting entity or other means of identification	Nixu Oyj
Explanation of Change in name of reporting entity	N/A
End of reporting period	31 Dec 2020
Domicile of entity	Espoo
Legal form of entity	Public limited Company
Country of incorporation	Finland
Address of entity's registered office	Keilaranta 15 B, 02150 ESPOO
Principal place of business	Espoo
Name of parent entity	Nixu Corporation
Name of ultimate parent of Group	Nixu Corporation

Accounting principles

Principles of valuation

Tangible assets

Fixed assets are capitalized in the balance sheet at direct acquisition cost less planned depreciation. The depreciation of the fixed assets is based on the depreciation schedule. Depreciation is calculated on a straight-line basis over the estimated useful life of the fixed assets.

Intangible assets

Intangible rights	3 years
Other long term expenses	5 years
Goodwill	10 years

Tangible assets

Machinery and equipment	5 years
Furniture	5 years
Vehicles	5 years

Research and development expenses

R&D expenses are entered as expenses during the financial year in which they are incurred.

Foreign currency transactions

The valuation of the receivables and liabilities denominated in foreign currencies is based on the exchange rates quoted by the European Central Bank on the reporting date

Derivative contracts and hedge accounting

Hedging instruments related to interest rates on finance company loans are measured at their fair value. Interest derivatives are presented in financial items to the extent recognized in the income statement.

Revenue

Annual support service agreements are accrued over the financial year.

Group Financial statement

The scope of the Consolidated Financial Statement

In addition to the parent company, all those companies have been consolidated in the consolidated financial statements as subsidiaries in which it has, directly or indirectly, more than 50 per cent of the voting rights or control in the business and financial decision-making of the company.

At 31.12.2020, the Group had, in addition to the parent company, wholly owned subsidiaries Nixu Certification Ltd, domicile Espoo, Nixu BV domicile Netherlands, Nixu AB domicile Sweden, Nixu Inc. Domicile United States of America, Nixu A/S domicile Denmark.

The principles of the Consolidated Financial Statement

The Consolidated Financial statements have been prepared using the acquisition cost method.

The part of the acquisition price that exceeds the difference between the assets and liabilities of the acquired company and the Group's holding is presented as consolidated goodwill, which is amortized on a straight-line basis over five years.

Intra-group receivables and liabilities as well as business transactions have been eliminated in the consolidated financial statements.

Deferred taxes

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Deferred tax assets have been recognized in accordance with the precautionary principle, especially with regard to the initial losses of subsidiaries.

Impact in the financial reporting of the Covid-19 pandemic

The Group has estimated the accounting effects of the Covid-19 pandemic. In general, the Covid-19 pandemic has not had a significant impact on Nixu's figures and asset values in the 2020 period. Most of the customers' digitalization projects have continued despite the pandemic. Nixu estimates that the rapid increase in digitalization in companies due to the pandemic and the possible postponed implementation of information security projects will be reflected in the growing demand for cybersecurity services in the future.

During the review period, Nixu launched a Group-wide restructuring and cost saving program to prepare for the recession caused by the Covid-19 pandemic.

To prepare for the potential impact of the Covid-19 pandemic, the company signed a new EUR 4,000 thousand credit facility agreement in addition to the existing credit facility of EUR 1,500 thousand

The financial statements are available at the company's office at Keilaranta 15, Espoo.

Parent Company's Income Statement

		1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
	Notes	EUR	EUR
REVENUE	1.	35,814,919.49	34,187,458.27
Other operating income	2.	117,944.95	330,094.19
Materials and services	3.		
Materials and services		-7,811,147.01	-5,962,248.82
Materials and services in total		-7,811,147.01	-5,962,248.82
Personnel costs	4.		
Wages and salaries		-16,619,007.46	-16,016,148.97
Social security costs			
Pension costs		-2,581,557.78	-2,709,647.44
Other social security costs		-525,572.07	-448,134.70
Personnel costs in total		-19,726,137.31	-19,173,931.11
Amortization and depreciation			
Amortization and depreciation according to plan		-522,104.83	-573,945.80
Amortization and depreciation in total		-522,104.83	-573,945.80
Other operating expenses	5.	-5,338,857.05	-7,171,618.61
OPERATING PROFIT		2,534,618.24	1,635,808.12
Financial income and expenses	6.		
From group companies		122,060.01	115,389.40
Receivables from non-group companies		423.28	0.00
Reduction in value of investments held as non-current assets		-7,100,000.00	-1,968,736.00
Interest expenses and other financial expenses			
Payables to non-group companies		-514,744.32	-548,376.55
Financial income and expenses in total		-7,492,261.03	-2,401,723.15
PROFIT BEFORE APPROPRIATIONS AND TAXES		-4,957,642.79	-765,915.03
Appropriations			
Change in cumulative accelerated depreciation		47,114.35	-47,114.35
Intra-group financial transfer	7.	500,000.00	
Income taxes	8.	-606,216.24	-299,754.14
PROFIT FOR THE ACCOUNTING PERIOD		-5,016,744.68	-1,112,783.52

Parent Company Financial Statements

Parent Company's Balance Sheet

	Notes	31 Dec 2020 EUR	31 Dec 2019 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9.		
Intangible rights		0.00	96,360.81
Other long-term expenditure		1,347,867.51	1,657,613.48
Intangible assets in total		1,347,867.51	1,753,974.29
Tangible assets	10.		
Machinery and equipment		246,870.15	321,657.25
Tangible assets in total		246,870.15	321,657.25
Investments	11.		
Shares in group companies		14,123,979.82	16,873,346.21
Investments in total		14,123,979.82	16,873,346.21
NON-CURRENT ASSETS IN TOTAL		15,718,717.48	18,948,977.75
CURRENT ASSETS			
Receivables	12.		
Long-term receivables			
Inter-company receivables		1,040,769.00	3,662,270.73
Other non-current receivables		203,558.21	203,558.21
Non-current receivables in total		1,244,327.21	3,865,828.94
Current receivables			
Accounts receivable		7,200,259.95	6,532,375.67
Inter-company receivables		3,146,745.13	2,122,467.49
Other receivables		14,585.68	397,247.33
Prepayments and accrued income		2,839,901.11	2,469,789.93
Current receivables in total		13,201,491.87	11,521,880.42
Receivables in total		14,445,819.08	15,387,709.36
Cash in hand and at bank		2,379,356.02	2,286,205.46
CURRENT ASSETS IN TOTAL		16,825,175.10	17,673,914.82
ASSETS IN TOTAL		32,543,892.58	36,622,892.57

	Notes	31 Dec 2020 EUR	31 Dec 2019 EUR
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	13.		
Share capital		94,821.20	94,821.20
Invested unrestricted equity reserve		19,372,348.40	19,372,348.40
Retained profit		1,748,357.43	2,951,880.55
Profit for the accounting period		-5,016,744.68	-1,112,783.52
SHAREHOLDERS' EQUITY		16,198,782.35	21,306,266.63
APPROPRIATIONS			
Cumulative accelerated depreciations		0.00	47,114.35
Appropriations in total		0.00	47,114.35
LIABILITIES	14.		
Non-Current			
Loans from financial institutions		4,979,820.14	0.00
Non-current liabilities in total		4,979,820.14	0.00
Current			
Loans from financial institutions		625,000.00	7,365,225.86
Accounts payable		1,586,896.30	1,270,443.43
Inter-company liabilities		554,443.53	132,394.73
Other liabilities		1,883,959.30	1,499,797.98
Accruals and deferred income		6,714,990.96	5,001,649.59
Current liabilities in total		11,365,290.09	15,269,511.59
LIABILITIES		16,345,110.23	15,269,511.59
EQUITY AND LIABILITIES IN TOTAL		32,543,892.58	36,622,892.57

Parent Company's Cash Flow Statement

	EUR 1 Jan - 31 Dec 2020	EUR 1 Jan - 31 Dec 2019
Profit/loss before appropriations and taxes	-4,957,643	-765,915
Depreciation, amortization and write-downs	522,105	573,946
Other non-cash income and expenses	-5,875	30,670
Financial income and expenses	7,492,261	2,401,723
Change in working capital	773,201	-795,953
Interest and other financial expenses paid	-421,058	-384,147
Interest from operations received	10,352	87,023
Taxes paid	33,475	-122,654
Cash flow from operations	3,446,818	1,024,692
Investments	-1,512,735	-8,752,559
Cash flow from investments	-1,512,735	-8,752,599
Rights issue	0	1,197,768
Loan disbursement	0	2,481,250
Repayments of non-current loans	-1,737,014	-1,628,918
Repurchase of own shares	-90,740	0
Net cash flow from financing	-1,827,754	2,050,100
Change in liquid assets	106,328	-5,677,806
Liquid assets at the beginning of the accounting period	2,286,205	7,960,805
Net increase/decrease in liquid assets	-13,178	3,206
Liquid assets at the end of the accounting period	2,379,356	2,286,205

Notes to Parent Company Financial Statements

Notes to the income statement

	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
1. REVENUE BY MARKET AREA		
Finland	31,581,596.01	31,315,711.78
Foreign markets	4,233,323.48	2,871,746.49
Total	35,814,919.49	34,187,458.27
2. OTHER OPERATING INCOME		
Grants from Business Finland and EU	68,965.37	206,048.93
Other income	48,979.58	124,045.26
Total	117,944.95	330,094.19
3. MATERIALS AND SERVICES		
Externally sourced materials and services	-7,811,147.01	-5,962,248.82
Total	-7,811,147.01	-5,962,248.82
4. PERSONNEL COSTS		
MANAGEMENT WAGES AND SALARIES		
Members of the Board and CEOs	322,555.00	394,351.00
NUMBER OF PERSONNEL		
Number of personnel	254	248
	254	248
5. OTHER OPERATING EXPENSES		
Rent payments	-680,672.72	-680,371.00
Purchased services	-849,826.46	-1,092,321.74
ICT costs	-1,050,841.74	-1,312,714.20
Marketing costs	-483,081.01	-746,008.58
Other operating expenses	-2,274,435.12	-3,340,203.09
Total	-5,338,857.05	-7,171,618.61
Auditors' fees		
Audit fees billed by PWC	-123,156.95	-104,185.35
Consulting fees billed by PWC	-5,158.25	-9,791.00
Tax consultancy by PWC	-1,000.00	-8,360.00
Total	-129,315.20	-122,336.35

	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
6. FINANCIAL INCOME AND EXPENSES		
Other interest income and financial income from group companies	122,060.01	115,389.40
Other interest income and financial income from non-group companies	423.28	0.00
Write-downs on long term investments	-7,100,000.00	-1,968,736.00
Other interest expenses	-514,744.32	-548,376.55
Total	-7,492,261.03	-2,401,723.15
7. APPROPRIATIONS		
Extra-ordinary costs		
Intra-group contributions	500,000.00	0.00
Total	500,000.00	0.00
8. INCOME TAXES		
Income taxes in the accounting period	-594,730.17	-300,039.16
Income taxes from previous accounting periods	-11,486.07	285.02
Total	-606,216.24	-299,754.14

Notes to the balance sheet

2020

9. INTANGIBLE ASSETS	Other intangible assets	Intangible rights	Total
Acquisition cost at the start of the accounting period	3,842,870.11	385,000.00	4,215,508.11
Increases	8,000.00		8,000.00
Acquisition cost at the end of the accounting period	3,850,870.11	385,000.00	4,223,508.11
Accumulated amortization and impairments at the start of the accounting period	-2,185,256.63	-288,639.19	-2,011,075.91
Amortization during the accounting period	-317,745.97	-96,360.81	-414,106.78
Accumulated amortization at the end of the period	-2,503,002.60	-385,000.00	-2,425,182.69
Book value at the end of the period	1,347,867.51	0.00	1,347,867.51

10. TANGIBLE ASSETS	Machinery and equipment	Total
Acquisition cost at the start of the accounting period	1,592,685.04	1,592,685.04
Increases	41,221.74	41,221.74
Acquisition cost at the end of the accounting period	1,633,906.78	1,633,906.78
Accumulated depreciation and impairments at the start of the accounting period	-1,271,027.79	-1,151,310.58
Depreciation during the accounting period	-116,008.84	-116,008.84
Accumulated depreciation at the end of the period	-1,387,036.63	-1,267,319.42
Book value at the end of the period	246,870.15	246,870.15

11. INVESTMENTS	Shares in subsidiaries	Total
Acquisition cost at the start of the accounting period	19,614,082.21	19,614,082.21
Increases	4,350,633.61	4,350,633.61
Acquisition cost at the end of the accounting period	23,964,715.82	23,964,715.82
Accumulated depreciation and impairments at the start of the accounting period	-2,740,736.00	-2,740,736.00
Depreciation during the accounting period	-7,100,000.00	-7,100,000.00
Accumulated depreciation at the end of the period	-9,840,736.00	-9,840,736.00
Book value at the end of the period	14,123,979.82	14,123,979.82

Parent Company Financial Statements

12. RECEIVABLES	31 Dec 2020	31 Dec 2019
INTER-COMPANY RECEIVABLES		
Non-current		
Loans receivable, non-current	1,040,769.00	3,662,270.73
Current		
Accounts receivable	2,602,289.12	2,122,467.49
Current prepayments and accrued income	544,456.01	0.00
Current receivables in total	3,146,745.13	2,122,467.49
KEY PREPAYMENT AND ACCRUED INCOME ITEMS		
License fee deferral	1,224,233.47	788,679.31
Direct taxes	0.00	44,960.84
Production license	326,674.65	532,995.57
Grants from Business Finland and EU	1,288,992.99	1,103,154.21
Total	2,839,901.11	2,469,789.93

13. SHAREHOLDER'S EQUITY	31 Dec 2020	31 Dec 2019
Restricted shareholders' equity:		
Share capital at the start of the accounting period	94,821.20	94,821.20
Share capital at the end of the accounting period	94,821.20	94,821.20
Restricted shareholders' equity in total	94,821.20	94,821.20
Unrestricted equity:		
Invested unrestricted equity reserve at the start of the accounting period	19,372,348.40	17,424,580.01
Directed issue	0.00	1,947,768.39
Invested unrestricted equity reserve at the end of the accounting period	19,372,348.40	19,372,348.40
Retained profit at the start of the accounting period	1,839,097.03	2,951,880.55
Purchase of own shares	-90,739.60	0.00
Retained profit at the end of the accounting period	1,748,357.43	2,951,880.55
Profit for the accounting period	-5,016,744.68	-1,112,783.52
Unrestricted equity in total	16,103,961.15	21,211,445.43
Shareholders' equity in total	16,198,782.35	21,306,266.63
Calculation of assets subject to profit distribution		
Profit subject to profit distribution		
Retained earnings	1,839,097.03	2,951,880.55
Purchase of own shares	-90,739.60	0.00
Result for the period	-5,016,744.68	-1,112,783.52
Profit subject to profit distribution	-3,268,387.25	1,839,097.03
Other assets subject to profit distribution		
Reserve for invested non-restricted equity	19,372,348.40	19,372,348.40
Other assets subject to profit distribution	19,372,348.40	19,372,348.40
Assets subject to profit distribution in total	16,103,961.15	21,211,445.43

Parent Company Financial Statements

14. LIABILITIES**CURRENT LIABILITIES**

	31 Dec 2020	31 Dec 2019
Loans from financial institutions	625,000.00	7,365,225.86
Total	625,000.00	7,365,225.86
Other liabilities		
Other current liabilities	1,883,959.30	1,499,797.98
Total	1,883,959.30	1,499,797.98
Material items included in accrued expenses		
Annual leave pay, including statutory social security contributions	2,516,771.38	2,414,475.75
Accrued payroll	77,872.00	77,872.00
Other accruals and deferred income	4,120,347.58	2,509,301.84
Total	6,714,990.96	5,001,649.59

15. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

31 Dec 2020

31 Dec 2019

Leasing liabilities

Amounts payable for leasing contracts

Maturing within the next 12 months	430,779.00	420,075.85
Maturing in more than 12 months	901,387.00	442,521.87
Total	1,332,166.00	862,597.72

Other commitments

Rent liabilities	1,861,837.00	2,631,885.71
Mortgages	18,118,644.29	18,118,644.29
Deposits and pledged funds	208,113.75	208,113.75
Total	20,188,595.04	20,958,643.75

16. HOLDINGS IN OTHER UNDERTAKINGS

Name	Domicile	Ownership interest
Nixu Certification Oy	Finland	100%
Nixu B.V.	Netherlands	100%
Nixu AB	Sweden	100%
Nixu Inc.	United States	100%
Ezenta A/S	Denmark	100%
Nixu Cybersecurity SRL	Romania	4%

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

Signatures to the Financial Statements and Annual Report

THE BOARD OF DIRECTORS AND CEO

In Espoo 17th of February 2021

Kimmo Rasila
Chairman of the Board

Marko Kauppi
Vice Chairman of the Board

Jaya Baloo
Member of the Board

Kati Hagros
Member of the Board

Tuija Soanjärvi
Member of the Board

Anders Silwer
Member of the Board

Petri Kairinen
CEO

AUDITOR'S NOTE

Our auditors' report has been issued today.

In Espoo 17th of February 2021

PricewaterhouseCoopers Oy

Authorized Public Accountants

Enel Sintonen
Authorised Public Accountant (KHT)

Auditor's Report

To the Annual General Meeting of Nixu Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

Our opinion is consistent with the additional report to the Audit Committee. What we have audited

What we have audited

We have audited the financial statements of Nixu Oyj (business identity code 0721811-7) for the year ended 31 December 2020. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

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

Our Audit Approach

Overview

- Overall group materiality: € 372 000, which represents 0.7% of consolidated revenue
- Audit scope: We have audited Nixu Group companies (incl. parent company) that are most significant from the group's financial position and result point of view. In addition, we have performed group level analytical and other audit procedures to assess unusual movements across other group companies.
- Revenue recognition
- Valuation of goodwill

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from

material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Overall group materiality

372,000 €

How we determined it

0.7% of revenue

Rationale for the materiality benchmark applied

Financial result of the group has varied during the past years, among others, due to developing new services and business acquisitions. We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the group is commonly measured by users, and is a generally accepted benchmark. We chose 0.7% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

Nixu Group has operations in Finland, Sweden, Denmark, Netherlands and Romania. We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls.

We have audited Nixu Group companies (incl. parent company) that are most significant from the group's financial position and result point of view. In addition, we have performed group level analytical and other audit procedures to assess unusual movements across other group companies.

By performing the procedures above at legal entities, combined with additional procedures at the Group level, we

have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

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

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

Key audit matter in the audit of the group

Revenue recognition

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

The Group's revenue consists of

- projects and assignments
- managed services
- continuous services
- technology resale

Due to materiality and judgment associated with the timing of revenue recognition we have considered revenue recognition as key audit matter in the audit of the Group.

Valuation of goodwill

Valuation of goodwill

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

During the years Nixu Group has entered new markets through business acquisitions. As a result, the consolidated statement of financial position includes a significant amount of goodwill.

Group management carries out impairment testing of goodwill at least annually. Impairment testing result is dependent on management estimates, e.g. expected short- and long term growth and profitability rates, discount rates and other.

Due to materiality and judgment associated with the valuation of goodwill we have considered it as key audit matter in the audit of the Group. We specially focused on those cash generating units, whose value-in-use and carrying value difference have been smallest in previous years and therefore sensitive to changes in estimations.

How our audit addressed the key audit matter

Our audit procedures included, among others

- Assessing the appropriateness of the Group's revenue recognition accounting policy
- Evaluating the appropriateness and efficiency of processes and controls

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

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

- Testing a sample of revenue transactions and sales contracts to ensure that revenue has been recognized based on terms of sales contracts and that the Group's accounting policy is applied.

Our audit procedures included, among others,

- Assessing key inputs in the impairment calculations such as revenue growth, profitability and discount rate, by reference to the Board approved budgets, data external to the Group and our own views.
- Evaluating appropriateness of value-in-use valuation method used and traced input information to the source.
- Assessing the historical accuracy of forecasts prepared by management by comparing actual results for the year with the original forecasts.
- Assessing the adequacy of the consolidated financial statements notes.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Appointment

Nixu Oyj became a public interest entity in 2 July 2018. We were first appointed as auditors by the annual general meeting on 5 July 1999 and our appointment represents a total period of uninterrupted engagement of 21 years.

Other Information

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

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

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

In our opinion

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

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

Helsinki 17 February 2021

PricewaterhouseCoopers Oy

Authorised Public Accountants

Enel Sintonen

Authorised Public Accountant (KHT)

Nixu as An Investment

Nixu is a growth company operating in the cybersecurity sector. Nixu operates in a growing field, and, in the last few years, its consolidation development has been strong. Nixu has a strong brand and it has established its position as a trusted cybersecurity partner for its clients. Nixu's long history in the sector and a clearly defined growth strategy for the coming years makes it an interesting investment. As a public company, Nixu's method of governance is transparent and compliant with the Securities Market Act. Nixu has an extensive owner base: at the end of 2020, it had 3,987 shareholders.

Invest in future – Invest in Nixu



Information for Shareholders

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

February 11, 2021	Financial statements release 2020
February 18, 2021	Annual report 2020
April 15, 2021	CEO's review, revenue and EBITDA information Q1/2021
August 12, 2021	Half-year financial report
October 14, 2021	CEO's review, revenue and EBITDA information Q3/2021

Annual General Meeting 2021

Nixu's Annual General Meeting 2020 is scheduled to be held on March 30, 2021 at 4:00 PM EET. The company's Board of Directors will send out an official call for the Annual General Meeting at a later stage. Additional instructions on registering and the AGM documents are available on the company website at <https://www.nixu.com/investors/general-meeting>

Dividend payment

On December 31, 2020, the parent company's assets subject to profit distribution amounted to EUR 16,103,961.15 of which the loss for the year amounts to EUR 5,016,744.68. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2020.

Basic information on shares

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

IR contact

Nixu CEO, Petri Kairinen
petri.kairinen@nixu.com

Corporate Governance 2020

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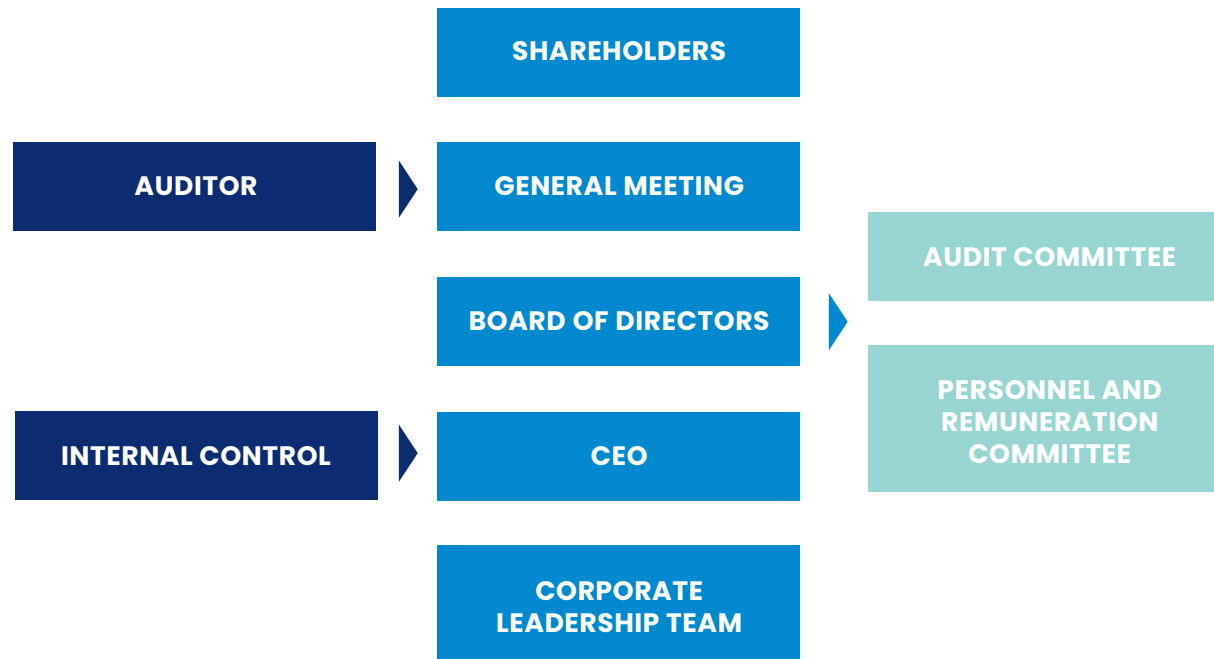
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Corporate Governance Statement 2020

Nixu Corporation is a publicly listed company registered in Finland. The company's share is listed on Nasdaq Helsinki. The Nixu Corporation corporate governance system has been created based on the laws of Finland, the company's Articles of Association, the applicable securities markets laws as well as other rules and regulations concerning listed companies. This statement has been issued separately from the report by the Board of Directors and included in Nixu's Annual Report 2020. The statement is also published on the Nixu website www.nixu.com/investors.

In 2020, Nixu has, without exception, complied with the Corporate Governance Code for Finnish Listed Companies (the "Corporate Governance Code"). The Corporate Governance Code for Finnish listed companies is available online on the Finnish Securities Market Association website www.cgfinland.fi/en.

Nixu's governance structure



The ultimate authority over the company is held by the shareholders, who exercise their control at General Meetings. Both the Members of the Board of Directors and the company auditor are elected by the General Meeting. The Board of Directors is responsible for the Nixu strategy as well as for controlling and supervising the company's business and appointing the company CEO. Supported by the Corporate Leadership Team, the CEO is responsible for running the company's business and deploying the company's strategic and operational goals.

General Meeting

The General Meeting is the supreme decision-making body of Nixu Corporation. Pursuant to the Finnish Limited Liability Companies Act, the General Meeting decides on amendments to the company's Articles of Association, adoption of its financial statements, use of the profit shown on the adopted balance sheet and distribution of dividends, discharge from liability of the Members of the Board of Directors and the CEO, increases and decreasing capital, and the appointment of the Members of the Board of Directors and the auditors.

Board of Directors

According to the Articles of Association, Nixu's Board of Directors includes no less than three and no more than seven ordinary members and a sufficient number of deputy members. The General Meeting determines the exact number of members to be elected and elects the members for the term of service, which expires at the end of the first annual general meeting following their election.

The Board of Directors elects a Chairman and a Deputy Chairman from among its members. The Board of Directors convenes as often as necessary to perform its duties. The Board of Directors constitutes a quorum when at least half of its members are present in the meeting.

Tasks of Nixu's Board

The Board of Directors is responsible for the appropriate organization of the company's governance and operations pursuant to the Finnish Limited Liability Companies Act and other regulations. Pursuant to the Rules of Procedure, the Board of Directors decides on the following matters:

- Nixu's strategy,
- dividend policy,
- business plan and budget,
- convening General Meetings and preparing the Board of Directors' proposals to General Meetings,
- financial statements and half-year financial reports, as well as the stock exchange releases concerning them,
- substantial corporate arrangements and investments, and
- appointment and discharge of the CEO as well as the terms and conditions of the CEO's service.

The roles and responsibilities of the company's Board of Directors are defined in detail in written charter approved by the Board available at www.nixu.com/investors/board-directors.

Each year, the Board of Directors evaluates its performance as a self-assessment.

Board Diversity Principles

Diversity supports the overall goal that Board of Directors has optimal competence profile to support the Company's existing and future business. Diversity is conceived as an integral part and a success factor enabling the achievement of the Company's strategic goals and the continuous improvement of customer-driven operations.

Important factors for the Company are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience, and personal capacities. The diversity of the Board of Directors is supported by experience in an international operating environment and various industries as well as different cultures and by consideration to the age and gender breakdown.

Nixu's long-term goal is to maintain a balanced gender ratio among the Board of Directors. To achieve this goal, whenever possible, the application and assessment process for new Board members is handled jointly by a mixed-gender team. One of the priorities in selecting new Board members is to ensure that the Board of Directors will be collectively able to support the development of the company's current and future business.

Board of Directors on December 31, 2020

The Annual General Meeting, held on April 7, 2020, elected six members to the Board of Directors. The full members of the previous Board, Kimmo Rasila, Marko Kauppi, Kati Hagros and Tuija Soanjärvi were re-elected. Jaya Baloo was elected as a new full member. Kimmo Rasila serves as the Chairman of the Board and Marko Kauppi as the Deputy Chairman.

The Board of Directors, that was elected by the AGM on April 7, 2020, convened 16 times in 2020. The objectives for 2020 regarding the Board diversity principles are assessed to have been achieved.

Details of the members and their independency, committee membership and meeting attendance are provided in the following table on December 31, 2020. Further information on Board members is available at www.nixu.com/about.

Board of Directors

	Name / Position	Year of birth	Education	Main occupation	Shares	Independence	Meeting participation as of Apr 7, 2020		
							Board of Directors	Audit Committee	Personnel and Remuneration Committee
	Kimmo Rasila Chairman Member of the Board since 2005	1957	MSc (Econ)	CEO, ExecNet Oy	157,132 shares Shares held by related parties: 4,000	Dependent of the Company Independent of the Company's major shareholders	16/16		3/3
	Marko Kauppi Deputy Chairman Member of the Board since 2011	1970	MSc (Econ)	Entrepreneur, Tenendum Oy	16,000 shares Through Tenendum Oy 248 800 shares	Independent of the Company and Company's major shareholders	16/16	5/5	
	Kati Hagros Member of the Board since 2014 Chair of the Personnel and Remuneration Committee	1970	MSc (Tech), MSc (Soc)	CDO, Aalto University	3 239 shares	Independent of the Company and Company's major shareholders	15/16		3/3
	Anders Silwer Member of the Board since 2019	1959	Lieutenant General (Res)	Entrepreneur, Anders Silwer AB.	No shares	Independent of the Company and Company's major shareholders	16/16	4/5	
	Tuija Soanjärvi Member of the Board since 2015 Chair of the Audit Committee	1955	MSc (Econ)	Board member	No shares	Independent of the Company and Company's major shareholders	15/16	5/5	
	Jaya Baloo Member of the Board since 2020	1973	Tufts University, USA (International Relations)	CISO, Avast	No shares	Independent of the Company and Company's major shareholders	14/16		0/3

Board committees

In order to carry out its duties more effectively, the Board of Directors has established an Audit Committee in 2018 and a Personnel and Remuneration Committee in 2020. As administrative support bodies, the Committees focuses on handling and preparing matters for the Board of Directors, and the Committees has no independent power to make decisions.

Audit Committee

The Board of Directors prepares and establishes a charter for the Audit Committee, which defines the responsibilities. Examples of the Audit Committee's responsibilities include oversight of Nixu's financial reporting and accounting, monitoring the statutory audit of financial statements and consolidated financial statements as well as monitoring the performance of Nixu's internal control, internal auditing efforts, and risk management systems. Additionally, the committee is tasked with reviewing the company's annual Corporate Governance Statement.

2020

In 2020, the Audit Committee has consisted of the following members: Tuija Soanjärvi (Chair), Marko Kauppi and Anders Silwer. Each of the Audit Committee members is independent of the company and its substantial shareholders. In 2020, the Audit Committee convened five times.

Personnel and Remuneration Committee

In April, 2020, Nixu Corporation's Board of Directors established a Personnel and Remuneration Committee, which assists the Board of Directors in particular handling and preparing personnel and remuneration matters. Examples of the responsibilities include preparing matters related to the appointment, compensation and successor planning of the CEO and Corporate Leadership Team members, evaluating and ensuring that the Company's compensation systems are appropriate and fit for the Corporate Culture and strategy. Additionally, the committee is tasked with preparing the Company's Remuneration Policy and Statement.

2020

In 2020, the Personnel and Remuneration Committee has consisted of the following members: Kati Hagros (Chair), Jaya Baloo and Kimmo Rasila. Kati Hagros and Jaya Baloo are independent of the Company and its major shareholders. Kimmo Rasila is independent of the Company's major shareholders but not independent of the Company. In 2020, the Personnel and Remuneration Committee convened three times.

CEO

Petri Kairinen (b. 1977, MSc. (Econ)), Nixu's CEO since 2014, manages the company in accordance with the Limited Liabilities Act and the instructions, orders, and mandates issued by the Board of Directors. He is also in charge of the daily operational management and implementation of the company strategy, as well as steering and supervising the operations of Nixu and its business. Additionally, the CEO prepares matters for deliberation by the Board and implements any associated decisions by the Board. The CEO must obtain the Board's authorization for any action that can be considered unusual in terms of the nature and extent of the company's operations or may otherwise have far-reaching consequences.

The Corporate Leadership Team

The Corporate Leadership Team supports the CEO in managing the group but the team has no executive power based on law or the company's Articles of Association; instead, its role is to help the CEO to prepare company policies and the company strategy as well as to assist in preparatory work concerning both group-wide and function-specific matters. The company CEO acts as the Chairman of the management team. The Board of Directors participates in selecting the members of the Corporate Leadership Team and to determine the terms and conditions of their employment. The management team holds regular meetings, meeting twice a month on average.

Corporate Leadership Team on December 31, 2020

- Petri Kairinen (Chief Executive Officer)
- Janne Kärkkäinen (Chief Financial Officer)
- Kim Westerlund (Chief Development Officer)
- Katja Müller (Chief People Officer)
- Jesper Sveiby (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 (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, Senior Advisor as of July 1, 2020), member of the Corporate Leadership Team March 1 – December 31, 2020
- Pietari Sarjakivi (Business Area Leader, Managed security services until September 30, 2020, Senior Advisor as of October 1, 2020), member of the Corporate Leadership Team as of March 1, 2020.

The details of the Corporate Leadership Team members and their shareholding in the company on December 31, 2020 are provided in the table below. Further information on the Corporate Leadership Team available at www.nixu.com/about.

Corporate Leadership Team

										
Name / Position	Petri Kairinen CEO	Janne Kärkkäinen CFO and Deputy CEO	Katja Müller CPO	Valtteri Peltomäki Market Area Leader for Finland	Jesper Sveiby CCO	Kim Westerlund CDO	Björn-Erik Karlsson Sweden Market Area leader	Errit Müller Denmark Market Area Leader	Matthijs van der Wel Senior Advisor	Pietari Sarjakivi Senior Advisor
Year of birth	1977	1973	1976	1981	1975	1975	1963	1972	1972	1984
Education	MSc (Econ)	MSc (Econ)	MSc (Econ)	MSc (Econ)	Upper secondary education	Under-graduate of Philosophy	Technical College Graduate	Diploma in advanced computer study	MBA, CISSP, CISA, GCTI	MEng, Industrial mgmt, BEng, telecom
Shares	37,640 shares	7,455 shares	1,000 shares	8,787 shares	50 shares	27,109 shares	1,000 shares	Through Secbit A/S 27,181 shares	1,000 shares	8,001 shares

Risk management and internal control

The aim of the company's internal control and the risk management systems associated with the company's financial reporting process is to ensure that the financial reports published by the company provide reliable, relevant, and accurate information about the company's finances in a manner compliant with applicable laws and regulations. Internal control and risk management are integrated into the company's processes and operations.

Risk management

Nixu's approach to risk management is primarily based on continuous, systematic, and preventive action taken to identify risks, to define the company's risk appetite, to assess and manage risks and, should they materialize, to manage and control them in an effective manner.

The company divides its risk factors into strategic, operational, and financial risks as well as hazard risks. The company has divided the identified risks into further sub-categories, which are assessed using an internal risk management tool and risk management process adopted by the company.

Risk management is decentralized across business units and group support functions, each of which is responsible for risk management responsibility allocation as well as risk assessment, management, and reporting. Each business function is responsible for identifying and assessing risks affecting their own area and creating proposals for managing the identified risks. They must also provide regular reports to the Management Team as instructed. The comprehensive risk report is reviewed by the Audit Committee and the Corporate Leadership Team four times a year, and the central risks are reviewed by the Board of Directors in each of its meetings.

Internal control

Internal control aims to ensure that financial reporting complies with generally accepted accounting principles as well as rules and regulations in force at any given time.

Nixu prepares its consolidated financial statements and half-year financial reports in accordance with the IFRS international financial reporting standards adopted by the EU, the Finnish Securities Markets Act, and the applicable regulations and guidelines set by the Financial Supervisory Authority and the rules of Nasdaq Helsinki Ltd. The company's report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines (Finnish Accounting Standards) and statements of the Finnish Accounting Board.

The Audit Committee supervises that the company's accounting practices, financial administration, internal control, auditing, and risk management are organized in an appropriate manner. The company's Board of Directors and Corporate Leadership Team monitor the financial status of the group and its business functions and track goal progress on a monthly basis. Nixu's finance department is responsible for the internal control of financial reporting and continuously assesses the performance of the controls. The company's financial information is disclosed in accordance with Nixu's Corporation Disclosure Policy.

Internal audit

The Company does not have a separate corporate audit function. The Board of Directors may use external consults to conduct separate audits related to control environment and operations.

Insider management

Nixu's insider management is compliant with the laws of Finland as well as any complementary regulation and the Guidelines for Insiders ("Stock Exchange Guidelines for Insiders") by Nasdaq Helsinki Ltd. Additionally, the company has its own internal guidelines for insiders, approved by the company's Board of Directors. Nixu's CFO is responsible for insider management and related training, updating the Company's insider registers and lists of persons discharging managerial responsibilities.

Trading in Nixu securities by Nixu's management personnel (The members of the Board of Directors, CEO and Corporate Leadership Team) and other persons subject to a restriction on trading is not allowed 30 calendar days before the publication of interim reports (full year and half year results as well as quarterly revenue information) ("Closed Window"). In addition, trading is prohibited during insider projects.

The restriction on trading extends to those working in Nixu's finance and sales department, members of the Leaders Circle (selected persons in senior leader and/or senior consultant roles), group support function personnel, and the company's accountant.

Audit

According to the Articles of Association, Nixu has one regular auditing body, which must be a firm of accountants authorized by the Finnish Patent and Registration Office. The term of the auditor ends with the conclusion of the Annual General Meeting following the election of the auditor.

2020

The 2020 Annual General Meeting appointed PricewaterhouseCoopers Oy, a Firm of Authorized Public Accountants, as the company's auditor. The auditor in charge is Authorized Public Accountant Ms. Enel Sintonen. In 2020, Nixu paid PricewaterhouseCoopers member firms in Finland and abroad a total of EUR 153 thousand in fees for audits of Nixu group companies. Fees for additional services amounted to EUR 18 thousand.

Related party transactions

Nixu's related parties include the Board of Directors, the CEO, and the Corporate Leadership Team. The company's finance department monitors transactions concluded between the company and its related parties as part of its normal reporting and monitoring process. The company complies with the legislation related to related party transactions and, in accordance with the legislation and the Corporate Governance Code for listed companies, ensures that the requirements set for the monitoring, evaluation, decision-making and disclosure of related party transactions are complied with.

Remuneration Report 2020

Introduction

Nixu Corporations remuneration report has been prepared in accordance with Chapter 7, Section 7b of the Securities Markets Act. In addition, the Securities Market Association's Finnish Corporate Governance Code and its regulations have been taken into account in the preparation of the Remuneration Report. This remuneration report will be presented at the Annual General Meeting on March 30, 2021 in accordance with Chapter 5, Section 3b of the Limited Liability Companies Act.

This report has been prepared by the Personnel and Remuneration Committee, which was established by the Board of Directors of the Nixu Corporation in April 2020. The Committee consists of following members: Kati Hagros (Chair), Kimmo Rasila and Jaya Baloo. The report was reviewed and approved by the Board of Directors on February 17, 2021. This Remuneration Report will be presented during the Company's Annual General Meeting in 2021, on 30 March 2021, where it will be reviewed in an advisory capacity.

The Remuneration Policy for the Nixu Corporation's institutions was approved at the Annual General Meeting in 2020, on 7 April 2020. The Remuneration Policy is based on the Company's business strategy and objectives. Its objective is to promote the Company's business strategy, long-term financial success, and the sustainable growth in shareholder value. Its purpose is to encourage, engage and steer the actions of persons working in the Company's institutions by rewarding individual employees for their personal performance and contributions in accordance with the Company's strategy and financial performance.

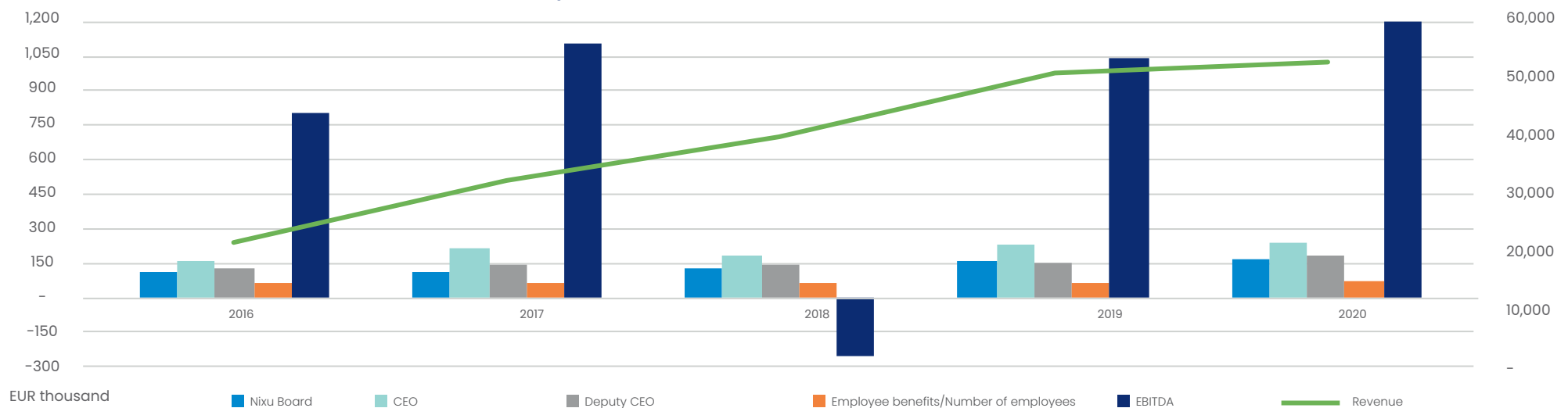
The remuneration paid to the Chair, Vice-Chair and members of the Board must reflect the responsibilities of each role and the work and qualifications required by each role in a fair and proportionate manner.

This report describes how the Remuneration Policy has been followed in the remuneration provided to the Company's management and how said remuneration has contributed to the Company's long-term financial success and sustainable growth in shareholder value in the financial year that ended on 31 December 2020. The Company did not deviate from the Remuneration Policy in the financial year that ended on 31 December 2020 in terms of the remuneration paid and the decision-making processes concerning remuneration, and the Company initiated no recovery processes in connection with any remuneration that was paid.

Development of remuneration

In 2019, Nixu announced its growth targets 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 partner for large enterprises. Nixu pursues these goals through its growth strategy. The performance-based incentive paid to the Company's management is based on the financial targets determined by the Company's Board of Directors, and the amount paid depends on the financial results of the Company and achievement of personal targets. The short-term performance-based incentive is dependent on revenue and/ or EBITDA with different emphasis in accordance with Company's financial guidance. In general, it can be stated that the remuneration has developed in line with the Company's goals and strategy.

Development of remuneration between 2016 and 2020:



Remuneration of the Board of Directors

The members of the Board of Directors are paid a monthly fee. At the Annual General Meeting on 7 April 2020, the following monthly remuneration rates were confirmed for the following roles: Chair of the Board, EUR 3,200 per month; Deputy Chair of the Board, EUR 2,400 per month; other members, EUR 1,600 per month. In addition to the monthly remuneration, a fee of EUR 300 per Board meeting is paid to members participating in-person in a meeting that is held in a country that is not the permanent country of residence of the member in question.

All travel expenses are reimbursed in accordance with the Company's travel policy. The members of the Board of Directors are not involved in the Company's share-based remuneration schemes, and the company's shares are not used to pay the remuneration for board work.

The Chair of the Audit Committee is paid an annual remuneration of EUR 4,000, while the Committee's members are paid EUR 2,000 per year. The Chair of the Personnel and Remuneration Committee is paid an annual remuneration of EUR 2,000, while the Committee's members are paid EUR 1,000 per year.

The remuneration provided to the members of the Board of Directors is presented in the table below. The remuneration has been paid in 2020.

Remuneration of the members of the Board of Directors in 2020

Name	Position	Remuneration	Annual remuneration of Committee duties	Total
Kimmo Rasila	Chair of the Board, member of the Personnel and Remuneration Committee	38,400 €	1,000 €	39,400 €
Marko Kauppi	Deputy Chair of the Board, member of the Audit Committee	28,800 €	2,000 €	30,800 €
Jaya Baloo	Member of the Board as of April 8, 2020, member of the Personnel and Remuneration Committee	14,080 €	1,000 €	15,080 €
Kati Hagros	Member of the Board, Chair of the Personnel and Remuneration Committee	19,200 €	2,000 €	21,200 €
Anders Silwer	Member of the Board, member of the Audit Committee	19,200 €	2,000 €	21,200 €
Tuija Soanjärvi	Member of the Board, Chair of the Audit Committee	19,200 €	6,000 €	25,200 €
Juhani Kaskeala	Member of the Board until 7 April 2020	5,173 €	1,000 €	6,173 €
Teemu Tunkelo	Member of the Board until 24 March 2020	4,800 €	1,000 €	5,800 €

Remuneration of the CEO and Deputy CEO

Remuneration is paid to the CEO and Deputy CEO in the form of a fixed basic salary, fringe benefits, a short-term performance incentive, and an annual bonus. In addition, the CEO and Deputy CEO are included in share-based remuneration schemes. The purpose of the remuneration schemes is to provide an incentive to the Company's management to develop the Company and safeguard its long-term financial success. The applicable remuneration principles take various factors into account, such as the Company's development phase and business strategy. In accordance with the Act on Personnel Funds, part (25–100%) of the annual bonus is allocated to a personnel fund that is owned and managed by the Company's employees.

The Company's Board of Directors is responsible for annually evaluating and deciding on the salaries, remunerations and other benefits provided to the CEO and Deputy CEO, as well as the principles for determining these decisions. The Board of Directors decides on the entitlement criteria and determination of the performance incentive on an annual basis. The amount of performance incentives paid to the CEO and Deputy CEO depends on the Group's financial performance and the achievement of their personal targets. The CEO and Deputy CEO are entitled to a statutory pension that is based on a defined contribution plan.

Components of the remuneration provided to Nixu's CEO and Deputy CEO:

	Remuneration element	Description	CEO	Deputy CEO
BASE SALARY	Fixed monthly salary	Fixed salary including taxable fringe benefits.	157,702 €	136,367 €
SHORT-TERM INCENTIVES	Performance-based incentive plan	The performance-based incentive is based on the financial targets determined by the Company's Board of Directors (H1/2020 revenue, EBITDA, utilization rate, H2/2020 EBITDA and revenue). The target period for this short-term incentive plan is six months and the incentive is paid half-yearly. Incentive 2H2020 is estimation.	Target (maximum) incentive levels of annual base salary: 35.6%(71.1%)	Target (maximum) incentive levels of annual base salary: 11.4%(22.8%)
			Payment: 49,008 €	Payment: 14,438 €
	Annual bonus	The CEO and the Deputy CEO are included in the annual bonus system similar to the personnel located in Finland. The bonus 18.3% of EBITDA (positive) is paid half-yearly pro rata with the salary.	6,602 €	5,972 €
PENSIONS	Statutory pension, defined contribution plan	Statutory pension scheme, no additional pension schemes are agreed.	27,696 €	23,674 €
SHARE - BASED PAYMENTS	All-Employee Matching Share Plan	The CEO and the management team participate in the All-Employee Matching Share Plan. More information on the program below.	The scheme is ongoing	The scheme is ongoing
	Key personnel stock option scheme	The CEO and the management team participate in the stock option scheme directed to personnel responsible for the implementation of Nixu's growth strategy.	The scheme is ongoing	The scheme is ongoing

All-Employee Share Matching Plan 2019–2021

1. The All-Employee Matching Share Plan 2019–2021, is directed to all permanent employees of Nixu Corporation and its subsidiaries. The plan is to create an incentive for the Nixu employees to become shareholders or increase their shareholding in Nixu and thereby continue to strengthen and align the interests of the employees, Nixu and its shareholders. And in addition to share Nixu's success with its employees also through the possible increase in the share price and to drive One Nixu -thinking. The participation is voluntary.
2. Plan period: two years, 2019–2021
3. The employees that participate in the plan have the right of receiving one matching share free of consideration for each full two New Shares subscribed in the Share Issue after a two-year retention period.

Key personnel stock option scheme

1. The goal is to create an incentive for the key personnel committed to implementing Nixu's strategy. A prerequisite (at least for the first series of options) is to participate in the All-employee share matching plan.
2. The total maximum number of Stock Options issued is 345,000. Of the Stock Options, 115,000 are marked with the symbol 2019A, 115,000 with the symbol 2019B and 115,000 with the symbol 2019C.

The share subscription period with the Stock Options shall be:

- for Stock Options 2019A: 1 October 2021 – 31 May 2023
- for Stock Options 2019B: 1 October 2022 – 31 May 2024
- for Stock Options 2019C: 1 October 2023 – 31 May 2025.

3. The Stock Options will be issued gratuitously. The Board of Directors is in connection with the distribution of the Stock Options entitled to set the Stock Option holders' right to keep all or part of the Stock Options until the commencement of the share subscription period conditional on the fulfilment of specific financial or operational performance targets on terms separately determined by the Board of Directors.
4. The share subscription price shall be:

2019A: the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd during the period of April 1, 2019 – April 30, 2019. The subscription price was set at EUR 12.09 per share.

2019B: the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd during the twenty trading days following the publication date of the Company's financial statements release for the year 2019 (February 13, 2020 – March 11, 2020). The subscription price was set at EUR 9.48 per share.

2019C: the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd. during the twenty trading days following the publication date of the Company's financial statements release for the year 2020.

