CORPORATE SECURITY REVENUE GREW 14% ORGANICALLY IN THIRD QUARTER

Q3/2019
Samu Konttinen, President & CEO

F-Secure
KEY TAKEAWAYS FROM Q3

Corporate cyber security continued to grow

- Corporate security grew 14% from previous year
  - Endpoint protection on stable growth track
  - Managed Detection and Response (MDR) solutions had a strong quarter, won significant deals against top competitors
  - Cyber security consulting continued to grow strongly
  - Consumer security revenue at previous year’s level
- Adjusted EBITDA according to our expectations – margin 13%
- In October F-Secure started restructuring to capture synergies from the MWR InfoSecurity and reorganize operations for better focus on different customer segments
## KEY FINANCIAL HIGHLIGHTS

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>53.8</td>
<td>50.5</td>
<td>7%</td>
<td>161.2</td>
<td>137.0</td>
<td>18%</td>
<td>190.7</td>
</tr>
<tr>
<td>Consumer security</td>
<td>23.4</td>
<td>23.8</td>
<td>-1%</td>
<td>71.4</td>
<td>70.9</td>
<td>1%</td>
<td>94.9</td>
</tr>
<tr>
<td>Corporate security</td>
<td>30.3</td>
<td>26.7</td>
<td>14%</td>
<td>89.8</td>
<td>66.1</td>
<td>36%</td>
<td>95.9</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA¹</strong></td>
<td>6.8</td>
<td>6.0</td>
<td>15%</td>
<td>16.6</td>
<td>12.6</td>
<td>32%</td>
<td>17.4</td>
</tr>
<tr>
<td>% of revenue</td>
<td>13%</td>
<td>12%</td>
<td></td>
<td>10%</td>
<td>9%</td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td>Adjustment to operating income</td>
<td></td>
<td></td>
<td></td>
<td>9.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M &amp; A expenses</td>
<td></td>
<td>-2.7</td>
<td></td>
<td></td>
<td>-3.3</td>
<td></td>
<td>-3.6</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>6.8</td>
<td>3.3</td>
<td>109%</td>
<td>25.7</td>
<td>9.3</td>
<td>177%</td>
<td>13.8</td>
</tr>
<tr>
<td>Depreciation &amp; amortization¹</td>
<td>-3.5</td>
<td>-1.8</td>
<td>92%</td>
<td>-10.1</td>
<td>-4.7</td>
<td></td>
<td>-6.8</td>
</tr>
<tr>
<td>Impairment</td>
<td></td>
<td>-6.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPA amortization</td>
<td>-0.9</td>
<td>-1.1</td>
<td>-24%</td>
<td>-3.2</td>
<td>-1.4</td>
<td></td>
<td>-2.5</td>
</tr>
<tr>
<td><strong>EBIT¹</strong></td>
<td>2.5</td>
<td>0.4</td>
<td>6.4</td>
<td>3.1</td>
<td>104%</td>
<td></td>
<td>4.6</td>
</tr>
<tr>
<td>Earnings per share (EUR)²</td>
<td>0.01</td>
<td>0.01</td>
<td></td>
<td>0.02</td>
<td>0.01</td>
<td>136%</td>
<td>0.01</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td></td>
<td></td>
<td></td>
<td>70.2</td>
<td>69.0</td>
<td>2%</td>
<td>72.9</td>
</tr>
<tr>
<td>Cash flow from operations before financial items and taxes¹</td>
<td>3.7¹</td>
<td>-1.0</td>
<td></td>
<td>10.3¹</td>
<td>3.3</td>
<td></td>
<td>13.8</td>
</tr>
<tr>
<td>Personnel, end of period</td>
<td>1,727</td>
<td>1,636</td>
<td>6%</td>
<td>1,666</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

¹IFRS 16 increased Adjusted EBITDA and EBITDA by EUR 1.7 million during Q3 and EUR 5.0 million during January-September. Impact on adjusted EBIT and EBIT was EUR 0.1 million during Q3 and EUR 0.2 million during January-September. Depreciation and amortization increased by EUR 1.6 million during Q3 and by EUR 4.8 million during January-September.

²Based on the weighted average number of outstanding shares during the period 157,696,495 (1-9/2019)
CORPORATE SECURITY PRODUCTS REVENUE GREW 11% IN Q3

(1-9/2019, EUR m)

Revenue from endpoint security remains on stable growth track

- Good renewal performance in EPP and growing volumes of EDR sold as integrated to EPP
- New customer acquisition soft in Finland and Japan as sales of some non-strategic products were terminated
- EDR is still small in our corporate security business mix while the solution is strategically very important

Revenue from Managed Detection and Response solutions (Countercept & RDS) increased well

- Managed Detection and Response (MDR) solutions had a strong quarter
- In Q3 F-Secure Countercept won significant deals against many top competitors in the US and UK
- MDR deals were won in UK, Germany, Poland, Finland and South Africa in customer verticals such as finance, critical infrastructure and technology
F-SECURE DETECTION AND RESPONSE CAPABILITIES OUTSHONE COMPETITORS IN 3RD PARTY EVALUATION

MITRE ATT&CK evaluation, Simple Scores by Forrester Research¹

- Clear first place in MITRE ATT&CK evaluations for MDR EDR solutions
- Evaluation tool developed independently by third party agency Forrester Research
- Great testimony for F-Secure’s unique technology stack that serves our EDR and MDR solutions
- Achievements in line with chosen strategy and attributable R&D investments enabling further growth

CYBER SECURITY CONSULTING REVENUE GREW 18% IN Q3

(1-9/2019, EUR m)

Revenue comparison

Cyber security consulting revenue continued to grow strongly

- Cyber security consulting revenues continued to grow well in our largest markets UK and Nordics
- Singapore performance particularly strong in Q3
- In September F-Secure finalized the MWR integration in consulting and combined all units into one globally operating multi-disciplinary organization
GLOBALLY OPERATING MULTI-DISCIPLINARY CONSULTING ORGANIZATION

Consulting capability: example customer cases

### GEOGRAPHY

<table>
<thead>
<tr>
<th>Locations</th>
<th>Continents</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>4</td>
</tr>
</tbody>
</table>

### CAPABILITY

300+ Cyber Security Consultants

### LOCATION | CUSTOMER VERTICAL | CASE TYPE
--- | --- | ---
UK | Multi-National Insurance Group | Defence Practice Enhancements
UK | Critical Infrastructure | Attack Path Mapping
UK | Financial Institution | Threat Hunting
UK | International Manufacturing Company | Incident Response

### LOCATION | CUSTOMER VERTICAL | CASE TYPE
--- | --- | ---
SG, DK | Maritime | Assessments
SWE | Financial Institution | Red Teaming
FIN, BEL | Financial Institution | Incident Response

### LOCATION | CUSTOMER VERTICAL | CASE TYPE
--- | --- | ---
UK, US, GER | Financial Institutions | Targeted Attack Simulations
JPN, GER | Automotive | IOT Assessments

### LOCATION | CUSTOMER VERTICAL | CASE TYPE
--- | --- | ---
SG | Financial Institution | Attack Path Mapping
SG | Financial Institution | Security Testing
### CONSUMER SECURITY – Q3 AT PREVIOUS YEAR’S LEVEL

**Revenue comparison**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operator Channel</th>
<th>Direct Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>70.9</td>
<td>23.4</td>
</tr>
<tr>
<td>2019</td>
<td>71.4</td>
<td>23.4</td>
</tr>
</tbody>
</table>

- **Q3** compared to previous year’s level: +1%
- **Q2** compared to previous year’s level: -1%
- **Q1** compared to previous year’s level: +1%

### Revenue from the operator channel on previous years’ level
- Moderate increase of product activation rates
- Positive sentiment around F-Secure Sense and upcoming product launch of Identity Protection (IDP) continued

### Revenue from direct sales declined slightly
- Overall renewal performance remained at a good level
- Strategic shift from retail to ecommerce progresses while pace varies depending on location
- Customers increasingly demand bundled solutions which drives growth of F-Secure TOTAL revenue and average revenue per customer
Restructuring to better serve different customer segments in various channels

(1-9/2019 Revenue, EUR m)

Corporate Security Products
- Suite of endpoint products
- F-Secure Countercept
- Channel Partners: 6000+ globally

Cyber Security Consulting
- Global multi-disciplinary organization
- Direct Sales: 300+ consultants

Consumer Security Products
- Operator partners
- Direct Business
- Operators: 200+ globally
- Retail & E-Com
- Tens of millions of consumers

Revenue Breakdown:
- Corporate Security Products: 54.2M€ (34%)
- Cyber Security Consulting: 35.6M€ (22%)
- Consumer Security Products: 71.4M€ (44%)
NEW ORGANIZATION ENABLES FURTHER GROWTH AND BETTER CUSTOMER FOCUS

(New organization structure)

- MWR integration finalization
- New organization for clearer customer focus
- Simplify organization to enable efficiency
- Right size cost base for the new structure & better efficiency in support functions

<table>
<thead>
<tr>
<th>Consumer Security</th>
<th>Corporate Cyber Security</th>
<th>Consulting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Research &amp; Technologies</td>
<td></td>
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<tr>
<td>Information &amp; Business Services</td>
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<td></td>
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<tr>
<td>Finance &amp; Legal</td>
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<tr>
<td>People Operations &amp; Culture</td>
<td></td>
<td></td>
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<tr>
<td>Strategy, Brand &amp; Communications</td>
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NEW LEADERSHIP TEAM AND RESPONSIBILITIES

(Leadership team as of 7th October 2019)

Samu Konttinen
President and CEO
Member of the Leadership Team since 2009

Eriikka Söderström
CFO
Member of the Leadership Team since 2017

Jyrki Tulokas
CTO
Member of the Leadership Team since 2016

Jari Still
CIO
Member of the Leadership Team since 2012

Kristian Järnefelt
EVP, Consumer Cyber Security Business Unit
Member of the Leadership Team since 2016

Juha Kivikoski
EVP, Business Cyber Security
Member of the Leadership Team since 2018

Ian Shaw
EVP, Cyber Security Consulting
Member of the Leadership Team since 2018

Tim Orchard
EVP, Managed Detection & Response
Member of the Leadership Team since 2019

Eva Tuominen
EVP, People Operations & Culture
Member of the Leadership Team since 2019

Antti Hovila
EVP, Strategy Brand & Communications
Member of the Leadership Team since 2019
### FUTURE OUTLOOK UNCHANGED

<table>
<thead>
<tr>
<th>Outlook for 2019</th>
<th>Outlook for 2018-2021</th>
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</thead>
<tbody>
<tr>
<td>• Revenue from corporate security is expected to grow by over 30% compared to 2018</td>
<td>• The demand for corporate cyber security products and services is expected to grow strongly. F-Secure aims to grow faster than the market, with revenue from corporate security expected to grow above 15% annually during our strategy period 2018-2021.</td>
</tr>
<tr>
<td>• Revenue from consumer security is expected to stay approximately at the same level as in 2018</td>
<td>• Driven by the anticipated revenue growth and scalable business model, the company’s profitability is expected to improve significantly in the long-term. The board and the management continuously seek to balance growth investments and profitability to optimize long-term value creation for the shareholders.</td>
</tr>
<tr>
<td>• Adjusted EBITDA is expected to be above EUR 21 million including the impact of IFRS 16</td>
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</tbody>
</table>

Driven by the anticipated revenue growth and scalable business model, the company’s profitability is expected to improve significantly in the long-term. The board and the management continuously seek to balance growth investments and profitability to optimize long-term value creation for the shareholders.
F-SECURE’S 1-9/2019 IN BRIEF

(1-9/2019, EUR m)

Revenue split by business

- Cyber Security Consulting +81%
- Corporate Products +17%
- Consumer Security +1%

Revenue split by geography

- Nordics +10%
- North America +14%
- Rest of Europe +19%
- Other Regions +41%

Adj. EBITDA (incl. IFRS 16)

- Q3
- Q2
- Q1

137.0
161.2
137.0
161.2
12.6

1-9/2018
1-9/2019
1-9/2018
1-9/2019
1-9/2018
1-9/2019

46.4
54.1
6.0

70.9
71.4
60.5
15.1
12.4

19.7
35.6
49.1
14.1
21.3

13.8
4.8
2.7
3.8
5.0

+18%
+18%

Q2
Q3
Q1
ADJUSTED EBITDA DEVELOPMENT
(Q1/2018 – Q3/2019, EUR m)

Adjusted EBITDA

- M&A costs
- IFRS 16 Depreciation
- D&A (excl. IFRS 16)
- Reported EBIT (excl. one-offs)

In Q2/19 positive EBIT impact of EUR 3.1m from revision of acquisition valuation excluded.
Deferred revenue grew by 2%

(1-9/2019, EUR m)

Deferred revenue, non-current (EUR m)
Deferred revenue, current (EUR m)
• Cash flow from operations increased by EUR 4.9 million and was EUR 2.3 million (-2.6m)
• Group result excluding non-cash flow impacting adjustments such as PPA amortizations improved generating a more positive cash flow
• IFRS 16 impact on increase was EUR 1.6m