

**FINANCIAL STATEMENT RELEASE
1 JANUARY – 31 DECEMBER 2019**

**CORPORATE SECURITY REVENUE GREW 10%
ORGANICALLY IN FOURTH QUARTER**



HIGHLIGHTS OF OCTOBER–DECEMBER (Q4)

- Revenue increased by 4% to EUR 56.1 million (53.7m)
- Revenue from corporate security increased by 10% to EUR 32.7 million (29.8m)
- Revenue from consumer security decreased by 2% to EUR 23.4 million (24.0m)
- Deferred revenue increased by 1% to EUR 73.9 million (72.9m)
- Adjusted EBITDA was EUR 6.6 million (4.9m), 11.8% of revenue (9.0%)¹⁾
- EBIT was EUR 0.8 million (1.4m), 1.3% of revenue (2.6%)
- EBIT includes EUR 3.4 million positive impact related to revaluation of MWR InfoSecurity contingent consideration, and EUR 4.6 million costs from restructuring. Final contingent consideration to be paid in the first quarter of 2020 is EUR 3.7 million.
- Earnings per share (EPS) was EUR 0.00 (EUR 0.00)
- Cash flow from operating activities before financial items and taxes was EUR 8.7 million (10.5m)¹⁾

HIGHLIGHTS OF JANUARY–DECEMBER

- Revenue increased by 14% to EUR 217.3 million (190.7m)
- Revenue from corporate security increased by 28% to EUR 122.5 million (95.9m)
- Revenue from consumer security remained at previous year's level and was EUR 94.8 million (94.9m)
- Deferred revenue increased by 1% to EUR 73.9 million (72.9m)
- Adjusted EBITDA was EUR 23.2 million (17.4m), 10.7% of revenue (9.1%)¹⁾
- EBIT was EUR 7.2 million (4.5m), 3.3% of revenue (2.4%)
- EBIT includes EUR 6.5 million positive net impact from revaluation of MWR InfoSecurity acquisition related items, and EUR 4.6 million costs from restructuring. Final contingent consideration to be paid in the first quarter of 2020 is EUR 3.7 million.
- Earnings per share (EPS) was EUR 0.02 (EUR 0.01)
- Cash flow from operating activities before financial items and taxes was EUR 19.0 million (13.8m)

OUTLOOK

The company's outlook for 2020 is:


- Organic revenue growth in corporate security is expected to continue in 2020 although slower than in 2019. The negative impact of terminated non-strategic products in growth rate is estimated to be a few percentage points in 2020.

- Revenue from consumer security is expected to be approximately at the same level as in 2019.
- Adjusted EBITDA is expected to clearly increase compared to 2019.

This outlook disclosed on the 12 December 2019 replaced previously disclosed forecasts and forward looking statements.

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 Figures in this report are unaudited. Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.

¹⁾ F-Secure has adopted the new Leases standard (IFRS 16) on 1 January 2019 using the modified approach. Comparative information has not been restated. The impact of IFRS 16 on adjusted EBITDA is EUR +1.7 million for the fourth quarter and EUR +6.6 million for January–December. Impact on operative cash flow is EUR +1.5 million for the fourth quarter and EUR 6.0 million for January–December.



CEO SAMU KONTTINEN

“F-SECURE’S REVENUE INCREASED BY 4% WITH CORPORATE SECURITY GROWING BY 10%.”

In the final quarter of 2019 F-Secure’s revenue increased by 4% to EUR 56.1 million, with corporate security growing by 10%. Revenue from consumer security remained at the previous year’s level. In terms of profitability, the quarter was in line with our expectations with adjusted EBITDA margin of 12%.

In Managed Detection and Response (MDR) solutions we continued to win new deals. Examples of these customers include a leading European logistics company, a large Nordic financial institution and a Nordic critical infrastructure company. In October F-Secure achieved the highest score among vendors in the MITRE ATT&CK evaluation based on a scoring code created by Forrester¹⁾. This demonstrates F-Secure’s exceptional capability to detect advanced threats. Overall, Managed Detection and Response is one of our top focus areas, while long sales cycles and varying deal sizes can cause significant quarterly variations in new sales.

F-Secure’s endpoint security business continued slight and steady growth driven by good performance in renewals. Our cloud-native EDR and EPP combination is a good fit for SME-sized customers and for our partners offering them services. In October, F-Secure’s industry-leading ability to cooperate with the partner network was awarded as the Channel Sales Program of the Year by SiriusDecisions of Forrester Research. Competitive rivalry in this market has intensified as several non-traditional endpoint security companies also now offer endpoint solutions.

Cyber security consulting grew strongly, while we continued to see variation in country performances. As an example of growing locations, Singapore had yet another exceptional quarter as customers were successfully served by cross-country resourcing. This demonstrates our increasing global reach that enables execution of large projects worldwide and, thus, we can tap into full potential of the market growth.

Revenue from consumer security remained at the previous year’s level. In Q4, the positive sentiment around ID PROTECTION started to materialize as we closed first deals with operator partners in Asia, Europe and US. Overall the operator channel delivered according to our expectations. Direct business had the strongest quarter of the year which is a good starting point for 2020.

After completion of restructuring and MWR InfoSecurity integration in December, F-Secure can now focus on better serving different customer segments in versatile business areas. This sets us well for successful 2020.

CEO Samu Konttinen

¹⁾The Forrester MITRE ATT&CK Evaluation Guide, An Objective Analysis Of Round 1 And How To Interpret The Results by Josh Zelonis, with Stephanie Balaouras, Joseph Blankenship, Benjamin Corey, Peggy Dostie, and Diane Lynch, November 20, 2019

FINANCIAL PERFORMANCE

EUR m	10–12/2019	10–12/2018	Change %	1–12/2019	1–12/2018	Change %
Revenue	56.1	53.7	4%	217.3	190.7	14%
Consumer security	23.4	24.0	–2%	94.8	94.9	0%
Corporate security	32.7	29.8	10%	122.5	95.9	28%
Products	18.3	17.4	5%	72.5	63.8	14%
Consulting	14.4	12.4	16%	50.0	32.0	56%
Cost of revenue	–12.9	–12.5	3%	–50.5	–39.4	28%
Gross Margin	43.2	41.3	5%	166.8	151.4	10%
Other operating income ¹⁾	0.4	0.6	–22%	1.5	2.3	–31%
Operating expenses ¹⁾	–37.0	–37.0	0%	–145.1	–136.2	7%
Sales & Marketing	–25.5	–24.9	2%	–99.4	–90.7	10%
Research & Development	–8.7	–9.0	–4%	–33.2	–33.6	–1%
Administration	–2.9	–3.0	–4%	–12.4	–11.9	4%
Adjusted EBITDA ²⁾	6.6 ⁴⁾	4.9	36%	23.2 ⁴⁾	17.4	34%
of revenue, %	11.8%	9.0%		10.7%	9.1%	
Adjustment to operating income	3.4			12.5		
Restructuring	–4.6			–4.6		
M&A expenses		–0.3			–3.6	
EBITDA	5.4 ⁴⁾	4.5	19%	31.1 ⁴⁾	13.8	126%
of revenue, %	9.7%	8.5%		14.3%	7.2%	
Depreciation & amortization	–3.5 ⁴⁾	–2.0	74%	–13.6 ⁴⁾	–6.8	96%
Impairment	–0.3			–6.3		
PPA amortization	–0.9	–1.2	–22%	–4.1	–2.5	63%
EBIT	0.8 ⁴⁾	1.4	–46%	7.2 ⁴⁾	4.5	58%
of revenue, %	1.3%	2.6%		3.3%	2.4%	
Adjusted EBIT ²⁾	3.1 ⁴⁾	2.8	10%	9.6 ⁴⁾	10.6	–10%
of revenue, %	5.6%	5.3%		4.4%	5.6%	
Earnings per share, (EUR) ³⁾	0.00	0.00	–235%	0.02	0.01	298%
Deferred revenue				73.9	72.9	1%
Cash flow from operations before financial items and taxes	8.7 ⁴⁾	10.5	–18%	19.0 ⁴⁾	13.8	38%
Cash and financial assets at fair value through P&L				25.5	27.9	–9%
ROI, %	2.7%	6.2%	–56%	4.5%	7.9%	–43%
Equity ratio, %				49.0%	42.7%	15%
Gearing, %				20.8% ⁴⁾	13.9%	50%
Personnel, end of period				1,696	1,666	2%

¹⁾ Excluding items affecting comparability (IAC) as defined in note 7 of the Table Section of this report.

²⁾ Adjustments are material items outside normal course of business associated with acquisitions, integration, restructuring, gains or losses from sales of businesses and other items affecting comparability. Reconciliation and a breakdown of adjusted costs is in note 7 of the Table Section of this report.

³⁾ Based on the weighted average number of outstanding shares during the period 157,719,368 (1–12/2019).

⁴⁾ IFRS 16 increased Adjusted EBITDA and EBITDA by EUR 1.7 million during Q4 and EUR 6.6 million during January–December. Impact on adjusted EBIT and EBIT was EUR 0.1 million during Q4 and EUR 0.3 million during January–December. Depreciation and amortization increased by EUR 1.6 million during Q4 and by EUR 6.3 million during January–December. Positive impact on cash flow from operations before financial items and taxes was EUR 1.5 million during fourth quarter and EUR 6.0 million during January–December. Gearing excluding IFRS 16 impact is 6.3%.

Fourth quarter (Q4)

Total revenue in October–December increased by 4% to EUR 56.1 million (53.7m), driven by corporate security. The share of corporate security was 58% (55%).

Corporate security

Revenue from corporate security increased by 10% year-on-year to EUR 32.7 million (29.8m), driven by cyber security consulting as well as corporate security products. Q4/2019 revenue growth was purely organic while H1/2019 revenue was impacted by the acquisition of MWR InfoSecurity.

Products

Revenue from corporate security products increased by 5% to EUR 18.3 million (17.4m).

Revenue from endpoint protection solutions increased from the previous year's level. Renewal performance with existing EPP installations was good. New customer acquisition was soft in Finland and Japan partly due to termination of some non-strategic products. Good traction with EDR (Endpoint Detection and Response) continued as the number of EDR resellers and our reach to larger channel partners grew as the product matured technologically. EDR order volumes continued to grow although not being significant yet.

Revenue from Managed Detection and Response (MDR) solutions increased well. Good renewal performance continued globally during Q4. We closed several new F-Secure Countercept deals in customer verticals such as finance, logistics, critical infrastructure and professional services. These deals were won in several countries such as Belgium, Germany, Finland and France. New customer acquisition is expected to show variation between quarters which is typical for new advanced solutions.

Cyber security consulting

Revenue from cyber security consulting increased by 16% to EUR 14.4 million (12.4m).

Cyber security consulting revenues continued to grow well in our largest markets, UK and Nordics. Furthermore, Singapore once again performed exceptionally well in Q4. Despite the good growth, utilization rates were soft in some regions during the last quarter of 2019. Overall, the need for the most demanding cyber security consulting services continues to be strong.

Consumer security

In fourth quarter revenue from consumer security decreased by 2% to EUR 23.4 million (24.0m).

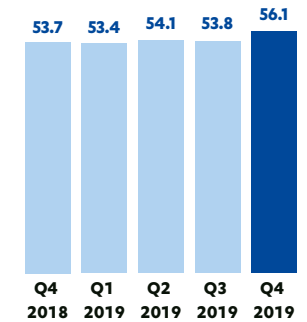
Operators

Revenue from the operator channel declined slightly from the previous year's level. In Q4, the positive sentiment around ID PROTECTION started to materialize as we closed first deals with operator partners in Asia, Europe and US. However, revenue impact from the new solutions is expected to be moderate in the short term. As an example of F-Secure's traction among operators, in one of these deals we replaced a large international competitor's endpoint offering on top of winning the new ID PROTECTION deal.

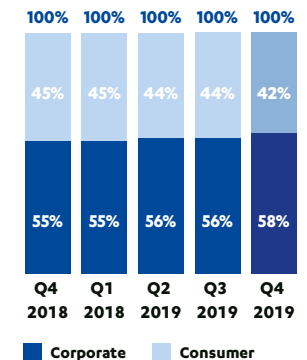
Direct sales

Direct sales revenue was at the previous year's level. Overall, the direct channel had the strongest quarter of the year with renewals continuing at a good level. The renewal rate of our bundled solution, F-Secure TOTAL, was on par with our expectations. Ecommerce sales performed well especially in the UK and Scandinavia. The sales performance of our strategic retail partners was also good in Q4.

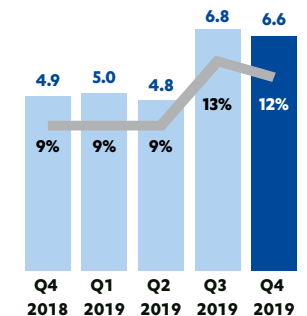
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Deferred revenue

Deferred revenue increased by 1% (year-on-year) to EUR 73.9 million (72.9m).

In corporate endpoint solutions, F-Secure has renewed its discount policy which has led to shorter average contract duration. At the same time, the demand for monthly subscriptions has increased. The growth of deferred revenue has decelerated also due to increased share of consulting business after MWR InfoSecurity acquisition. There is also less deferred revenue from corporate endpoint security business due to slower growth in order intake during the past year.

Gross margin

Gross margin increased by EUR 1.9 million to 43.2 million (41.3m) and was 77% of revenue (77%). Relative gross margin remained at previous year's level.

Acquisition related items affecting comparability

MWR InfoSecurity acquisition included an earnout against which a contingent consideration liability was booked in balance sheet. Earnout period ended on 31 December and the final outcome to be paid during first quarter of 2020 is EUR 3.7 million. Release of contingent consideration liability was EUR 3.4 million and presented in other operating income in fourth quarter.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment as well as items affecting comparability (IAC) remained at the previous year's level and was 37.0 million (37.0m). Items affecting comparability include costs from restructuring that was finalized during fourth quarter. Total restructuring costs were EUR 4.6 million. Total operating expenses including restructuring costs were EUR 41.6 million.

Depreciation and amortization increased by EUR 1.5 million to 4.7 million (3.2m), where IFRS 16 impact was EUR 1.6 million and PPA amortization from acquisition of MWR InfoSecurity was EUR 0.9 million (1.2m).

Profitability

Adjusted EBITDA was EUR 6.6 million and 11.8% of revenue (4.9m, 9.0%). Excluding IFRS 16 positive impact of EUR 1.7 million adjusted EBITDA was at previous year's level.

EBIT was EUR 0.8 million and 1.3% of revenue (1.4m, 2.6%). EBIT includes positive impact from decrease of contingent consideration from MWR InfoSecurity acquisition and a negative impact from restructuring.

Cash flow

Cash flow from operating activities before financial items and taxes was EUR 8.7 million (10.5m). While IFRS 16 had EUR 1.5 million positive impact on operative cash flow, there was EUR 3.7 million lower positive impact coming from net working capital. Cash flow from financial items and taxes improved due to lower tax advances.

January–December

In January–December, total revenue increased by 14% year-on-year to EUR 217.3 million (190.7 m), driven by corporate security. Corporate security represented 56% (50%) of all revenue, and consumer security 44% (50%) of all revenue.

Corporate security

Revenue from corporate security increased by 28% year-on-year to EUR 122.5 million (95.9m), driven by both the contribution from the acquired MWR InfoSecurity as well as continued organic growth.

Consumer security

Revenue from consumer security remained at previous year's level and was EUR 94.8 million (94.9m). Revenue from both operator and direct business stayed at the previous year's level.

Deferred revenue

Deferred revenue increased by 1% (year-on-year) to EUR 73.9 million (72.9m).

In corporate endpoint solutions, F-Secure has renewed its discount policy which has led to shorter average contract durations. At the same time, the demand for monthly subscriptions has increased. The growth of deferred revenue has decelerated also due to increased share of consulting business after MWR InfoSecurity acquisition. There is also less deferred revenue from corporate endpoint security business due to slower growth in order intake during the past year.

Gross margin

Gross margin increased by EUR 15.4 million to EUR 166.8 million (151.4m), or 77% of revenue (79%). Relative gross margin decreased after first half of 2018 as the share of cyber security consultancy business increased due to the acquisition of MWR InfoSecurity.

Acquisition related items affecting comparability

MWR InfoSecurity acquisition included an earnout against which a contingent consideration liability was booked in balance sheet. During second quarter contingent consideration was released by EUR 9.1 million due to acquired consulting business not reaching all agreed business milestones. On 31 December the earnout period ended and the final outcome to be paid during first quarter of 2020 was calculated to be EUR 3.7 million. Additional release of contingent consideration liability during fourth quarter was EUR 3.4 million. Total impact of the decrease in contingent consideration liability was EUR 12.5 million and is presented in other operating income.

As the earn-out target for MWR InfoSecurity consulting business was not reached in the second quarter, an impairment test was carried out resulting in an impairment of EUR 6.0 million. The remaining goodwill from the acquisition is EUR 78 million. The final purchase price of the acquisition totaled to GBP 85 million.

The net impact in full year EBIT related to the acquisition related valuation revision was positive EUR 6.5 million.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment and items affecting comparability (IAC) increased by EUR 8.9 million to 145.1 million (136.2m) due to the inclusion of MWR InfoSecurity in the company's financials. IAC includes costs from restructuring in total EUR 4.6 million.

Depreciation and amortization increased by EUR 14.7 million to 24.0 million (9.3m), where IFRS 16 impact was EUR 6.3 million and PPA amortization from acquisition of MWR InfoSecurity was EUR 4.1 million.

Profitability

Adjusted EBITDA was EUR 23.2 million and 10.7% of revenue (17.4m, 9.1%). Excluding IFRS 16 positive impact of EUR 6.6 million adjusted EBITDA was EUR 16.6 million.

EBIT was EUR 7.2 million and 3.3% of revenue (4.5m, 2.4%). Increase in EBIT from previous year's level was EUR 2.7 million. EBIT includes positive impact from the valuation revision of MWR InfoSecurity and a negative impact from restructuring.

Cash flow

Cash flow from operating activities before financial items and taxes increased by EUR 5.2 million and was EUR 19.0 million (13.8m). IFRS 16 had EUR 6.0 million positive impact on operative cash flow. Cash flow from financing and taxes improved from previous year mostly due to lower tax advances.

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	10-12/2019	10-12/2018	Change %	1-12/2019	1-12/2018	Change %
Cash and financial assets at fair value through P&L				25.5	27.9	-9%
Interest bearing liabilities, non-current				29.5	31.0	-5%
Interest bearing liabilities, current				11.9	6.1	96%
Capital expenditure ¹⁾	3.3	2.3	45%	12.8	99.8	-87%
Capital expenditure, excl. acquisitions ¹⁾	3.3	2.3	45%	12.8	7.5	70%
Capitalized development expenses	1.5	1.3	12%	6.2	4.7	32%
ROI, %	2.7%	6.2%		4.5%	7.9%	
Equity ratio, %				49.0%	42.7%	
Gearing, %				20.8%	13.9%	

¹⁾ Including IFRS16 related additions in 2019.

Financial position remained solid. Repayments of company's bank loan during 2019 were EUR 6.0 million.

Lease liabilities included in interest bearing liabilities at year end were EUR 10.3 million, of which short-term EUR 5.9 million. Additions to right of use assets in capital expenditure was EUR 3.8 million. Recognition of lease liabilities also had an impact on F-Secure's equity ratio and gearing. Excluding IFRS 16 impact equity ratio is 52.7% and gearing 6.3%.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,696 employees, which shows a net increase of 30 employees (2%) since the beginning of the year (1,666 on 31 December 2018).

Leadership team

At the end of the quarter, the composition of the Leadership Team was the following:

Samu Konttinen (CEO), Antti Hovila (Strategy, Brand & Communications), Kristian Järnefelt (Consumer Security), Juha Kivikoski (Business Security), Ian Shaw (Cyber Security Consulting), Tim Orchard (Managed Detection & Response) Jari Still (Information & Business Services), Jyrki Tulokas (Security Research & Technologies), Eriikka Söderström (CFO), and Eva Tuominen (People Operations & Culture).

SHARES, SHAREHOLDERS' EQUITY, OWN SHARES

The total number of company shares is currently 158,798,739. The company's registered shareholders' equity is EUR 1,551,311.18. The company currently holds 1,011,744 of its own shares.

The company holds its own shares to be used in the incentive compensation plans, for making acquisitions or implementing other arrangements related to the company's business, to improve the company's financial structure or to be otherwise assigned or cancelled.

The company currently has performance-based long-term share-based incentive programs for key employees and a matching share plan for all employees.

RISKS AND UNCERTAINTIES MARKET OVERVIEW

Risks are defined as uncertainties which can impact the achievement of the Company's short- and long-term objectives. Risks are assessed as a combination of probability and impact.

The most significant risks are:

- Endpoint protection market disruption
- Market consolidation and failure to successfully complete acquisitions or divestments
- Failure to innovate and launch new technologies
- Failure to attract and retain talent

Other risks that affect the F-Secure business include but are not limited to:

- Increased exposure outside the Eurozone carries increased risk related to currency fluctuations
- Tax risk relating to changing laws and regulations and interpretations of said regulations by the relevant authorities
- Brexit (impact to F-Secure's business has been assessed to be limited)

The growing number and variety of connected devices as well as digital services continues to create security challenges for both businesses and individuals. Combined with the increasing complexity of IT systems, tightening regulation and increasing significance of geopolitics, these trends are driving demand for security products and services. While advanced cyber-attacks are becoming more common and persistent, criminals are targeting companies of all sizes along with consumers by taking advantage of vulnerabilities in popular software, both traditional and new connected devices as well as online services. Apart from pure criminal activity, governments and hacktivists use vulnerabilities and malware for things including espionage and surveillance.

Attacks against corporations often go undetected for months. As most companies lack relevant capabilities for detection and response, it is estimated that the demand for both Endpoint Detection and Response (EDR) solutions and Managed Detection and Response (MDR) will continue to increase rapidly. The new detection and response capabilities are supplementing existing endpoint protection solutions (EPP), causing the EPP market to be in transition. Overall, as organizations are increasingly adopting cloud services, they seek managed security services and cloud-based delivery to help them maintain control of their security.

The consumer security software market continues to be impacted by the changing device landscape, app stores and online sales overall. On the whole, the number of connected smart home devices is growing very rapidly, and as a result telecommunication operators are investing heavily in upgrading connectivity and introducing new security related services into their offerings. As consumers become increasingly aware of the threats to their privacy and security, they seek to buy more comprehensive solutions to secure their digital lives. This creates opportunities for innovative new security products.

STRATEGY 2018–2021

The world is becoming digitalized and connected. Due to this, cyber-attacks and cyber-crime continue to be among the most critical challenges the world is facing. While the complexity and magnitude of problems increases, expertise is concentrating into a limited number of specialized security companies.

For three decades, F-Secure has driven innovations in cyber security, defending tens of thousands of companies and millions of people. We have transformed from an endpoint protection company to a cyber security leader with a broader set of products and services.

F-Secure's competitiveness is based on extensive experience in cyber security, and a unique combination of man and machine. Our extensive experience, knowledge and insight in cyber security, combined with our global intelligence network, smart software and cutting edge artificial intelligence makes us the perfect trusted cyber security partner for companies of all sizes as well as individuals. We are the proud cyber security advisor to many of the world's largest and most demanding organizations e.g. in the banking, automotive and airline industries as well as the military and law enforcement sector. Our expertise is continuously developed, as we take on the toughest of assignments.

As F-Secure seeks to accelerate growth, we continue to focus growth investments in corporate security. We provide best-in-class services and solutions to the mid-market, especially for customers seeking to buy prevention, detection and response. We foresee the market moving towards managed endpoint security and see especially strong growth in detection and response solutions. As we expand our product and service offering, we are also making it more integrated in order to offer efficient and comprehensive turn-key solutions to our customers and partners.

F-Secure's corporate security products are mainly sold through the channel. Our growing network of thousands of partners are key to our strategic expansion. F-Secure's products are designed to be delivered from the cloud, and to support partners as they develop managed service provider business models. Ease of use both for end-customers as well as partners is critical aspect of all product design.

F-Secure also provides a comprehensive set of security and privacy solutions to consumers, protecting their information, identities, devices, smart homes and families. F-Secure is the world's leading provider of consumer security solutions through telecommunications operators. Together, we protect tens of millions of consumers and their digital lives. In consumer security, F-Secure continues with its existing sales channels aiming at profitable growth.

F-SECURE PRODUCTS AND SERVICES

Corporate security

In corporate security F-Secure provides a broad range of cyber security products, managed detection and response solutions and cyber security consulting to companies globally with a focus on the mid-market and local enterprises. The majority of revenue comes from product sales through a large network of solution and service provider partners.

Prediction solutions

F-Secure Radar – Vulnerability scanning and management platform

phishd – Anti-phishing behavior management platform

Prevention solutions

F-Secure Protection Service for Business – Cloud-hosted endpoint security

F-Secure Business Suite – On-site deployed endpoint security

F-Secure Cloud Protection for Salesforce – Content level security for Salesforce's customers

Detection & Response solutions (EDR & MDR)

EDR: F-Secure Rapid Detection & Response – Customer- or partner-managed solution for detecting and responding to targeted attacks

MDR: F-Secure Rapid Detection & Response Service – Managed detection and response service providing 24/7 monitoring, alerts within minutes, and gives clear guidance on how to respond

MDR: Countercept – Advanced threat hunting and continuous response capabilities against targeted attacks delivered as a managed service

Cyber security services

F-Secure provides premium consultancy services for all areas of cyber security on four continents, including services such as:

- F-Secure Cyber Incident & Resilience Services
- F-Secure Security Assessments
- F-Secure Red Team Testing
- F-Secure Cyber Risk Management



Consumer security

In consumer security the company provides a comprehensive range of endpoint protection, privacy and password management solutions, and security for all the connected devices at home, both separately and as a bundled premium offering (F-Secure TOTAL). The majority of consumer sales comes from the sale of endpoint protection products through the operator channel, but the company also sells consumer products through various online and retail partners, as well as the company's own web shop.

F-Secure SAFE – Easy to use antivirus and internet security, including Family rules to let you set healthy boundaries for your children's device use.

F-Secure FREEDOME – VPN that hides your online activity to ensure anonymous and secure internet browsing.

F-Secure KEY – A light and easy password manager, allowing you to store your passwords securely and access them from any device.

F-Secure SENSE – Protects every device in your connected home while serving as a fast, technologically advanced wireless security router. The required router is sold separately or provided by the operator.

F-Secure ID PROTECTION – Combines personal information monitoring against data breaches with password manager to create strong passwords.



EVENTS AFTER PERIOD-END

Dividend proposal

The company's dividend policy is to pay approximately half of its profits as dividends. Subject to circumstances, the company may deviate from this policy.

The Board of Directors has decided to propose to the Annual General Meeting that no dividend will be paid for 2019. Based on F-Secure's dividend policy the resulting dividend would have remained minimal. Taking into account the transaction costs related to the distribution, the Board of Directors considers it not in the shareholders' interests to pay dividends for fiscal year 2019.

ADDITIONAL INFORMATION

Contact information



Eriikka Söderström, CFO, F-Secure

+358 40 6691844



Henri Kiili, Investor Relations and Treasury Director, F-Secure

+358 40 8405450

investor-relations@f-secure.com

Financial calendar

During the year 2020, F-Secure Corporation will publish financial information as follows:

- Interim report January–March 2020, April 30, 2020
- Half year financial report January–June 2020, July 16, 2020
- Interim report January–September 2020, October 29, 2020

Annual General Meeting

- The Annual General Meeting is scheduled for Tuesday, March 24, 2020 at 14:00 EET.
- The Annual Report for 2019 will be published on the Company's website on 12 February 2020.

More information is available at <https://www.f-secure.com/en/investors/governance>

KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Revenue	56.1	53.7	217.3	190.7
Consumer security	23.4	24.0	94.8	94.9
Corporate security	32.7	29.8	122.5	95.9
Products	18.3	17.4	72.5	63.8
Consulting	14.4	12.4	50.0	32.0
Gross margin	43.2	41.3	166.8	151.4
Gross margin, % of revenue	77.0%	76.8%	76.7%	79.4%
Operating expenses	-46.3	-40.4	-173.7	-149.1
Operating expenses for adjusted EBITDA	-37.0	-37.0	-145.1	-136.2
Adjustment to other income	3.4		12.5	
Adjusted EBITDA	6.6 ¹⁾	4.9	23.2 ¹⁾	17.4
Adjusted EBITDA, % of revenue	11.8%	9.0%	10.7%	9.1%
EBITDA	5.4 ¹⁾	4.5	31.1 ¹⁾	13.8
EBITDA, % of revenue	9.7%	8.5%	14.3%	7.2%
Adjusted EBIT	3.1 ¹⁾	2.8	9.6 ¹⁾	10.6
Adjusted EBIT, % of revenue	5.6%	5.3%	4.4%	5.6%
EBIT	0.8 ¹⁾	1.4	7.2 ¹⁾	4.5
EBIT, % of revenue	1.3%	2.6%	3.3%	2.4%
ROI, %	2.7%	6.2%	4.5%	7.9%
ROE, %	2.7%	-2.2%	4.7%	1.2%
CAPITAL STRUCTURE				
Equity ratio, %			49.0% ¹⁾	42.7%
Gearing, %			20.8% ¹⁾	13.9%
Interest bearing liabilities			41.3 ¹⁾	37.1
Cash and financial assets at FVTPL			25.5	27.9
SHARE RELATED				
Earnings per share, basic and diluted	0.00	0.00	0.02	0.01
Shareholders' equity per share, EUR			0.48	0.42
OTHER				
Capitalized expenditure, MEUR excl. acquisition	3.3 ¹⁾	2.3	12.8 ¹⁾	7.5
Capitalized development expenses, MEUR	1.5	1.3	6.2	4.7
Depreciation and amortization excl. PPA amortization, MEUR	-3.5 ¹⁾	-2.0	-13.6 ¹⁾	-6.8
Depreciation and amortization	-4.7 ¹⁾	-3.2	-24.0 ¹⁾	-9.3
Personnel, average	1,714	1,659	1,701	1,364
Personnel, period end			1,696	1,666

¹⁾ IFRS 16 impacts the figure in 2019.

CHANGES IN THE ACCOUNTING PRINCIPLES

The Group has adopted following new and amended standards and interpretations as of 1 January 2019:

IFRS 16 Leases

F-Secure adopted IFRS 16 Leases standard using modified approach on 1 January 2019. Comparative information has not been restated. Under IFRS 16 almost all leases are recognized on the balance sheet as the distinction between operating and finance leases was removed. Right-of-use assets (leased item) and corresponding lease liability was recognized according to the standard in opening balance sheet on 1 January 2019.

IFRS 16 changes the definition of a lease to mainly relate to the concept of control. Leases and service contracts are distinguished on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified assets; and
- The right to direct the use of that asset.

F-Secure's right-of-use assets comprise of rented office premises and leased cars. Under IAS 17 these were classified as operating leases. Based on the analysis carried out in the implementation project lease definition under IFRS 16 is met by most of the rented office premises and leased cars. Short-term contracts (remaining contract period less than 12 months) and low value assets are excluded from leases and lease expense is recognized on a straightline basis as permitted by IFRS 16.

On initial application of IFRS 16 F-Secure has:

- Recognized right-of-use assets and lease liabilities in the consolidated statement of financial position measured at the present value of the future lease payments;
- Recognized depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit and loss; and
- Separated the total amount of cash paid into principal portion and interest in the consolidated cash flow statement. Principal payment is presented in financing activities and interest in operating activities.

Impact of IFRS 16 in opening balance as at 1 January 2019 is EUR 12.8 million increase in tangible assets (right-of-use assets) and interest bearing liabilities. Short-term portion of interest bearing liabilities of right-of-use assets on 1 January 2019 is EUR 5.7 million.

Right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of assets."

IFRIC 23 Uncertainty over income tax treatment

F-Secure has adopted IFRIC 23 interpretation on 1 January 2019. The interpretation clarifies the application of IAS 12 Income taxes when there is uncertainty related to the tax treatment. The new interpretation did not have material impact on Group's income tax treatment.

The Interim Report has been prepared in accordance with IAS 34 standard Interim Financial Reporting. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the annual report 2018.

All figures in the following tables are EUR million unless otherwise stated. This interim report is unaudited.

INCOME STATEMENT

	10-12/2019	10-12/2018	Change %	1-12/2019	1-12/2018	Change %
Revenue	56.1	53.7	4%	217.3	190.7	14%
Cost of revenue	-12.9	-12.5	3%	-50.5	-39.4	28%
Gross margin	43.2	41.3	5%	166.8	151.4	10%
Other operating income ¹⁾	3.9	0.6		14.0	2.3	
Sales and marketing	-27.2	-26.2	4%	-106.0	-95.0	12%
Research and development	-10.3	-9.7	6%	-39.5	-35.7	11%
Administration ²⁾	-8.9	-4.6	92%	-28.1	-18.3	54%
EBIT	0.8	1.4	-46%	7.2	4.5	58%
Financial net	-0.3	-0.9	-61%	-2.9	-2.8	4%
Result before taxes	0.4	0.5	-20%	4.2	1.7	146%
Income taxes	0.1	-0.9	-111%	-0.9	-0.9	0%
Result for the period total	0.5	-0.4		3.4	0.8	
Other comprehensive income						
Exchange differences on translating foreign operations	4.1	-0.5		5.1	-1.3	
Total comprehensive income (parent company owners)	4.7	-0.9		8.5	-0.4	
Earnings per share						
	10-12/2019	10-12/2018	Change %	1-12/2019	1-12/2018	Change %
Earnings per share, basic and diluted, EUR	0.00	0.00	-235%	0.02	0.01	298%

¹⁾ Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 3.4m during Q4/19. Total decrease in contingent consideration during 2019 was EUR 12.5m.

²⁾ Restructuring during Q4/2019 increases administration costs by EUR 4.6m. Impairment of goodwill (EUR 6.0m) during Q2/2019 additionally increases full year administration costs.

BALANCE SHEET

Assets	31 Dec 2019	31 Dec 2018
Tangible assets ¹⁾	15.6	5.2
Intangible assets	36.5	38.4
Goodwill	88.4	90.7
Deferred tax assets	3.1	4.0
Other receivables	0.6	0.5
Total non-current assets	144.2	138.7
Inventories	0.1	0.6
Accrued income	3.5	1.3
Trade and other receivables	53.9	55.3
Income tax receivables	2.3	4.2
Financial asset at fair value through profit and loss	0.1	0.1
Cash and bank accounts	25.4	27.8
Total current assets	85.2	89.4
Total assets	229.4	228.0
Shareholders' equity and liabilities	31 Dec 2019	31 Dec 2018
Equity	76.2	66.3
Interest bearing liabilities, non-current ¹⁾	29.5	31.0
Deferred tax liability	2.5	4.1
Deferred revenue, non-current	17.6	17.6
Other non-current liabilities	1.9	16.2
Obligatory provisions	3.0	1.2
Total non-current liabilities	54.4	70.0
Interest bearing liabilities, current ¹⁾	11.9	6.1
Trade and other payables	29.0	29.5
Income tax liabilities	1.5	0.8
Deferred revenue, current	56.4	55.3
Total current liabilities	98.8	91.7
Total liabilities and equity	229.4	228.0

¹⁾ IFRS 16 impact in 2019, see note 5.

CASH FLOW STATEMENT

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Cash flow from operations				
Result for the financial year	0.5	-0.4	3.4	0.8
Adjustments	5.9	4.9	22.2	15.1
Cash flow from operations before change in working capital	6.4	4.6	25.6	16.0
Change in net working capital	2.2	5.9	-6.6	-2.2
Cash flow from operating activities before financial items and taxes	8.7	10.5	19.0	13.8
Net financial items and taxes	-0.8	-2.2	-0.5	-7.0
Cash flows from operating activities	7.9	8.3	18.5	6.8
Cash flow from investments				
Net investments in tangible and intangible assets	-2.3	-2.3	-8.5	-7.1
Acquisition of subsidiaries, net of cash acquired		0.4		-91.9
Other investments, net	0.0	0.0	0.0	53.5
Cash flow from investments	-2.3	-1.9	-8.5	-45.6
Cash flow from financing activities				
Repayments of interest bearing liabilities ¹⁾	-4.7	-0.1	-12.5	-0.5
Increase in interest-bearing liabilities				37.0
Own shares	-0.1		0.0	-0.1
Dividends paid				-6.3
Cash flow from financing activities	-4.8	-0.1	-12.5	30.1
Change in cash	0.8	6.3	-2.5	-8.7
Cash and bank at the beginning of the period	24.8	21.5	27.8	36.3
Effect of exchange rate changes on cash	-0.1	0.0	0.1	0.2
Cash and bank at period end	25.4	27.8	25.4	27.8

¹⁾ Includes also IFRS 16 lease liability repayments in 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2017	1.6	0.2	5.4	-4.6	66.5	1.0	-0.6	69.5
Impact of IFRS 15 restatement					1.1			1.1
Impact of IFRS 9 restatement					1.1	-1.0		0.2
Equity 1 Jan 2018 (restated)	1.6	0.2	5.4	-4.6	68.8	0.0	-0.6	70.7
Total comprehensive income for the year					0.8		-1.3	-0.4
Dividend					-6.3			-6.3
Cost of share based payments			0.7	1.8	-0.2			2.3
Equity 31 Dec 2018	1.6	0.2	6.1	-2.8	63.1	0.0	-1.8	66.3
	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2018	1.6	0.2	6.1	-2.8	63.1	0.0	-1.8	66.3
Total comprehensive income for the year					3.4		5.1	8.5
Cost of share based payments			0.1	0.6	0.7			1.4
Equity 31 Dec 2019	1.6	0.2	6.2	-2.1	67.2	0.0	3.2	76.2

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates		End rates	
	1-12/2019	1-12/2018	31 Dec 2019	31 Dec 2018
USD	1.1195	1.1838	1.1234	1.1450
GBP	0.8759	0.8853	0.8508	0.8945
JPY	121.96	130.77	121.59	125.85

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-12/2019	1-12/2018
USD	+/-0.3	+/-1.2
GBP	+/-0.1	+/-2.4
JPY	+/-0.1	+/-0.4

2 SEGMENT INFORMATION

The Group has one segment (security).

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Revenue	56.1	53.7	217.3	190.7
Cost of revenue	-12.9	-12.5	-50.5	-39.4
Gross margin	43.2	41.3	166.8	151.4
Other operating income	3.9	0.6	14.0	2.3
Sales and marketing	-27.2	-26.2	-106.0	-95.0
Research and development	-10.3	-9.7	-39.5	-35.7
Administration	-8.9	-4.6	-28.1	-18.3
EBIT	0.8	1.4	7.2	4.5
Financial net	-0.3	-0.9	-2.9	-2.8
Result before taxes	0.4	0.5	4.2	1.7

Disaggregation of revenue

By sales channels	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Consumer security	23.4	24.0	94.8	94.9
Corporate security	32.7	29.8	122.5	95.9
Products	18.3	17.4	72.5	63.8
Consulting	14.4	12.4	50.0	32.0
Total revenue	56.1	53.7	217.3	190.7

By geographical area	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Nordic countries	18.4	18.0	72.5	67.0
Rest of Europe	24.5	24.1	96.2	84.6
North America	5.6	4.8	19.7	17.2
Rest of the world	7.6	6.8	28.9	21.9
Total revenue	56.1	53.7	217.3	190.7

3 ACQUISITIONS

Previous financial year

On 2 July 2018 F-Secure acquired 100% of the share capital of MWR InfoSecurity Ltd, a privately held cyber security company operating globally from its main offices in the UK, the US, South Africa and Singapore. Details of this acquisition were disclosed in note 11 of the Group's annual financial statements for the year ended 31 December 2018.

Update to contingent consideration

During Q4/2019 the estimation of the fair value of contingent consideration from MWR InfoSecurity acquisition was decreased by EUR 3.4 million due to not achieving certain agreed business milestones. Earlier in Q2/19 the fair value was decreased by EUR 9.1 million. The remaining goodwill from the acquisition is EUR 78 million. The final purchase price of the acquisition totaled to GBP 85 million.

4 INTANGIBLE AND TANGIBLE ASSETS

	31 Dec 2019	31 Dec 2018
Book value at the beginning of the period	134.2	28.0
Right-of-use assets at the beginning of the period	12.8	
Acquisitions and divestments		108.3
Additions ¹⁾	12.8	7.5
Disposals	-0.2	-0.4
Depreciation and amortization	-18.0	-9.3
Impairment	-6.6	
Translation differences	5.4	0.0
Book value at the end of the period	140.6	134.2

¹⁾ Including IFRS 16 additions in 2019

Goodwill from MWR InfoSecurity acquisition was tested for impairment during Q2/19. As a result an impairment of EUR 6.0 million was booked.

5 RIGHT-OF-USE ASSETS AND ADOPTION OF IFRS 16

Adoption of IFRS 16

On adoption of IFRS 16 the Group recognized lease liabilities in relation to leases which had under IAS 17 been classified as operating leases. Lease liabilities are presented as part of interest bearing liabilities in the Group's balance sheet. These liabilities were measured at the present value of the remaining lease payments on 1 January, 2019. The incremental borrowing rate applied in discounting the lease liabilities is 2.45–9.15% depending on the geographical location of the leased asset.

In applying IFRS 16 the Group has used following judgments and expedients:

- property leases with lease term of less than 12 months are excluded from right-of-use assets and lease liabilities as short-term leases
- in the adoption of IFRS 16 all car leases were included in right-of-use assets and lease liabilities even with remaining lease term of less than 12 months as it is probable that an ending lease contract will be replaced by a new contract
- low value assets are excluded from right-of-use assets and lease liabilities

Lease contracts for the Group's office premises are typically made for fixed periods of 3 to 6 years and they may contain extension options. Each office lease contract is negotiated individually and the contracts may contain wide range of different terms and conditions. Some of Group's office premises are leased with on-going contracts where the ending date is not defined. The management has assessed the probable duration for these contracts case-by-case and the lease liability is calculated accordingly. Estimated duration for on-going contracts vary between 3 to 5 years and the total liability from on-going contracts is EUR 4.6 million.

In measuring the present value of the liabilities arising from leases any service related fees were excluded from the lease payment. The Group's lease contracts do not contain residual value guarantees or purchase options.

Adjustments made in adoption of IFRS 16

	1 Jan 2019
Operating lease commitments disclosed on 31 December 2018	13.8
Less short-term leases recognized on a straight-line basis as expense	-0.3
Less service portion in reported lease commitments	-1.9
Add IT contracts recognized as leases according to IFRS 16	0.3
Adjustments as a result of assumptions in contract durations	0.8
Lease liability recognized on 1 Jan 2019	12.8
Of which	
Current lease liabilities	5.7
Non-current lease liabilities	7.1

The recognized right-of-use assets are presented as part of tangible assets in the Group balance sheet. The right-of-use assets relate to following types of assets:

	31 Dec 2019	1 Jan 2019
Properties	8.5	10.3
Cars	1.6	2.1
Machinery and equipment	0.1	0.3
Total right-of-use assets	10.3	12.8

Impacts of IFRS 16 to the Group's income statement for 1–12/2019 are as follows:

	1–12/2019
Decrease in Cost of Revenue	0.3
Decrease in operating expenses (lease expenses)	6.3
Increase in right-of-use asset depreciation	-6.3
Increase in EBIT	0.3
Increase in financial expenses	-0.3
Profit / Loss for the period	-0.1

6 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1: Fair values of financial instruments are based on quoted prices in active markets for identical assets and liabilities

Level 2: Financial instruments are not subject to trading in active and liquid markets. The fair values of financial instruments can be determined based on quoted market prices and deduced valuation.

Level 3: Measurement of financial instruments is not based on verifiable market information, and information on other circumstances affecting the value of the instruments is not available or verifiable.

	Carrying value				Fair value			
	Financial assets		Financial liabilities	Total	Hierarchy level			Total
	FVTPL	Amortised cost	Amortised cost		1	2	3	
Cash and bank		25.4		25.4	25.4			25.4
Trade and other receivables		53.9		53.9		53.9		53.9
Financial assets at FVTPL	0.1			0.1		0.1		0.1
Bank loans			31.0	31.0		31.0		31.0
Lease liabilities			10.3	10.3		10.3		10.3
Trade payables			4.1	4.1		4.1		4.1
Contingent considerations ¹⁾			3.7	3.7			3.7	3.7

¹⁾ Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 3.4m during Q4/19. Total decrease in contingent consideration during 2019 was EUR 12.5m.

Contractual maturities of financial liabilities	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 5 years	Total contractual cash flows	Carrying amount
Bank loans	6.0	6.0	6.0	13.0		31.0	31.0
Lease liabilities	5.9	2.6	1.3	0.4	0.2	10.3	10.3
Contingent considerations	3.7					3.7	3.7
Total financial liabilities	15.6	8.6	7.3	13.4	0.2	45.0	45.0

The financing agreement is subject to conventional loan covenants which the Group complied with throughout the reporting period.

7 RECONCILIATION BETWEEN ADJUSTED EBITDA, EBITDA, ADJUSTED EBIT AND EBIT

F-Secure has included certain non-IFRS based alternative performance measures (APM) as of the second quarter of 2018. Alternative performance measures are provided to reflect the underlying business performance, and to exclude certain non-operational or non-cash valuation items affecting comparability (IAC). The aim is to improve comparability, and alternative performance measures should not be regarded as substitutes for IFRS based measures. Alternative performance measures include EBITDA,

adjusted EBITDA and adjusted EBIT. Depreciations, amortization and impairments are excluded from EBITDA. Also, the adjusted EBITDA and adjusted EBIT exclude IACs which are material items outside normal course of business. These items are associated with acquisitions, integration costs, gains and losses from sales of businesses and other items affecting comparability.

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Adjusted EBITDA	6.6	4.9	23.2	17.4
Adjustments to EBITDA				
Change in fair value of contingent consideration	3.4		12.5	
Costs related to business acquisitions				-2.6
Costs related to integration		-0.3		-1.0
Costs related to restructuring	-4.6		-4.6	
EBITDA	5.4	4.5	31.1	13.8
Depreciation, amortization and impairment losses	-4.7	-3.2	-24.0	-9.3
EBIT	0.8	1.4	7.2	4.5
	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Adjusted EBIT	3.1	2.8	9.6	10.6
Adjustments to EBIT				
Change in fair value of contingent consideration	3.4		12.5	
Costs related to business acquisitions				-2.6
Costs related to integration		-0.3		-1.0
Costs related to restructuring	-4.6		-4.6	
PPA amortization	-0.9	-1.2	-4.1	-2.5
Impairment	-0.3		-6.3	
EBIT	0.8	1.4	7.2	4.5

Classification of adjusted costs in operating expenses

	Operating Expenses 10–12/2019	Restructuring	Expenses for adjusted EBIT	Depreciation	Impairment	IFRS 16 depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 10–12/2019
Sales and marketing	-27.2		-27.2	0.5		1.1		-25.5
Research and development	-10.3		-10.3	1.3		0.4		-8.7
Administration	-8.9	4.6	-4.3	0.1	0.3	0.1	0.9	-2.9
Operating expenses	-46.3	4.6	-41.7	1.9	0.3	1.6	0.9	-37.0

	Operating Expenses 1–12/2019	Restructuring	Expenses for adjusted EBIT	Depreciation	Impairment	IFRS 16 depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–12/2019
Sales and marketing	-106.0		-106.0	2.0		4.6		-99.4
Research and development	-39.6		-39.5	4.8		1.5		-33.2
Administration ¹⁾	-28.1	4.6	-23.5	0.4	6.3	0.3	4.1	-12.4
Operating expenses	-173.7	4.6	-169.1	7.3	6.3	6.3	4.1	-145.1

¹⁾ Goodwill from MWR InfoSecurity acquisition was tested for impairment during Q2/19. As a result an impairment of EUR 6.0 million was booked.

8 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY	10–12/2019	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Revenue	56.1	53.8	54.1	53.4	53.7
Cost of revenue	-12.9	-12.6	-12.5	-12.6	-12.5
Gross margin	43.2	41.2	41.6	40.8	41.3
Other operating income	3.9	0.4	9.6	0.2	0.6
Sales and marketing	-27.2	-25.0	-28.1	-25.7	-26.2
Research and development	-10.3	-9.7	-9.4	-10.2	-9.7
Administration	-8.9	-4.4	-10.3	-4.6	-4.6
EBIT	0.8	2.5	3.3	0.6	1.4
Financial net	-0.3	-1.1	0.1	-1.5	-0.9
Result before taxes	0.4	1.4	3.4	-1.0	0.5
Income taxes	0.1	-0.5	0.0	-0.4	-0.9
Result for the period total	0.5	0.8	3.4	-1.4	-0.4

EARNINGS PER SHARE QUARTERLY

Earnings per share, basic and diluted, EUR	0.00	0.01	0.02	-0.01	0.00
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KEY FIGURES

Gross margin, % of revenue	77.0%	76.6%	76.9%	76.5%	76.8%
Adjusted EBITDA ¹⁾	6.6	6.8	4.8	5.0	4.9
Adjusted EBITDA, % of revenue ¹⁾	11.8%	12.7%	8.9%	9.4%	9.0%
Adjusted EBIT	3.1	3.4	1.4	1.7	2.8
Adjusted EBIT, % of revenue	5.6%	6.3%	2.5%	3.3%	5.3%
ROI, %	2.7%	6.8%	7.5%	1.6%	6.2%
ROE, %	2.7%	4.8%	19.8%	-8.3%	-2.2%
Equity ratio, % (YTD) ¹⁾	49.0%	45.9%	44.3%	41.3%	42.7%
Gearing, % (YTD) ¹⁾	20.8%	28.3%	30.0%	36.5%	13.9%
Interest bearing liabilities ¹⁾	41.3	45.0	46.5	48.6	37.1
Cash and financial assets at FVTPL	25.5	24.9	25.5	23.4	27.9
Capitalized expenditure, MEUR excl. acquisition	3.3	2.0	5.6	1.8	2.3
Capitalized development expenses, MEUR	1.5	1.4	2.2	1.2	1.3
Depreciation and amortization excl. PPA amortization, MEUR ¹⁾	-3.2	-3.5	-3.4	-3.3	-2.0
Depreciation and amortization, MEUR ¹⁾	-4.7	-4.3	-10.6	-4.4	-3.2
Personnel, period end	1,696	1,727	1,710	1,680	1,666

¹⁾ IFRS 16 impacts the key figure in 2019.

CALCULATION OF KEY FIGURES

Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets – deferred revenue}} \times 100$
ROI, %	$\frac{\text{Result before taxes + financial expenses (annualized)}}{\text{Total assets – non-interest bearing liabilities (average)}} \times 100$
ROE, %	$\frac{\text{Result for the period (annualized)}}{\text{Total equity (average)}} \times 100$
Gearing, %	$\frac{\text{Interest bearing liabilities – cash and bank and financial assets through profit and loss}}{\text{Total equity}} \times 100$
Earnings per share, EUR	$\frac{\text{Profit attributable to equity holders of the company}}{\text{Weighted average number of outstanding shares}}$
Shareholders' equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$
Operating expenses	Sales and marketing, research and development, and administration costs
EBITDA	EBIT + Depreciation, amortization and impairment

CYBER SECURITY LIVES HERE

**F-Secure Corporation
Tammasaarencatu 7
P.O. Box 24, 00181 Helsinki
Tel. +358 9 2520 0700
investor-relations@f-secure.com
www.f-secure.com/investors**