

**F-SECURE INTERIM REPORT  
1 JANUARY – 31 MARCH 2020**

**IMPROVED PROFITABILITY WITH  
ADJUSTED EBITDA MARGIN OF 13%**




## HIGHLIGHTS OF JANUARY–MARCH (Q1)

- Revenue increased by 3% to EUR 54.8 million (53.4m)
- Revenue from corporate security increased by 4% to EUR 30.4 million (29.4m)
- Revenue from consumer security remained at the previous year's level, and was EUR 24.4 million (24.0m)
- Adjusted EBITDA was EUR 7.2 million (5.0m), 13.2% of revenue (9.4%)
- Earnings per share (EPS) was EUR 0.01 (EUR –0.01)
- Cash flow from operating activities before financial items and taxes was EUR 9.6 million (–0.3m)
- After the quarter end F-Secure withdrew its financial outlook for 2020 due to COVID-19 related market uncertainties

In 2020 there are no changes to accounting principles impacting comparability to previous year.

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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.



## CEO SAMU KONTTINEN

**“DESPITE THE COVID-19 PANDEMIC F-SECURE HAS ENSURED FULL BUSINESS CONTINUITY TO THE CUSTOMERS.”**

During the first quarter F-Secure’s revenue increased by 3% to EUR 54.8 million, with corporate security growing by 4%. Revenue from consumer security remained at the previous year’s level. In terms of profitability, the quarter was at the high end of our expectations with adjusted EBITDA margin of 13%.

Despite the COVID-19 pandemic F-Secure has ensured full business continuity to the customers. The transition to remote ways of working has been smooth and all cybersecurity operations protecting our customers have remained unaffected. Until now, we have mainly seen the impact from COVID-19 on our consulting business.

Managed Detection and Response (MDR) solutions had strong revenue growth in Q1. The quarter was characterized by winning some considerable-sized deals in demanding customer verticals. These customers included for instance a media company, an industrial manufacturer, and a critical infrastructure company. These examples are a good representation of the industry verticals where cyber security is critical and which therefore seek the best-in-class solution to counter targeted attacks and to ensure their capability to respond to incidents 24/7.

Endpoint security business continued slight and steady growth. The renewal performance remained good, which is always a great testimony of product quality meeting the mark. We also saw a positive quarter in the new sales of our comprehensive Endpoint Protection Suite across most regions.

Cyber security consulting revenue grew by 3%, and was negatively impacted by a particularly large project in the Nordics coming to the finalization phase with a reduced scope. Apart from this, the revenue of consulting grew strongly in line with the last quarters of 2019. The COVID-19 pandemic has caused some operational disruption, but we have also managed to create new delivery methods to cope with the situation. However, by the end of the quarter we started to see the market uncertainties clearly impacting new sales and we believe that consulting will be negatively affected due to the pandemic.

The revenue from consumer security remained at the previous year’s level. The resilient operator channel continued its stable performance. During Q1, F-Secure ID PROTECTION achieved an important business milestone when Nifty (JPN) launched the service as the first of our operator partners. Carrying on from the last quarter of 2019, direct business also performed well.

F-Secure’s portfolio is well diversified into different cyber security submarkets, making the company quite resilient against external market shocks. The company has explored different scenarios and will implement potential mitigating actions when necessary. The long-term outlook for F-Secure’s business continues to be attractive, as the cyber security market fundamentals have not changed.

CEO Samu Konttinen

# FINANCIAL PERFORMANCE

EUR m	1–3/2020	1–3/2019	Change %	1–12/2019
Revenue	54.8	53.4	3 %	217.3
Consumer security	24.4	24.0	1 %	94.8
Corporate security	30.4	29.4	4 %	122.5
Products	18.6	17.8	4 %	72.5
Consulting	11.9	11.6	3 %	50.0
Cost of revenue	–12.4	–12.6	–1 %	–50.5
Gross Margin	42.4	40.8	4 %	166.8
Other operating income <sup>1)</sup>	0.5	0.2	169 %	1.5
Operating expenses <sup>1)</sup>	–35.7	–36.0	–1 %	–145.1
Sales & Marketing	–23.7	–24.1	–1 %	–99.4
Research & Development	–8.9	–8.7	2 %	–33.2
Administration	–3.1	–3.2	–4 %	–12.4
Adjusted EBITDA <sup>2)</sup>	7.2	5.0	44 %	23.2
of revenue, %	13.2 %	9.4 %		10.7 %
Adjustment to operating income				12.5
Restructuring	0.4			–4.6
EBITDA	7.6	5.0	51 %	31.1
of revenue, %	13.9 %	9.4 %		14.3 %
Depreciation & amortization	–3.2	–3.3	–4 %	–13.6
Impairment				–6.3
PPA amortization	–0.9	–1.1	–21 %	–4.1
EBIT	3.6	0.6		7.2
of revenue, %	6.5 %	1.1 %		3.3 %
Adjusted EBIT <sup>2)</sup>	4.0	1.7	131 %	9.6
of revenue, %	7.4 %	3.3 %		4.4 %
Earnings per share, (EUR) <sup>3)</sup>	0.01	–0.01		0.02
Deferred revenue	73.7	71.4	3 %	73.9
Cash flow from operations before financial items and taxes	9.6	–0.3		19.0
Cash and financial assets at fair value through P&L	26.3	23.4	12 %	25.5
ROI, %	15.9 %	2.7 %		7.8 %
Equity ratio, %	49.2 %	41.3 %	19 %	49.0 %
Gearing, %	19.5 %	36.5 %	–47 %	20.8 %
Personnel, end of period	1,688	1,680	0 %	1,696

<sup>1)</sup> Excluding Items Affecting Comparability (IAC) and depreciation and amortization

<sup>2)</sup> 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 5 of the Table Section of this report.

<sup>3)</sup> Based on the weighted average number of outstanding shares during the period 157,855,454 (1–3/2020).

## First quarter (Q1)

Total revenue in January–March increased by 3% to EUR 54.8 million (53.4 m). The share of corporate security of total revenue was 56% (55%).

### Corporate security

Revenue from corporate security increased by 4% year-on-year to EUR 30.4 million (29.4m).

### Products

Revenue from corporate security products increased by 4% to EUR 18.6 million (17.8m).

Revenue from endpoint protection (EPP) solutions increased from the previous year's level. The renewal performance with existing EPP installations was good. New sales of Endpoint Protection Suite was successful in most of the sites. We see an increasing demand for solutions that are sold adjacent to traditional EPP, such as cloud platform security and vulnerability management.

Revenue from Managed Detection and Response (MDR) solutions (F-Secure Countercept) increased significantly compared to the previous year. Renewal performance was good during Q1. New F-Secure Countercept deals were closed in customer verticals such as industrial manufacturing, critical infrastructure and media, in several European countries. The new customer acquisition of advanced solutions such as MDR may show signs of slowdown if the COVID-19 pandemic prolongs due to high touch sales approach and long sales cycles.

### Cyber security consulting

Revenue from cyber security consulting increased by 3% to EUR 11.9 million (11.6m).

In the Nordics, a particularly large project came to its finalization phase, which meant a reduction in scope when compared to the previous year. The revenue from the rest of Cyber security consulting continued to grow strongly. The business performance was robust for instance in Singapore and in the Nordics during Q1. However, some negative impact from the COVID-19 pandemic was seen in new sales and consulting will be negatively affected in the coming quarters.

### Consumer security

Revenue from consumer security remained at previous year's level and was EUR 24.4 million (24.0m) during the quarter.

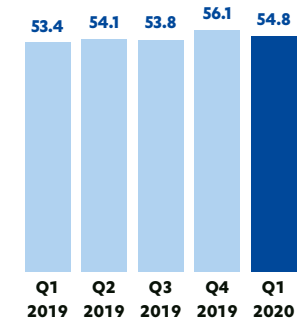
### Operators

Revenue from the operator channel remained at the previous year's level. The business developed as expected continuing its steady course. Importantly, the feedback from operators related to the market environment has been reassuring despite the uncertainties caused by the COVID-19 pandemic.

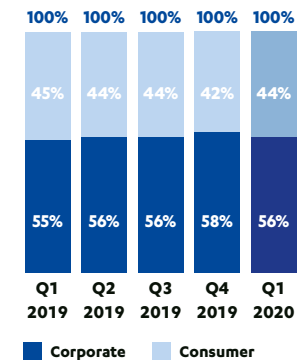
### Direct sales

Revenue from direct sales to consumers remained at the previous year's level. The renewal performance including our bundled solution, F-Secure TOTAL, continued at a good level. The beginning of the year was good especially for ecommerce while the retail sales were impacted slightly by the pandemic, although it forms a considerably smaller share of direct sales to consumers.

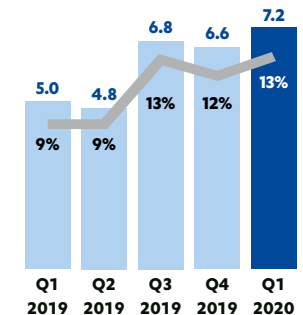
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



### Gross margin

Gross margin increased by EUR 1.6 million to 42.4 million (40.8m) and was 77% of revenue (77%). Relative gross margin has remained stable since the acquisition of MWR InfoSecurity.

### Operating expenses

Operating expenses excluding depreciation and amortization remained at the previous year's level, and was 35.7 million (36.0m).

Depreciation and amortization decreased by EUR 0.3 million to 4.1 million (4.4m), where PPA amortization from acquisitions was EUR 0.9 million (1.1m).

### Profitability

Adjusted EBITDA was EUR 7.2 million and 13.2% of revenue (5.0m, 9.4%) and adjusted EBIT was EUR 4.0 million and 7.4% of revenue (1.7m, 3.3%). Profitability was improved as revenue increased but relative gross margin and operating expenses remained at previous year's level.

EBIT was EUR 3.6 million and 6.5% of revenue (0.6m, 1.1%) including EUR 0.9 million of PPA amortization (1.1m).

### Cash flow

Cash flow from operating activities before financial items and taxes improved significantly and was 9.6m (–0.3m). Increase was due to improved result and change in net working capital. Cash flow from operations was EUR 8.4 million (–1.4m).

Payout of MWR InfoSecurity earnout is presented in cash flow from investments (EUR 3.7m).

## FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	1-3/2020	1-3/2019	Change %	1-12/2019
Cash and financial assets at fair value through P&L	26.3	23.4	12 %	25.5
Interest bearing liabilities, non-current	28.8	36.8	-22 %	29.5
Interest bearing liabilities, current	11.1	11.8	-6 %	11.9
Capital expenditure	2.7	1.8	49 %	12.8
Capitalized development expenses	1.6	1.2	30 %	6.2
ROI, %	15.9 %	2.7 %		7.8 %
Equity ratio, %	49.2 %	41.3 %	19 %	49.0 %
Gearing, %	19.5 %	36.5 %	-47 %	20.8 %

Financial position remained solid. The company has liquid assets of EUR 26.3 million (23.4m) and interest bearing bank debt of EUR 31.0 million (37.0m) out of which repayments in 2020 are due at the end of second quarter (3m) and at the year end (3m). To guarantee liquidity F-Secure has EUR 23 million committed revolving credit facility that was undrawn at the end of the quarter. The interest bearing liabilities in the table contain also IFRS 16 lease liabilities.

## ORGANIZATION AND LEADERSHIP

### Personnel

At the end of the quarter, F-Secure had 1,688 employees, which shows a net decrease of 8 employees (0%) since the beginning of the year (1,696 on 31 December 2019).

### 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 held 770,895 of its own shares at the end of the quarter.

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- and market-based long-term share-based incentive programs for key employees and a matching share plan for all employees. In relation to matching share plan F-Secure announced on 6 April 2020 that it had transferred without consideration a total of 93,029 of the company's own shares to its employees who participated in a matching share plan established for the personnel. Following the transfer, F-Secure Corporation holds a total of 677,866 of its own shares.



# RISKS AND UNCERTAINTIES

The following risks and uncertainties can adversely impact F-Secure's sales, profitability, financial condition, market share, reputation, share price or the achievement of the company's short- and long-term objectives. The matters described here should not be construed as exhaustive list. The most significant risks are:

## COVID-19 pandemic

Cyber Security Consulting will be negatively affected by the COVID-19 pandemic. It might also cause a slowdown in the new sales of software products and Managed Detection and Response (MDR) service if the situation prolongs. From the balance sheet perspective the impairment of goodwill can occur if the cyber security market's long term outlook were to change. Additionally, an increase in credit losses and delayed customer payments may occur in shorter term.

## Endpoint protection market disruption

Endpoint security market is highly competitive. Operating system manufacturers have increased their focus to built-in security features and at the same time new vendors and technologies have emerged. F-Secure has to succeed in maintaining in-depth understanding of cyber security threat landscape, hacker techniques and technologies used as well as continue to innovate in defense technologies.

## Market consolidation

The cyber security market is consolidating due to economies of scale. F-Secure has to succeed in finding the right acquisition targets, as well as successfully integrating the target companies.

## Risks relating to launch of new technologies

In a rapidly evolving industry it is vital to keep the products and services relevant to the customers while introducing new technologies to the market on-time. F-Secure is driving technology simplification and R&D effectivization initiatives as well as investments to artificial intelligence to ensure a competitive product portfolio.

## Attracting and retaining talent

Competition for capable personnel is increasing and there is structural undersupply of talent in the cyber security industry. F-Secure is continuously developing and adopting new ways of recruitment, building its own talent and knowledge pools and investing to training and development of personnel.

## Geopolitical risks

F-Secure operates globally in different countries, and local regulation is exposing the company to geopolitical risks, including, for instance, unfavorable tax matters or export controls, BREXIT being one example of these risks. Changes in regulations or their application, applicable to current or new technologies or services, may adversely affect F-Secure's business operations.

## Currency fluctuations

Increased amount of operations and sites outside the Eurozone in different currencies exposes F-Secure to an increased risk related to currency fluctuations.

## MARKET OVERVIEW

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.

# 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.

### Detection & Response solutions (EDR & MDR)

**MDR: F-Secure Countercept** – Advanced threat hunting and continuous response capabilities against targeted attacks delivered as a managed service. Provides 24/7 monitoring, alerts within minutes, and gives clear guidance on how to respond

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

### 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

### Prediction solutions

**F-Secure Radar** – Vulnerability scanning and management platform

**phishd** – Anti-phishing behavior management platform

### 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 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

### Financing – EUR 10 million of Revolving Credit Facility withdrawn

On 24 April F-Secure withdrew EUR 10 million from the committed Revolving Credit Facility to strengthen its liquidity further.

### Outlook for 2020 withdrawn due to COVID-19 related market uncertainties

F-Secure withdrew its financial outlook for 2020 on 9 April due to COVID-19 related market uncertainties and provides a new outlook as soon as deemed possible. The update of the outlook section in financial reporting is subject to release of new outlook.

F-Secure's portfolio is well diversified into different cybersecurity sub-markets making the company's vulnerability to external market shocks limited. Until now F-Secure's software product businesses to both corporates and consumers have not been adversely impacted by the pandemic. The market uncertainty is not expected to have a significant effect on contract renewals. However, during the rest of the year F-Secure sees possible slowdown in the new sales of software products and Managed Detection and Response (MDR) service. Also more project based Cyber Security Consulting is likely to be negatively affected at the times of economic uncertainty.

The long-term outlook of all F-Secure's business areas continues to be attractive as the cybersecurity market fundamentals have not changed.

F-Secure has secured the health and safety of its employees and ensured full business continuity to the customers. The company continues to successfully deliver services according to service level agreements (SLAs) despite the company working fully remotely.

In order to prepare for the uncertainties in the future, F-Secure has explored different scenarios and will implement potential mitigating actions if necessary.

For reference, in December 2019 F-Secure issued the following outlook for 2020:

- 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.

## ADDITIONAL INFORMATION

### Annual General Meeting

The Annual General Meeting is scheduled for Tuesday, May 12, 2020 at 14:00 EEST. Due to the coronavirus situation, the Company keeps the meeting as short as possible and limits the number of participants as much as possible in order to reduce the risk of infection and to comply with authority regulations.

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

### Financial calendar

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

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

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## KEY RATIOS AND OTHER KEY FIGURES

<b>PROFITABILITY</b>	<b>1-3/2020</b>	<b>1-3/2019</b>	<b>1-12/2019</b>
Revenue	54.8	53.4	217.3
Consumer security	24.4	24.0	94.8
Corporate security	30.4	29.4	122.5
Products	18.6	17.8	72.5
Consulting	11.9	11.6	50.0
Gross margin	42.4	40.8	166.8
Gross margin, % of revenue	77.3%	76.5%	76.7%
Operating expenses	-39.3	-40.4	-173.7
Operating expenses for adjusted EBITDA	-35.7	-36.0	-145.1
Adjustment to other income			12.5
Adjusted EBITDA	7.2	5.0	23.2
Adjusted EBITDA, % of revenue	13.2%	9.4%	10.7%
EBITDA	7.6	5.0	31.1
EBITDA, % of revenue	13.9%	9.4%	14.3%
Adjusted EBIT	4.0	1.7	9.6
Adjusted EBIT, % of revenue	7.4%	3.3%	4.4%
EBIT	3.6	0.6	7.2
EBIT, % of revenue	6.5%	1.1%	3.3%
ROI, %	15.9%	2.7%	7.8%
ROE, %	11.4%	-8.3%	4.7%
<b>CAPITAL STRUCTURE</b>			
Equity ratio, %	49.2%	41.3%	49.0%
Gearing, %	19.5%	36.5%	20.8%
Interest bearing liabilities	39.9	48.6	41.3
Cash and financial assets at FVTPL	26.3	23.4	25.5
<b>SHARE RELATED</b>			
Earnings per share, basic and diluted	0.01	-0.01	0.02
Shareholders' equity per share, EUR	0.44	0.44	0.48
<b>OTHER</b>			
Capitalized expenditure, MEUR excl. acquisition	2.7	1.8	12.8
Capitalized development expenses, MEUR	1.6	1.2	6.2
Depreciation and amortization excl. PPA amortization, MEUR	-3.2	-3.3	-13.6
Depreciation and amortization	-4.1	-4.4	-24.0
Personnel, average	1,682	1,667	1,701
Personnel, period end	1,688	1,680	1,696

The Interim Report has been prepared in accordance with IAS 34 standard Interim Financial Reporting. The accounting principles applied in the interim report are the same as in the annual report 2019.

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

## INCOME STATEMENT

	1-3/2020	1-3/2019	Change %	1-12/2019
Revenue	54.8	53.4	3%	217.3
Cost of revenue	-12.4	-12.6	-1%	-50.5
<b>Gross margin</b>	<b>42.4</b>	<b>40.8</b>	<b>4%</b>	<b>166.8</b>
Other operating income <sup>1)</sup>	0.5	0.2	169%	14.0
Sales and marketing	-25.3	-25.7	-2%	-106.0
Research and development	-10.3	-10.2	1%	-39.5
Administration <sup>2)</sup>	-3.7	-4.6	-18%	-28.1
<b>EBIT</b>	<b>3.6</b>	<b>0.6</b>		<b>7.2</b>
Financial net	-1.3	-1.5	-16%	-2.9
<b>Result before taxes</b>	<b>2.3</b>	<b>-1.0</b>		<b>4.2</b>
Income taxes	-0.2	-0.4	-52%	-0.9
<b>Result for the period total</b>	<b>2.1</b>	<b>-1.4</b>		<b>3.4</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	-8.9	3.5		5.1
<b>Total comprehensive income (parent company owners)</b>	<b>-6.8</b>	<b>2.1</b>		<b>8.5</b>
<b>Earnings per share</b>	<b>1-3/2020</b>	<b>1-3/2019</b>	<b>Change %</b>	<b>1-12/2019</b>
Earnings per share, basic and diluted, EUR	0.01	-0.01		0.02

<sup>1)</sup> Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 12.5m during 2019 and EUR 6m impairment of goodwill was booked during 2019.

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

## BALANCE SHEET

<b>Assets</b>	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
Tangible assets	14.0	16.7	15.6
Intangible assets	35.1	38.2	36.5
Goodwill	80.4	93.2	88.4
Deferred tax assets	3.1	3.9	3.1
Other receivables	0.6	0.6	0.6
<b>Total non-current assets</b>	<b>133.2</b>	<b>152.6</b>	<b>144.2</b>
Inventories	0.1	0.4	0.1
Accrued income	4.3	2.5	3.5
Trade and other receivables	47.2	53.7	53.9
Income tax receivables	4.6	5.3	2.3
Financial asset at fair value through profit and loss	0.1	0.1	0.1
Cash and bank accounts	26.2	23.4	25.4
<b>Total current assets</b>	<b>82.5</b>	<b>85.4</b>	<b>85.2</b>
<b>Total assets</b>	<b>215.7</b>	<b>238.0</b>	<b>229.4</b>
<b>Shareholders' equity and liabilities</b>	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
<b>Equity</b>	<b>69.9</b>	<b>68.8</b>	<b>76.2</b>
Interest bearing liabilities, non-current	28.8	36.8	29.5
Deferred tax liability	2.7	4.4	2.5
Deferred revenue, non-current	19.2	17.5	17.6
Other non-current liabilities	1.0	1.1	1.9
Obligatory provisions	0.5		3.0
<b>Total non-current liabilities</b>	<b>52.3</b>	<b>59.8</b>	<b>54.4</b>
Interest bearing liabilities, current	11.1	11.8	11.9
Trade and other payables	25.0	42.4	29.0
Income tax liabilities	3.1	1.3	1.5
Deferred revenue, current	54.4	53.9	56.4
<b>Total current liabilities</b>	<b>93.5</b>	<b>109.4</b>	<b>98.8</b>
<b>Total liabilities and equity</b>	<b>215.7</b>	<b>238.0</b>	<b>229.4</b>



# CASH FLOW STATEMENT

	1-3/2020	1-3/2019	1-12/2019
<b>Cash flow from operations</b>			
Result for the financial year	2.1	-1.4	3.4
Adjustments	6.2	6.9	22.2
Cash flow from operations before change in working capital	8.3	5.5	25.6
Change in net working capital	1.3	-5.8	-6.6
<b>Cash flow from operating activities before financial items and taxes</b>	<b>9.6</b>	<b>-0.3</b>	<b>19.0</b>
Net financial items and taxes	-1.2	-1.0	-0.5
<b>Cash flows from operating activities</b>	<b>8.4</b>	<b>-1.4</b>	<b>18.5</b>
<b>Cash flow from investments</b>			
Net investments in tangible and intangible assets	-2.6	-1.7	-8.5
Acquisition of subsidiaries, net of cash acquired <sup>1)</sup>	-3.7		
<b>Cash flow from investments</b>	<b>-6.3</b>	<b>-1.7</b>	<b>-8.5</b>
<b>Cash flow from financing activities</b>			
Repayments of interest bearing liabilities	-1.5	-1.5	-12.5
<b>Cash flow from financing activities</b>	<b>-1.5</b>	<b>-1.5</b>	<b>-12.5</b>
<b>Change in cash</b>	<b>0.7</b>	<b>-4.6</b>	<b>-2.5</b>
Cash and bank at the beginning of the period	25.4	27.8	27.8
Effect of exchange rate changes on cash	0.1	0.2	0.1
Cash and bank at period end	26.2	23.4	25.4

<sup>1)</sup> Payout of MWR InfoSecurity earnout is presented in cash flow from investments.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
<b>Equity 31 Dec 2018</b>	<b>1.6</b>	<b>0.2</b>	<b>6.1</b>	<b>-2.8</b>	<b>63.1</b>	<b>-1.8</b>	<b>66.3</b>
Total comprehensive income for the year					-1.4	3.5	2.1
Cost of share based payments			0.1	0.5	-0.2		0.4
<b>Equity 31 Mar 2019</b>	<b>1.6</b>	<b>0.2</b>	<b>6.2</b>	<b>-2.2</b>	<b>61.5</b>	<b>1.9</b>	<b>68.8</b>
	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
<b>Equity 31 Dec 2019</b>	<b>1.6</b>	<b>0.2</b>	<b>6.2</b>	<b>-2.1</b>	<b>67.1</b>	<b>3.2</b>	<b>76.1</b>
Total comprehensive income for the year					2.1	-8.9	-6.8
Cost of share based payments			0.2	0.5	-0.1		0.6
<b>Equity 31 Mar 2020</b>	<b>1.6</b>	<b>0.2</b>	<b>6.4</b>	<b>-1.7</b>	<b>69.1</b>	<b>-5.7</b>	<b>69.9</b>

# 1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates			End rates		
	1-3/2020	1-3/2019	1-12/2019	31 Mar 2020	31 Mar 2019	31 Dec 2019
USD	1.1088	1.1451	1.1195	1.0956	1.1235	1.1234
GBP	0.8486	0.8762	0.8759	0.8864	0.8583	0.8945
JPY	120.55	125.70	121.96	118.90	124.45	121.59

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-3/2020	1-12/2019
USD	+/-0.2	+/-0.3
GBP	+/-0.3	+/-0.1
JPY	+/-0.3	+/-0.1

## 2 SEGMENT INFORMATION

The Group has one segment (security).

	1-3/2020	1-3/2019	1-12/2019
Revenue	54.8	53.4	217.3
Cost of revenue	-12.4	-12.6	-50.5
<b>Gross margin</b>	<b>42.4</b>	<b>40.8</b>	<b>166.8</b>
Other operating income	0.5	0.2	14.0
Sales and marketing	-25.3	-25.7	-106.0
Research and development	-10.3	-10.2	-39.5
Administration	-3.7	-4.6	-28.1
<b>EBIT</b>	<b>3.6</b>	<b>0.6</b>	<b>7.2</b>
Financial net	-1.3	-1.5	-2.9
<b>Result before taxes</b>	<b>2.3</b>	<b>-1.0</b>	<b>4.2</b>

### Disaggregation of revenue

By sales channels	1-3/2020	1-3/2019	1-12/2019
Consumer security	24.4	24.0	94.8
Corporate security	30.4	29.4	122.5
Products	18.6	17.8	72.5
Consulting	11.9	11.6	50.0
<b>Total revenue</b>	<b>54.8</b>	<b>53.4</b>	<b>217.3</b>

By geographical area	1-3/2020	1-3/2019	1-12/2019
Nordic countries	17.3	18.5	72.5
Europe excl. Nordics	24.9	23.5	96.2
North America	5.6	4.5	19.7
Rest of the world	7.0	6.9	28.9
<b>Total revenue</b>	<b>54.8</b>	<b>53.4</b>	<b>217.3</b>

### 3 INTANGIBLE AND TANGIBLE ASSETS

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Book value at the beginning of the period	140.6	134.2	134.2
Right-of-use assets at the beginning of the period		12.8	12.8
Additions	2.7	2.0	12.8
Disposals	-0.1	0.0	-0.2
Depreciation and amortization	-4.0	-4.4	-18.0
Impairment			-6.6
Translation differences	-9.5	3.5	5.4
<b>Book value at the end of the period</b>	<b>129.5</b>	<b>148.1</b>	<b>140.6</b>

Goodwill from MWR InfoSecurity acquisition was tested for impairment during 2019. As a result an impairment of EUR 6.0 million was booked.

## 4 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		Hierarchy level			
	FVTPL	Amortised cost	Amortised cost	Total	1	2	3	Total
Cash and bank		26.2		<b>26.2</b>	26.2			<b>26.2</b>
Trade and other receivables		47.2		<b>47.2</b>		47.2		<b>47.2</b>
Financial assets at FVTPL	0.1			<b>0.1</b>		0.1		<b>0.1</b>
Bank loans			31.0	<b>31.0</b>		31.0		<b>31.0</b>
Lease liabilities			8.9	<b>8.9</b>		8.9		<b>8.9</b>
Trade payables			3.5	<b>3.5</b>		3.5		<b>3.5</b>
<b>Contractual maturities of financial liabilities</b>		<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
Bank loans		6.0	6.0	6.0	13.0		<b>31.0</b>	31.0
Lease liabilities		5.1	2.4	0.8	0.5	0.1	<b>8.9</b>	8.9
<b>Total financial liabilities</b>		<b>11.1</b>	<b>8.4</b>	<b>6.8</b>	<b>13.5</b>	<b>0.1</b>	<b>39.9</b>	<b>39.9</b>

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

## 5 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.

	1-3/2020	1-3/2019	1-12/2019
<b>Adjusted EBITDA</b>	<b>7.2</b>	<b>5.0</b>	<b>23.2</b>
Adjustments to EBITDA			
Change in fair value of contingent consideration			12.5
Costs related to restructuring	0.4		-4.6
<b>EBITDA</b>	<b>7.6</b>	<b>5.0</b>	<b>31.1</b>
Depreciation, amortization and impairment losses	-4.1	-4.4	-24.0
<b>EBIT</b>	<b>3.6</b>	<b>0.6</b>	<b>7.2</b>
	1-3/2020	1-3/2019	1-12/2019
<b>Adjusted EBIT</b>	<b>4.0</b>	<b>1.7</b>	<b>9.6</b>
Adjustments to EBIT			
Change in fair value of contingent consideration			12.5
PPA amortization	-0.9	-1.2	-4.1
Impairment of goodwill			-6.3
Costs related to restructuring	0.4		-4.6
<b>EBIT</b>	<b>3.6</b>	<b>0.6</b>	<b>7.2</b>

### Classification of adjusted costs in operating expenses

	Operating Expenses 1-3/2020	Costs relating to restructuring	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1-3/2020
Sales and marketing	-25.3		-25.3	1.5		-23.7
Research and development	-10.3		-10.3	1.5		-8.9
Administration	-3.7	-0.4	-4.1	0.2	0.9	-3.1
<b>Operating expenses</b>	<b>-39.3</b>	<b>-0.4</b>	<b>-39.7</b>	<b>3.2</b>	<b>0.9</b>	<b>-35.7</b>

## 6 QUARTERLY FIGURES

### INCOME STATEMENT QUARTERLY

	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Revenue	54.8	56.1	53.8	54.1	53.4
Cost of revenue	-12.4	-12.9	-12.6	-12.5	-12.6
<b>Gross margin</b>	<b>42.4</b>	<b>43.2</b>	<b>41.2</b>	<b>41.6</b>	<b>40.8</b>
Other operating income	0.5	3.9	0.4	9.6	0.2
Sales and marketing	-25.3	-27.2	-25.0	-28.1	-25.7
Research and development	-10.3	-10.3	-9.7	-9.4	-10.2
Administration	-3.7	-8.9	-4.4	-10.3	-4.6
<b>EBIT</b>	<b>3.6</b>	<b>0.8</b>	<b>2.5</b>	<b>3.3</b>	<b>0.6</b>
Financial net	-1.3	-0.3	-1.1	0.1	-1.5
<b>Result before taxes</b>	<b>2.3</b>	<b>0.4</b>	<b>1.4</b>	<b>3.4</b>	<b>-1.0</b>
Income taxes	-0.2	0.1	-0.5	0.0	-0.4
<b>Result for the period total</b>	<b>2.1</b>	<b>0.5</b>	<b>0.8</b>	<b>3.4</b>	<b>-1.4</b>

### EARNINGS PER SHARE QUARTERLY

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

Gross margin, % of revenue	77.3%	77.0%	76.6%	76.9%	76.5%
Adjusted EBITDA	7.2	6.6	6.8	4.8	5.0
Adjusted EBITDA, % of revenue	13.2%	11.8%	12.7%	8.9%	9.4%
Adjusted EBIT	4.0	3.1	3.4	1.4	1.7
Adjusted EBIT, % of revenue	7.4%	5.6%	6.3%	2.5%	3.3%
ROI, %	15.9%	4.3%	10.6%	11.9%	2.7%
ROE, %	11.4%	2.7%	4.8%	19.8%	-8.3%
Equity ratio, % (YTD)	49.2%	49.0%	45.9%	44.3%	41.3%
Gearing, % (YTD)	19.5%	20.8%	28.3%	30.0%	36.5%
Interest bearing liabilities	39.9	41.3	45.0	46.5	48.6
Cash and financial assets at FVTPL	26.3	25.5	24.9	25.5	23.4
Capitalized expenditure, MEUR excl. acquisition	2.7	3.3	2.0	5.6	1.8
Capitalized development expenses, MEUR	1.6	1.5	1.4	2.2	1.2
Depreciation and amortization excl. PPA amortization, MEUR	-3.2	-3.2	-3.5	-3.4	-3.3
Depreciation and amortization, MEUR	-4.1	-4.7	-4.3	-10.6	-4.4
Personnel, period end	1,688	1,696	1,727	1,710	1,680



## 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

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