INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2018

ACQUISITION OF MWR INFOSECURITY ACCELERATED REVENUE GROWTH

F-Secure

HIGHLIGHTS OF JULY–SEPTEMBER (Q3)

- Revenue increased by 23% and was EUR 50.5 million (41.2m)
- Revenue from corporate security increased by 58% to EUR 26.7 million (16.9m)
- Revenue from consumer security decreased by 2% to EUR 23.8 million (24.3m)
- Deferred revenue increased by 14% to EUR 69.0 million (60.6m) at the end of the quarter
- Adjusted EBITDA was EUR 6.0 million (5.8m), 11.9% of revenue (14.2%)
- Earnings per share (EPS) was EUR 0.01 (EUR 0.02)
- Cash flow from operations was EUR –2.6 million (1.3m)
- On 2 July, F-Secure completed the acquisition of MWR InfoSecurity Ltd.

HIGHLIGHTS OF JANUARY–SEPTEMBER

- Revenue increased by 9% to EUR 137.0 million (125.4m)
- Revenue from corporate security increased by 27% to EUR 66.1 million (52.1m)
- Revenue from consumer security decreased by 3% to EUR 70.9 million (73.2m)
- Adjusted EBITDA was EUR 12.6 million (12.8m), 9.2% of revenue (10.2%)
- Earnings per share (EPS) was EUR 0.01 (EUR 0.05)
- Cash flow from operations was EUR –1.6 million (14.7m)

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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.

OUTLOOK

Outlook for 2018 (updated 18 October 2018)

The company's outlook for 2018 including the acquisition of MWR InfoSecurity is:

- Revenue from corporate security is expected to grow by around 30% compared to 2017
- Revenue from consumer security is expected to decline by 0–4% compared to 2017
- Adjusted EBITDA is expected to be in the range of EUR 14–18 million (More information under Alternative performance measures)
- M&A related acquisition and integration costs in 2018 are expected to be 3.5–4.0 million

Outlook for the strategy period 2018–2021

The demand for cyber security products and services is expected to continue in strong growth and F-Secure aims to grow faster than the market. Revenue from corporate security is expected to grow above 15% annually during our strategy period 2018–2021.

Driven by the anticipated revenue growth and scalable business model, profitability is expected to improve significantly in the long-term. The management continuously seeks to balance the growth investments and profitability to optimize long-term growth and value creation for the shareholders.

CEO SAMU KONTTINEN

F-Secure's revenue increased by 23% to EUR 50.5 million in the third quarter. Our revenue growth accelerated as a result of the inclusion of the acquired MWR InfoSecurity in our financials, and organic growth in our corporate security business also continued. Following the acquisition, over half of our revenue now comes from corporate security, highlighting the impact of our strategic investments.

Our focus is on detection and response solutions, one of the fastest growing markets within cyber security. We aim to be a key player in this market, and expect this business to be the most significant growth driver for the company in the long-term. Between July and September, we signed an encouraging amount of deals with our managed detection and response (MDR) solutions (RDS, Countercept) in several countries. Also, the pipeline is developing positively across many industry verticals.

At the same time, the endpoint protection (EPP) market continues to be in transition. Corporate customers are increasingly interested in integrating detection and response capabilities into their existing installations. Our EDR solution is therefore a very important addition to our endpoint offering. As customers consider their options, they have become increasingly cautious with new purchase decisions with standalone EPP solutions. Consequently, our EPP new sales – while improving compared to the previous quarter – continued to be weaker than expected. Our EPP renewal rates continued to be very high.

Our cyber security services continued to see good revenue growth. The on-going integration activities had an impact on the business in the UK, but in the US, South Africa, Singapore and the Nordics we continued grow well. The demand for cyber security advisory services remains strong, driven by the continued expertise gap in the market. Following the acquisition we now have presence on four continents, and are able to serve companies across the globe.

Revenue from consumer security decreased by 2%. Third quarter still saw a partial impact from the operator account lost one year ago. I was very pleased that in October we announced our first operator deal with Elisa integrating our F-Secure SENSE as software into the operator's routers, and we have many similar negotiations on-going with our operator partners. That said, we expect the short term financial impact of F-Secure SENSE to be limited. In direct consumer sales our order intake continued to grow.

Overall, F-Secure is now in a good position to address the cyber security needs of corporate and consumer customers. While we decreased our outlook for the remaining months of the year, we remain confident in our mid- to long-term opportunities, and have the right strategy to meet the market demands.

CEO Samu Konttinen

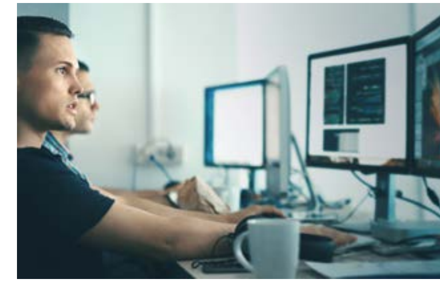
"OVER HALF OF OUR REVENUE NOW COMES FROM CORPORATE SECURITY."

KEY FIGURES

EUR m	7–9/2018	7–9/2017[4)]	Change	1–9/2018	1–9/2017[4)]	Change	1–12/2017[4)]
Revenue	50.5	41.2	23%	137.0	125.4	9%	169.8
of which corporate security	26.7	16.9	58%	66.1	52.1	27%	72.2
of which consumer security	23.8	24.3	−2%	70.9	73.2	−3%	97.5
Adjusted EBITDA[1)]	6.0	5.8	3%	12.6	12.8	−2%	18.1
of revenue, %	11.9	14.2		9.2	10.2		10.7
EBITDA	3.3	5.8	−43%	9.3	12.4	−25%	17.8
of revenue, %	6.5	14.2		6.8	9.9		10.5
Adjusted EBIT[1)]	4.2	4.2	0%	7.8	8.6	−9%	12.3
of revenue, %	8.3	10.3		5.7	6.8		7.3
EBIT	0.4	4.1	−90%	3.1	7.8	−60%	11.5
% of revenue	0.8%	10.0%		2.3%	6.3%		6.7%
Earnings per share, (EUR) [2) 3)]	0.01	0.02	−75%	0.01	0.05	−85%	0.07
Deferred revenue				69.0	60.6	14%	65.7
Cash and financial assets at fair value through P&L				21.5	81.1	−73%	90.2
ROI, %	7.7%	29.6%		8.1%	18.3%		20.0%
Equity ratio, %				43.7%	65.7%		61.9%
Gearing, %				23.4%	−119.2%		−127.8%
Personnel, end of period				1,636	1,060	54%	1,104

[1)] Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses and other items affecting comparability.
[2)] Based on the weighted average number of outstanding shares during the period 157.134.442 (1–9/2018).
[3)] Earnings per share (EPS) excluding returned withholding taxes was EUR 0.05 for 1–12/2017.
[4)] As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition, IFRS 15, and revised the allocation of costs between Cost of Revenue and Operating expenses, and therefore restated 2017 financials.

F-SECURE PRODUCTS AND SERVICES



Corporate security

In corporate security F-Secure provides a broad range of cyber security products, managed services and cyber security services 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

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

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

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

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.

FINANCIAL HIGHLIGHTS

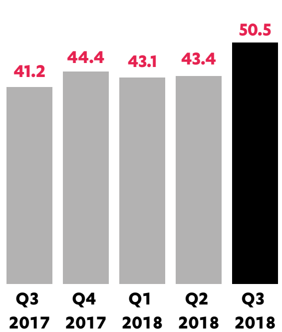
EUR m	7–9/2018	7–9/2017[2]	Change	1–9/2018	1–9/2017[2]	Change	1–12/2017[2]
Revenue	50.5	41.2	23%	137.0	125.4	9%	169.8
of which corporate security	26.7	16.9	58%	66.1	52.1	27%	72.2
of which consumer security	23.8	24.3	−2%	70.9	73.2	−3%	97.5
Cost of revenue [1]	**−11.7**	**−6.3**	**85%**	**−26.9**	**−17.7**	**52%**	**−25.0**
Gross Margin	38.7	34.8	11%	110.1	107.7	2%	144.8
Operating expenses [1]	**−38.7**	**−31.2**	**24%**	**−108.7**	**−101.5**	**7%**	**−135.1**
of which Sales & Marketing	−24.0	−19.4	23%	−68.9	−64.8	6%	−86.7
of which Research & Development	−8.2	−8.5	−3%	−26.1	−25.7	1%	−34.1
of which Administration	−6.5	−3.3	96%	−13.7	−11.0	24%	−14.3
Adjusted EBITDA [3]	**6.0**	**5.8**	**3%**	**12.6**	**12.8**	**−2%**	**18.1**
EBITDA	3.3	5.8	−43%	9.3	12.4	−25%	17.8
Depreciation & amortization	−2.9	−1.7	73%	−6.1	−4.5	35%	−6.3
Adjusted EBIT [3]	**4.2**	**4.2**	**0%**	**7.8**	**8.6**	**−9%**	**12.3**
EBIT	0.4	4.1	−90%	3.1	7.8	−60%	11.5
Deferred revenue				69.0	60.6	14%	65.7
Cash flow from operations	−2.6	1.3		−1.6	14.7		26.0

[1] As of 1 January 2018, F-Secure has revised the allocation of costs between Cost of Revenue (CoR) and Operating Expenses (OPEX). For more information, see Table section, Changes in Accounting Principles – Revision of Cost of Revenue or the separate restatement of 2017 financials (3 May 2018).

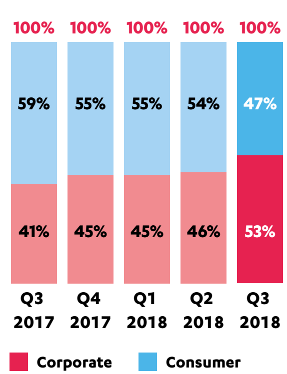
[2] As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition, IFRS 15, and revised the allocation of costs between Cost of Revenue and Operating expenses, and therefore restated 2017 financials.

[3] Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses and other items affecting comparability. Reconciliation and a breakdown of adjusted costs is in note 3 of the Table Section of this report.

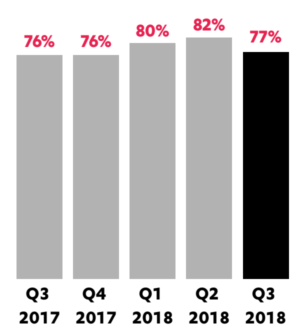
Revenue, MEUR



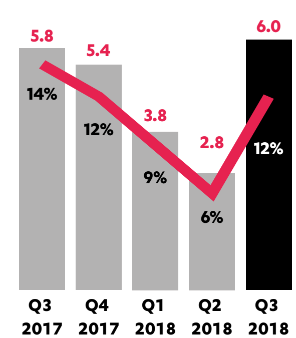
Revenue per business, % of revenue



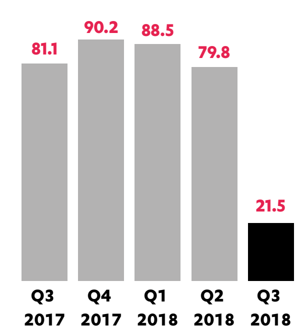
Operating expenses, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Cash and financial assets, MEUR



Restatement of comparative financials

As of 1 January 2018, F-Secure adopted the new guidance on revenue recognition, IFRS 15, and therefore restated 2017 financials. Together with analyzing the IFRS 15 impact F-Secure also revised the allocation of costs between Cost of Revenue (CoR) and Operating Expenses (OPEX). All comparative figures in this report have been adjusted according to the restatement.

Additionally, the terminology used in financial statements has been revised to describe the items more accurately. Net sales is called Revenue, and Materials & Services is called Cost of Revenue. Changes in the content of the item Cost of Revenue has been described in the Table section. The content of Revenue remains the same.

Alternative performance measures

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.

Reconciliations are presented in note 3 on the Table section.

Third quarter

Total revenue In July–September increased by 23% to EUR 50.5 million (41.2 m). Corporate security represented 53% (41%) of all revenue and consumer security 47% (59%) of all revenue.

Corporate security

Revenue from corporate security increased by 58% year-on-year to EUR 26.7 million (16.9m). This was driven by the inclusion of the acquired MWR InfoSecurity business into group financials as well as continued organic growth. While organic growth improved slightly from the previous quarter, it was below expectations. Following the acquisition, the order intake from endpoint protection solutions (EPP) represents less than half of corporate security revenue.

Products

F-Secure continued to focus on the sales of managed detection and response (MDR) solutions (RDS, Countercept). The combined order intake[1)] from MDR solutions showed good growth compared to the previous year, and a large number of deals for MDR solutions were signed in July–September in several countries. While the quarterly order intake continues to reflect significant seasonality typical to new solutions, and sales cycles remain long, the new sales pipeline has continued to develop positively supported by strong demand in the detection and response market. Customer satisfaction and renewal rates with existing installations remained very high. During the quarter, F-Secure continued to develop the fully automated endpoint detection and response (EDR) solution.

[1)] Order intake is recognized as revenue according to IFRS 15. See table section, Changes in the accounting principles .

Total order intake from endpoint protection solutions (EPP) was slightly lower than during the previous year. Renewal rates and customer satisfaction with existing EPP installations remained on a high level. New customer acquisition improved from the previous quarter, but was lower than during the previous year. New sales were impacted by the on-going transition in the endpoint protection market. Corporate customers are evaluating the benefits of integrating new detection and response features (EDR) into their existing EPP solutions, and there is a general tendency to postpone purchase decisions. New sales were impacted by the delayed launch of F-Secure's new EDR solution.

Cyber security services

In cyber security services, total order intake showed good growth, which was driven by a large deal signed in the Nordics. The project was a continuation of a major deal signed in Q4/2017. Order intake in the US, Singapore, South Africa and the Nordics grew well. Integration activities following the MWR InfoSecurity acquisition impacted order intake in the UK, which was in slight growth.

Overall, the company continued to see strong demand in the cyber security services market, and successfully recruited new consultants to meet the demand. F-Secure has significantly increased its cyber security service capacity, expertise and go-to-market capabilities with the acquisition of MWR InfoSecurity. The company currently has hundreds of cyber security consultants operating on four continents.

Consumer security

Revenue from consumer security decreased by 2% year-on-year to EUR 23.8 million (24.3m) during the quarter. This was because the comparison period figures still included revenue from an operator customer in Latin America lost in Q3/2017.

Operators

Operator order intake in the regions outside of Latin America was in slight growth, and F-Secure worked closely with its broad global network of partners to increase product activation rates. For example, in Japan F-Secure signed a new agreement with Sony Network Communications Inc (So-net), which is one of the largest Internet Service Providers (ISP) in the country.

In October, F-Secure signed the first operator deal with F-Secure SENSE with Elisa in Finland. The operator will integrate F-Secure SENSE's software into new routers they sell to their end customers. A similar agreement was signed with Zyxel, a leading global router manufacturer. Similar negotiations were on-going with several operators and leading router manufacturers at the end of the quarter. The first deals are important reference cases for F-Secure and enable the beginning of sales of F-Secure SENSE as-software. That said, the company expects the short term financial impact of F-Secure SENSE to be limited.

Direct sales

Order intake in direct sales to consumers was in slight growth, and renewals remained at a good level. In September, F-Secure expanded the company's flagship consumer offering, F-Secure TOTAL, to include F-Secure KEY (password manager) and F-Secure SENSE as well – for which the hardware is sold separately – in addition to the existing bundle of F-Secure SAFE (endpoint protection) and F-Secure FREEDOME (VPN and privacy). Overall, consumers are increasingly seeking to buy bundled solutions in order to secure their digital lives.

Deferred revenue

Deferred revenue increased by 14% (year-on-year) to EUR 69.0 million (60.6m), driven by the inclusion of MWR InfoSecurity and increasing order intake from corporate security products and services with long-term contracts.

Gross margin

Gross margin increased by EUR 3.9 million to 38.7 million (34.8m) and was 77% of revenue (85%). Relative gross margin was lower as the share of cyber security services increased due to the acquisition of MWR InfoSecurity.

Operating expenses

Operating expenses increased by EUR 7.4 million to 38.7 million (31.2m) due to the acquisition of MWR InfoSecurity. Administration expenses for the period include EUR 2.3 million of acquisition and integration related costs and EUR 1.1 million of amortization of intangible assets from business combinations. Sales and marketing expenses include EUR 0.4 million of integration related costs. Operating expenses excluding the impacts of the acquisition decreased by EUR –2.6 million (8%), driven mainly by lower costs related to incentive plans.

Profitability

Adjusted EBITDA was EUR 6.0 million and 11.9% of revenue (5.8m, 14.2%) and adjusted EBIT was EUR 4.2 million and 8.3% of revenue (4.2m, 10.3%).

EBIT was EUR 0.4 million and 0.8% of revenue (4.1m, 10.0%) including EUR 2.7 million of costs related to the acquisition and integration and EUR 1.1 million of amortization of intangible assets from business combinations.

Cash flow

Cash flow from operating activities before financial items and taxes was –1.0m (3.8m). Cash flow decreased due to decline in EBIT and a change in net working capital. Acquisition and integration related costs impacted cash flow negatively in third quarter. Cash flow from operations was EUR –2.6 million (1.3m).

January–September

In January–September total revenue increased by 9% year-on-year to EUR 137.0 million (125.4m), driven by corporate security. Corporate security represented 48% (42%) of total revenue and consumer security 52% (58%) of total revenue.

Corporate security

Revenue from corporate security increased by 27% year-on-year to EUR 66.1 million (52.1m). The growth was driven by the acquisition of MWR InfoSecurity and continued organic growth.

Consumer security

Revenue from consumer security decreased by 3% year-on-year to 70.9 million (73.2m). The direct consumer sales continued to show good growth, while sales through the operator channel decreased.

Gross margin

Gross margin increased by EUR 2.4 million to EUR 110.1 million (107.7m), and was 80% of revenue (86%).

Operating expenses

Operating expenses increased by EUR 7.2 million (year-on-year) to 108.7 million (101.5m). Operating expenses include EUR 3.3 million of acquisition and integration related costs and EUR 1.4 million of amortization of intangible assets from business combinations.

Profitability

Adjusted EBITDA was EUR 12.6 million and 9.2% of revenue (12.8m, 10.2%). Adjusted EBIT was EUR 7.8 million and 5.7% of revenue (8.6m, 6.8%).

EBIT was EUR 3.1 million and 2% of revenue (7.8m, 6%).

Cash flow

Cash flow from operations was EUR –1.6 million (14.7m). Cash flow decreased due to decline in EBIT and a change in net working capital. Acquisition and integration related costs impacted cash flow negatively. Income taxes had negative impact on cash flow in first half with advances being paid whereas refunds were received during comparison period. Also, a long term incentive plan related cash-settlement (–2.3m) during the first quarter impacted cash flow negatively.

FINANCING AND CAPITAL STRUCTURE

EUR m	7–9/2018	7–9/2017 1)	Change	1–9/2018	1–9/2017 1)	Change	1–12/2017 1)
Cash and financial assets at fair value through P&L				21.5	81.1	−73%	90.2
Interest bearing liabilities, non-current				34.0			
Interest bearing liabilities, current				3.2			
Capital expenditure	93.1	0.8		97.4	7.3		9.3
Capital expenditure, excl. acquisitions	1.8	0.8	124%	5.1	5.0	2%	7.1
Capitalized development expenses	1.4	1.1	28%	3.4	2.9	17%	3.9
ROI, %	7.7%	29.6%		8.1%	18.3%		20.0%
Equity ratio, %				43.7%	65.7%		61.9%
Gearing, %				23.4%	−119.2%		−127.8%

1) As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition, IFRS 15, and revised the allocation of costs between Cost of Revenue and Operating expenses, and therefore restated 2017 financials.

Financing arrangements

To finance the acquisition of MWR InfoSecurity, F-Secure entered into a bilateral EUR 60.0 million five-year financing agreement with Nordea Bank. A term loan of EUR 37.0 million was withdrawn in July. A revolving credit limit of EUR 23.0 million is currently unused.

The financing agreement includes conventional loan covenants related to ratio of net debt to EBITDA and equity ratio. F-Secure complied with the covenant throughout the reporting period.

Capital expenditure and acquisitions

On July 2, 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. The acquisition is a significant milestone in the execution of F-Secure's growth strategy.

Capital expenditure including acquisitions totaled EUR 97.4 million (7.3m) during the period from January to September. The impact of the acquisition of MWR InfoSecurity net of acquired cash was EUR 91.3 million.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,636 employees, which shows a net increase of 532 employees (48%) since the beginning of the year (1,104 on 31 December 2017), and an increase of 576 employees (54%) compared with end of September in 2017 (1,060). The increase in personnel from the acquisition of MWR InfoSecurity was 391. F-Secure continues to actively recruit security professionals, cyber security consultants and sales personnel especially in corporate security.

Leadership team

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

Samu Konttinen (CEO), Kristian Järnefelt (Consumer Cyber Security), Juha Kivikoski (Enterprise & Channel Sales), Jyrki Rosenberg (Marketing & Communications), Ian Shaw (Cyber security, as of 2 July), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Eriikka Söderström (CFO, and acting HR & Offices services as of 1 October) and Jyrki Tulokas (Cyber Security Products & Services).

Mari Heusala (HR & Offices services) left the company at the end of September.

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 1,308,444 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 several share-based incentive programs for key employees: performance-based long-term share-based programs and a restricted program (Stock exchange release. 16 February 2017). Additionally, F-Secure has established a matching share plan available for all employees (Stock exchange release about the creation of the plan was published on 15 December 2017).

RISKS AND UNCERTAINTIES

The objective of F-Secure's risk management is to ensure a current, correct and holistic understanding and prioritized management of key uncertainties related to strategy implementation and business operations. The process and risk management methods in use are constantly developed to respond to the changing needs of the company.

The most significant risks for F-Secure are related to the following factors:

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

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

- Intellectual property (IPR) claims against F-Secure
- Risk exposure from contractual liability requirements
- Failure of new product launches
- Potential security threats related to F-Secure's products and services
- Credit risk due to regional political or financial climate and regulation
- Tax risk relating to changing laws and regulations and interpretations of said regulations by the relevant authorities

Additionally the company identifies following risks related to the acquisition of MWR InfoSecurity:

- Financial agreement exposes company to interest rate risk
- Exposure to increased risk of foreign exchange 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, these trends are driving demand for security 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, traditional and new connected devices as well as online services. Apart from pure criminal activity, governments and hacktivists use vulnerabilities and malware e.g. for espionage and surveillance.

Attacks against corporations often go undetected for months, which fuels demand for products and services for incident detection and response, supplementing the endpoint protection market. Furthermore, as organizations are increasingly adopting cloud services, they seek managed security services and cloud-based delivery to help them maintain control of their security. In the long run, this trend is expected to shift investment away from on-premise security products, while new opportunities are emerging in securing the cloud platforms. Larger organizations also remain interested in securing their mobile device fleets.

The consumer security software market continues to be impacted by the changing device landscape, as well as the increasing significance of app stores and online sales overall. While the sales of traditional PC's have declined slightly, the number of connected smart home devices is growing very rapidly. This creates opportunities for innovative new security products. There are also opportunities to capture market share from the competition with traditional 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 are transforming 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 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 as a service. We foresee the market moving towards managed endpoint security, and see especially strong growth in detection and response services. 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 and services are 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 digital Safety 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.

EVENTS AFTER PERIOD-END

No material changes regarding the company's business or financial position have materialized after the end of the quarter.

ADDITIONAL INFORMATION

Contact information

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Financial calendar

F-Secure Corporation will publish its financial calendar for 2018 later this year.

Capital Markets Day

F-Secure will host a Capital Markets Day on 28 November in Helsinki. More information about the Capital Markets Day is available at www.f-secure.com/cmd.

Analysts, bankers and institutional investors are invited to register to the event by sending an e-mail with their contact information and possible dietary requirements to investor-relations@f-secure.com by Wednesday, 14 November 2018. Please also mention whether you will join the physical event or the live webcast.

Retail investors are invited to join the webcast. The link will be available on the company website.

CHANGES IN THE ACCOUNTING PRINCIPLES

The Group has adopted following new and amended standards and interpretations as of 1 January 2018:

IFRS 15 Revenue from Customer Contracts

F-Secure has applied full retrospective method in transition to IFRS 15 which means that the cumulative effect of all the modifications that occurred before 1 January 2017 have been recognized in opening balance of retained earnings as of 1 January 2017.

The new standard has an impact on how revenue from customer contracts is recognized. Mainly customer contracts with upfront revenue recognition were impacted. The impact is considered immaterial due to the fact that for majority of the customer contracts revenue recognition has already been deferred over time prior to application of IFRS 15 and due to the offsetting effect of the historical recognized revenue and deferral of the new sales.

Together with recognized revenue also deferred revenue and growth rate of deferred revenue were impacted by the adoption of IFRS 15. The recognition of incremental costs of obtaining contracts with customers (sales commissions) has also been deferred. The impact on sales commissions is immaterial due to the offsetting effect of historical costs and deferral of the new costs.

Impact of the new standard to retained earnings in opening balance as at 1 January 2017 is EUR 0.8 million. Deferring revenue and sales commissions in 2017 financials increased net result by EUR 0.3 million divided between increase in result before taxes of EUR 0.4 million and increase in income taxes of EUR 0.1 million. Impact to retained earnings in opening balance as at 1 January 2018 is EUR 1.1 million. Impact on deferred income in opening balance as at January 1 2017 is EUR 4.7 million and in opening balance as at 1 January 2018 EUR 4.6 million.

Impacts of IFRS 15 adoption to 2017 financials have been presented in detail in a separate document "Restated Information on 2017 Financials as a Result of Adoption of New IFRS 15 Accounting Standard and Revision of Cost of Revenue" published on 3 May 2018. All comparative information in this interim report has been adjusted according to the restatement.

IFRS 9 Financial Instruments and subsequent amendments

F-Secure has adopted the new standard IFRS 9 on the required effective date 1 January 2018. The cumulative effect from the transition has been recognized in opening balance as at 1 January 2018. The new standard has impact on classification and valuation of financial assets and includes a new model for estimating impairment of financial assets, which is based on expected credit losses.

F-Secure had significant investment in fixed income funds which were classified as available-for-sale under IAS 39. Under IFRS 9 these investments are classified as fair value through profit and loss increasing the volatility of the net result increases. Due to the nature of these investments the impact on Group's income statement is immaterial. In opening balance 1 January 2018 fair value fund (1.0m) was reclassified to retained earnings.

F-Secure has renewed the model for recognizing impairment provisions based on expected credit losses. Transition to new standard had EUR 0.2 million impact on trade receivables and retained earnings in opening balance 1 January 2018.

The changes do not influence Group's cash flow. Impacts on profit for the period are expected to be immaterial.

Amendment to IFRS 2 Share-based payments

The amendments to IFRS 2 are intended to eliminate diversity in the measurement and classification of cash-settled share-based payment transactions and accounting when share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments have no effect on the Group's on-going incentive plans. The new standard has been applied to the new incentive plan launched during first quarter of 2018.

Revision of Cost of Revenue (CoR)

F-Secure has revised the allocation of costs between Cost of Revenue (CoR) and Operating Expenses (OPEX). Prior year financials have been restated according to the new accounting principle to maintain the comparability. Impacts of the revision to 2017 financials have been presented in detail together with IFRS 15 impacts in a separate document "Restated Information on 2017 Financials as a Result of Adoption of New IFRS 15 Accounting Standard and Revision of Cost of Revenue" published on 3 May 2018. All comparative information in this interim report has been adjusted according to the restatement.

In previous reporting, F-Secure's Cost of Revenue included mainly Royalties, Freights and Material. The revised Gross Margin captures in addition costs of providing cloud-based services to customers, customer support and cyber security services related direct expenses.

The impact for comparative 2017 financial statements is a decrease of Gross Margin from 96% to 85%. Net result was not impacted. The revision aimed at identifying costs directly linked to the delivery of F-Secure's software products and services and reporting a Gross Margin that is more comparable in content with other similar companies in the industry and worldwide.

Revised accounting principles

Financial liabilities

F-Secure classifies loans from financial institutions, trade payables and other payables as other financial liabilities which are measured at amortized cost. Transaction costs, such as arrangement fees, are deferred over the maturity of the liability.

Contingent considerations arising from acquisitions are classified as financial liabilities measured at fair value and changes in fair value are accounted through profit and loss. Contingent considerations are measured at fair value at the end of each reporting period.

Financial liabilities are classified as current unless F-Secure has unconditional right to postpone their repayment by at least 12 months from the end date of the reporting period.

Adoption of future IFRS standards

IFRS 16 Leases

F-Secure will adopt the new standard IFRS 16 Leases as of 1 January 2019. IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard all of lessee's leases, excluding short-term and low value leases, will be recognized as right-of-use assets on the balance sheet. The new standard replaces IAS 17 and related interpretations.

F-Secure currently has only operating leases, which consist mainly of rented office premises and leased cars. Adoption of the new standard will have significant impacts on F-Secure's financial statements: assets and liabilities will increase significantly, and EBIT will improve as part of the lease-related expense will be reported as financial costs. Company is currently analyzing and quantifying the impacts of the new standard.

The Interim Report has been prepared in accordance with IAS 34 standard Interim Financial Reporting. Apart from the changes in accounting principles, the accounting principles applied in the interim report are the same as in the annual report 2017.

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

INCOME STATEMENT

	7–9/2018	Restated 7–9/2017	Change %	1–9/2018	Restated 1–9/2017	Change %	Restated 1–12/2017
Revenue	50.5	41.2	23	137.0	125.4	9	169.8
Cost of revenue	−11.7	−6.3	85	−26.9	−17.7	52	−25.0
Gross margin	**38.7**	**34.8**	**11**	**110.1**	**107.7**	**2**	**144.8**
Other operating income	0.3	0.5	−32	1.7	1.6	6	1.9
Sales and marketing	−24.0	−19.4	23	−68.9	−64.8	6	−86.7
Research and development	−8.2	−8.5	−3	−26.1	−25.7	1	−34.1
Administration	−6.5	−3.3	96	−13.7	−11.0	24	−14.3
EBIT	**0.4**	**4.1**	**−90**	**3.1**	**7.8**	**−60**	**11.5**
Financial net	−0.3	0.2		−1.9	1.2		0.8
Result before taxes	**0.1**	**4.3**	**−97**	**1.2**	**9.0**	**−86**	**12.3**
Income taxes [1)]	0.7	−1.1		0.0	−0.5	−97	−1.3
Result for the period total	**0.8**	**3.3**	**−76**	**1.2**	**8.6**	**−86**	**11.1**
Other comprehensive income							
Exchange differences on translating foreign operations	−1.0	−0.3		−0.8	−0.7	9	−0.8
Deferred costs of hedging	0.5			0.0			
Available-for-sale financial assets		0.1			−0.1		0.1
Income tax relating to components of other comprehensive income	−0.1			0.0			
Total comprehensive income (parent company owners)	**0.2**	**3.2**	−94	**0.4**	**7.8**	−94	**10.2**

Earnings per share	7–9/2018	Restated 7–9/2017	Change %	1–9/2018	Restated 1–9/2017	Change %	Restated 1–12/2017
Earnings per share, basic and diluted, EUR	0.01	0.02	−75	0.01	0.05	−85	0.07

[1)] During reporting period company received further information related to recoverability of tax losses in the US and a deferred tax asset of EUR 0.8 million was recognized.

BALANCE SHEET

Assets	30 Sep 2018	Restated 30 Sep 2017	Restated 31 Dec 2017
Tangible assets	5.4	3.2	3.2
Intangible assets	40.6	14.5	14.7
Goodwill	90.4	10.1	10.1
Deferred tax assets	5.2	4.1	4.1
Other receivables	0.7	0.2	0.7
Total non-current assets	**142.5**	**32.0**	**32.8**
Inventories	0.7	0.4	0.6
Trade and other receivables	53.1	45.7	50.1
Income tax receivables	4.3	0.4	1.4
Available-for-sale financial assets	0.1	53.8	53.9
Cash and bank accounts	21.5	27.3	36.3
Total current assets	**79.6**	**127.6**	**142.3**
Total assets	**222.1**	**159.6**	**175.1**

Shareholders' equity and liabilities	30 Sep 2018	Restated 30 Sep 2017	Restated 31 Dec 2017
Equity	**66.9**	**68.0**	**70.6**
Interest bearing liabilities, non-current	34.0		
Deferred tax liability	6.5	1.4	1.4
Deferred revenue, non-current	18.6	18.7	17.4
Other non-current liabilities	15.5	0.2	2.5
Provisions	1.2	1.2	1.2
Total non-current liabilities	**75.8**	**21.5**	**22.4**
Interest bearing liabilities, current	3.2		
Trade and other payables	25.0	27.0	31.8
Income tax liabilities	0.8	1.2	1.9
Deferred revenue, current	50.5	41.9	48.3
Total current liabilities	**79.4**	**70.0**	**82.1**
Total equity and liabilities	**222.1**	**159.6**	**175.1**

CASH FLOW STATEMENT

Restatement of 2017 financials had no impact on 2017 cash flow other than an immaterial transfer between *Result for the financial year and Change in net working capital.*

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Cash flow from operations					
Result for the financial year	0.8	3.2	1.2	8.6	11.1
Adjustments	2.2	1.5	10.2	5.8	8.6
Cash flow from operations before change in working capital [1]	**3.0**	**4.8**	**11.4**	**14.4**	**19.7**
Change in net working capital [2]	−4.1	−1.0	−8.1	2.0	9.6
Cash flow from operating activities before financial items and taxes	**−1.0**	**3.8**	**3.3**	**16.4**	**29.5**
Net financial items and taxes	−1.5	−2.5	−4.9	−1.8	−3.5
Cash flows from operating activities	**−2.6**	**1.3**	**−1.6**	**14.6**	**26.0**
Cash flow from investments					
Net investments in tangible and intangible assets	−1.7	−0.7	−4.9	−5.0	−7.1
Investments in subsidiary shares, net of cash acquired	−91.3		−92.3	−2.2	−2.2
Other investments, net	0.0	1.0	53.5	10.7	10.7
Cash flow from investments	**−93.1**	**0.3**	**−43.7**	**3.5**	**1.4**
Cash flow from financing activities					
Proceeds from short term liabilities	2.6		2.6		
Proceeds from long term liabilities	34.0		34.0		
Own shares			−0.1		
Dividends paid			−6.3	−18.8	−18.8
Cash flow from financing activities	**36.6**	**0.0**	**30.2**	**−18.8**	**−18.8**
Change in cash	**−59.1**	**1.5**	**−15.1**	**−0.7**	**8.7**
Cash and bank at the beginning of the period	79.8	26.1	36.3	29.0	29.0
Effect of exchange rate changes on cash	0.8	−0.3	0.2	−1.1	−1.4
Cash and bank at period end	21.5	27.3	21.5	27.3	36.3

[1] Acquisition and integration related costs impacted cash flow negatively

[2] F-Secure's long term incentive plan related cash-settlement had a EUR 2.3 million negative impact on change in net working capital.

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 2016	**1.6**	**0.2**	**5.2**	**−5.7**	**73.4**	**1.1**	**0.3**	**75.9**
Impact of IFRS 15 restatement					0.8		0.0	0.9
Equity 1 Jan 2017 (restated)	**1.6**	**0.2**	**5.2**	**−5.7**	**74.2**	**1.1**	**0.3**	**76.8**
Total comprehensive income for the year					8.6	−0.1	−0.7	7.7
Dividend					−18.8			−18.8
Cost of share based payments			0.2	1.2	1.0			2.3
Equity 30 Sep 2017 (restated)	**1.6**	**0.2**	**5.4**	**−4.6**	**65.0**	**1.0**	**−0.5**	**68.0**

	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**	**70.8**
Total comprehensive income for the year					1.2		−0.8	0.4
Dividend					−6.3			−6.3
Cost of share based payments			0.7	1.8	−0.5			2.0
Equity 30 Sep 2018	**1.6**	**0.2**	**6.1**	**−2.8**	**63.2**	**0.0**	**−1.3**	**66.9**

1 SEGMENT INFORMATION

The Group has one segment (security).

	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Revenue	50.5	41.2	137.0	125.4	169.8
Cost of revenue	–11.7	–6.3	–26.9	–17.7	–25.0
Gross margin	**38.7**	**34.8**	**110.1**	**107.7**	**144.8**
Other operating income	0.3	0.5	1.7	1.6	1.9
Sales and marketing	–24.0	–19.4	–68.9	–64.8	–86.7
Research and development	–8.2	–8.5	–26.1	–25.7	–34.1
Administration	–6.5	–3.3	–13.7	–11.0	–14.3
EBIT	**0.4**	**4.1**	**3.1**	**7.8**	**11.5**
Financial net	–0.3	0.2	–1.9	1.2	0.8
Result before taxes	**0.1**	**4.3**	**1.2**	**9.0**	**12.3**

Disaggregation of revenue

By sales channels	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Consumer security	23.8	24.3	70.9	73.2	97.1
Corporate security	26.7	16.9	66.1	52.1	72.6
Total revenue	**50.5**	**41.2**	**137.0**	**125.4**	**169.8**

By geographical area	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Nordic countries	16.0	14.7	49.1	45.5	63.0
Rest of Europe	23.2	17.3	60.5	51.1	69.4
North America	4.7	3.8	12.4	12.0	16.4
Rest of the world	6.6	5.3	15.1	16.8	21.0
Total revenue	**50.5**	**41.2**	**137.0**	**125.4**	**169.8**

2 ACQUISITIONS

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. The acquisition is a significant milestone in the execution of F-Secure’s growth strategy, and makes it the largest European single source of cyber security services and detection and response solutions. With close to 400 employees, MWR InfoSecurity is among the largest cyber security service providers serving enterprises globally, and their threat hunting platform (Countercept) is one of the most advanced in the market and an excellent complement to F-Secure’s existing technologies.

Purchase consideration

The purchase consideration comprises of cash payment of EUR 93.8 million and a contingent consideration subject to the achievement of agreed business targets for the period from 2 July 2018 until 31 December 2019. The maximum level of contingent consideration is EUR 28.2 million. At acquisition the management estimated that the fair value of contingent consideration is EUR 14.2 million.

Preliminary consideration	
Paid in cash	93.8
Fair value of contingent consideration	14.2
Provisional estimate of the fair value of the purchase consideration	**108.0**

Cash flow from the acquisition	
Consideration paid in cash	−93.8
Cash and cash equivalents of the acquired company	2.4
Total cash flow from the acquisition	**−91.5**

Provisional fair values of the assets and liabilities arising from the acquisition

Tangible assets	1.9
Intangible assets	26.9
Deferred tax assets	0.5
Trade and other receivables	8.3
Cash and cash equivalents	2.4
Total assets	**39.9**
Other non-current liabilities	0.1
Interest bearing liabilities, current	0.6
Trade and other payables	7.0
Deferred tax liabilities	5.4
Total liabilities	**13.0**
Total net assets	**26.9**
Preliminary goodwill	**81.2**

The preliminary goodwill of EUR 81.2 million reflects the value of expertise in cyber security and strong R&D know-how obtained in the acquisition as well as synergies available for combining operations in providing corporate cyber security services.

Provisional fair values of acquired identifiable intangible assets at the date of acquisition

Technology and trademarks	20.2
Customer relations	6.6

Amortization of the intangible assets during the period are EUR 1.0 million.

Expenses related to the acquisition

Other expenses	2.6

Impact on F-Secure's comprehensive income statement

The acquired business contributed revenues of EUR 8.1 million and EBIT of EUR –1.4 million to F-Secure for the period from 2 July to 30 September 2018.

Had the acquisition occurred on 1 January 2018, management estimates that consolidated revenue would have been EUR 152.2 million and consolidated EBIT would have been EUR –0.7 million including amortization of acquired intangible assets (EUR –3.1 million). Fair values of acquired net assets are assumed to have been the same on 1 January 2018 as at acquisition on 2 July 2018 when determining these amounts.

3 RECONCILIATION BETWEEN ADJUSTED EBITDA, EBITDA, ADJUSTED EBIT AND EBIT

	7–9/2018	Restated 7–9/2017	1–9/2018	Restated 1–9/2017	Restated 1–12/2017
Adjusted EBITDA	**6.0**	**5.8**	**12.6**	**12.8**	**18.2**
Adjustments to EBITDA					
Costs related to business acquisitions	−2.0		−2.6	−0.4	−0.4
Costs related to integration	−0.6		−0.6		
Gains and losses from sales of businesses					
Other items affecting comparability					
EBITDA	**3.3**	**5.8**	**9.3**	**12.4**	**17.8**
Depreciation, amortization and impairment losses	−2.9	−1.7	−6.1	−4.5	−6.3
EBIT	**0.4**	**4.1**	**3.1**	**7.8**	**11.5**

	7–9/2018	Restated 7–9/2017	1–9/2018	Restated 1–9/2017	Restated 1–12/2017
Adjusted EBIT	**4.2**	**4.2**	**7.8**	**8.6**	**12.3**
Adjustments to EBIT					
Costs related to business acquisitions	−2.0		−2.6	−0.4	−0.4
Costs related to integration	−0.6		−0.6		
PPA amortization	−1.1	−0.1	−1.4	−0.3	−0.4
Gains and losses from sales of businesses					
Other items affecting comparability					
EBIT	**0.4**	**4.1**	**3.1**	**7.8**	**11.5**

Classification of adjusted costs in operating expenses

	Operating expenses 7–9/2018	M&A expenses 7–9/2018	Expenses for adjusted EBIT 7–9/2018	Depreciation 7–9/2018	PPA amortization 7–9/2018	Operating expenses for adjusted EBITDA 7–9/2018
Sales and marketing	−24.0	0.4	−23.6	1.1		−22.4
Research and development	−8.2	0.0	−8.2	0.4		−7.8
Administration	−6.5	2.3	−4.2	0.2	1.1	−2.8
Operating expenses	**−38.7**	**2.7**	**−36.0**	**1.8**	**1.1**	**−33.1**

	Operating expenses 1–9/2018	M&A expenses 1–9/2018	Expenses for adjusted EBIT 1–9/2018	Depreciation 1–9/2018	PPA amortization 1–9/2018	Operating expenses for adjusted EBITDA 1–9/2018
Sales and marketing	−68.9	0.4	−68.5	3.0		−65.5
Research and development	−26.1		−26.1	1.1		−24.9
Administration	−13.7	2.9	−10.8	0.6	1.4	−8.8
Operating expenses	**−108.7**	**3.3**	**−105.4**	**4.7**	**1.4**	**−99.3**

4 CLASSIFICATION OF FINANCIAL ASSETS UNDER IFRS 9

On 1 January 2018 the Group has reclassified financial assets into appropriate IFRS 9 categories. Reclassification was made according to managements' assessment about which IFRS 9 business models apply to the financial assets held by the Group.

As a result the Group reclassified its available-for-sale investments to be presented at fair value through profit and loss. The impacts of this reclassification remained immaterial as the Group sold the assets during June 2018 to finance the acquisition of MWR InfoSecurity.

Financial assets on 1 Jan 2018	Fair value through profit and loss (FVPL)	Fair value through OCI (Available-for-sale 2017)
Closing balance 31 Dec 2017 – IAS 39		1.0
Reclassify investments from available-for-sale to FVPL	1.0	–1.0
Opening balance 1 Jan 2018 – IFRS 9	1.0	0.0

Model for measuring credit losses has also been revised according to IFRS 9. To measure the expected credit losses, trade receivables have been grouped based on characteristics that depict the credit risk of receivables (eg. geographical area and days past due). Different expected loss rates which have been determined using historical information and management judgment, have been applied to grouped trade receivables. Impacts of credit loss model change in opening balance 1 Jan 2018 are as follows:

Trade receivables on 1 Jan 2018	Trade receivables
Closing balance 31 Dec 2017 – IAS 39	50.1
Amounts restated through opening retained earnings	0.2
Opening balance 1 Jan 2018 – IFRS 9	50.2

5 FINANCIAL LIABILITIES

In July the Group entered into a bilateral EUR 60.0 million five-year financing agreement with Nordea Bank facility to finance the acquisition of MWR InfoSecurity Ltd. The financing arrangement comprises of a term loan of EUR 37.0 million which was withdrawn on 2 July 2018 and a revolving credit limit of EUR 23.0 million. On the reporting day the revolving facility was not in use.

Contractual maturities of financial liabilities	Fair value hierarchy level	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
Interest bearing financial liabilities	2	3.2	6.0	6.0	6.0	16.0	37.2	37.2
Contingent considerations	3	0.5	17.6				18.1	15.4
Total financial liabilities		**3.7**	**23.6**	**6.0**	**6.0**	**16.0**	**55.3**	**52.6**

Fair value hierarchies

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.

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

6 KEY RATIOS AND OTHER KEY FIGURES

	7–9/2018	Restated 7–9/2017	1–9/2018	Restated 1–9/2017	Restated 1–12/2017
Adjusted EBITDA, % of revenue	11.9	14.2	9.2	10.2	10.7
EBITDA, % of revenue	6.5	14.2	6.8	9.9	10.5
Adjusted EBIT, % of revenue	8.3	10.3	5.7	6.8	7.3
EBIT, % of revenue	0.8	10.0	2.3	6.3	6.8
ROI, %	7.7	29.6	8.1	18.3	20.0
ROE, %	4.7	19.8	2.4	15.8	15.0
Equity ratio, %			43.7	65.7	61.9
Gearing, %			23.4	−119.2	−127.8
Earnings per share, basic and diluted	0.01	0.02	0.01	0.05	0.07
Shareholders' equity per share, EUR			0.43	0.43	0.45
Capitalized expenditure, MEUR	93.1	0.8	97.4	7.3	9.3
Capitalized expenditure, MEUR excl. acquisition	1.8	0.8	5.1	5.0	7.1
Contingent liabilities, MEUR			15.0	14.2	13.8
Depreciation and amortization, MEUR	−2.9	−1.7	−6.1	−4.5	−6.3
Personnel, average	1,485	1,073	1,266	1,059	1,067
Personnel, period end			1,636	1,060	1,104

7 CALCULATION OF KEY FIGURES

Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets – advance payments received}} \times 100$
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, %	$\frac{\text{Interest bearing liabilities – cash and bank and financial asset through profit and loss}}{\text{Total equity}} \times 100$
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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