

**F-SECURE INTERIM REPORT
1 JANUARY – 30 SEPTEMBER 2019**

**CORPORATE SECURITY REVENUE GREW 14%
ORGANICALLY IN THIRD QUARTER**



HIGHLIGHTS OF JULY–SEPTEMBER (Q3)

- Revenue increased by 7% to EUR 53.8 million (50.5m)
- Revenue from corporate security increased by 14% to EUR 30.3 million (26.7m)
- Revenue from consumer security decreased by 1% to EUR 23.4 million (23.8m)
- Deferred revenue increased by 2% to EUR 70.2 million (69.0m)
- Adjusted EBITDA was EUR 6.8 million (6.0m), 12.7% of revenue (11.9%)¹⁾
- Earnings per share (EPS) was EUR 0.01 (EUR 0.01)
- Cash flow from operating activities before financial items and taxes was EUR 3.7 million (–1.0m)¹⁾


HIGHLIGHTS OF JANUARY–SEPTEMBER

- Revenue increased by 18% to EUR 161.2 million (137.0m)
- Revenue from corporate security increased by 36% to EUR 89.8 million (66.1m)
- Revenue from consumer security increased by 1% to EUR 71.4 million (70.9m)
- Deferred revenue increased by 2% to EUR 70.2 million (69.0m)
- Adjusted EBITDA was EUR 16.6 million (12.6m), 10.3% of revenue (9.2%)¹⁾
- Earnings per share (EPS) was EUR 0.02 (EUR 0.01)
- Cash flow from operating activities before financial items and taxes was EUR 10.3 million (3.3m)¹⁾
- EBIT includes positive net impact of EUR 3.1 million related to MWR InfoSecurity acquisition valuation revision during second quarter

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¹⁾ F-Secure has adopted the new Leases standard (IFRS 16) on 1 January 2019 using the modified approach. Comparative information has not been restated. The impact of IFRS 16 on adjusted EBITDA is EUR +1.7 million for the third quarter and EUR +5.0 million for January–September. Impact on operative cash flow is EUR +1.6 million for the third quarter and EUR 4.7 million for January–September. For the full year 2019, the impact on adjusted EBITDA is estimated to be around EUR +6.7 million.

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

OUTLOOK

Outlook for 2019 unchanged

The company's outlook for 2019 is unchanged:

- Revenue from corporate security is expected to grow by over 30% compared to 2018
- Revenue from consumer security is expected to stay approximately at the same level as in 2018
- Adjusted EBITDA is expected to be above EUR 21 million including the impact of IFRS 16

Outlook for the strategy period 2018–2021 is unchanged

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 growth continued in corporate products and consulting during the third quarter. The total revenue increased by 7% to EUR 53.8 million, with revenue from corporate security growing by 14%. Consumer revenue remained at previous year's level. In terms of profitability, the quarter was in line with our expectations with adjusted EBITDA margin of 13%.

Managed Detection and Response (MDR) solutions had a strong quarter. In Q3 F-Secure Countercept won significant deals against many top competitors in the US and UK, highlighting competitiveness of our offering. Overall, F-Secure Countercept continued to win new clients globally within focus customer segments such as finance, critical infrastructure and versatile professional services industry. The MDR sales pipeline has developed well while we expect quarterly deal volumes and sizes to fluctuate also in the future.

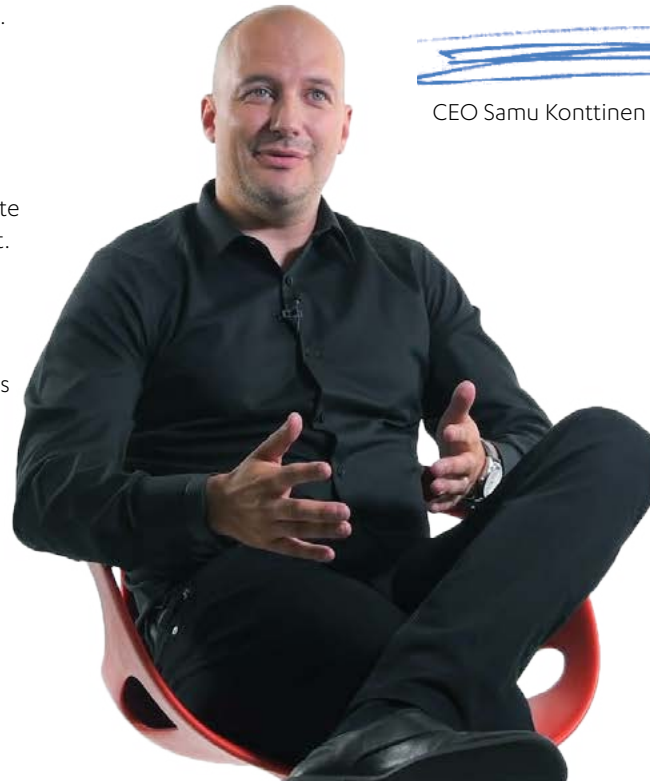
F-Secure's endpoint security business remains on stable growth track. Q3 was characterized by good renewal performance in Endpoint solution (EPP) and growing volumes of EDR (Endpoint Detection and Response) sold as integrated to EPP. This cloud based combination is a highly effective, pure play software solution that has been designed to enable our service partners to better support their customers. However, the revenue contribution of EDR is still small in our corporate security business mix while the solution is strategically very important.

Cyber security consulting continued to grow strongly. In September F-Secure finalized the MWR integration in consulting and combined all units into one globally operating multi-disciplinary organization. F-Secure provides cyber security consulting from 11 different locations across four continents and is well positioned to serve the most demanding and internationally operating customers.

**“REVENUE
GROWTH
CONTINUED IN
CORPORATE
PRODUCTS AND
CONSULTING.”**

Revenue from consumer security remained at previous year's level. Key performance indicators, device activations and renewal rates, remained solid. Interest in the upcoming Identity Protection combined with F-Secure SENSE router security is a promising sign of our portfolio appeal. From strategic perspective operator partners are very important for us as they hold significant market power and customer reach. Nevertheless, deploying new solutions in this channel often takes time, thus, revenue impact from new solutions is expected to be small in short term.

In October F-Secure started restructuring in order to capture synergies from the MWR InfoSecurity acquisition and reorganize operations for better focusing on different customer segments. Growth remains in the core of our strategy while healthy profitability and benefits from growing scale are to be attained also in the future.



CEO Samu Konttinen

FINANCIAL PERFORMANCE

EUR m	7–9/2019	7–9/2018	Change %	1–9/2019	1–9/2018	Change %	1–12/2018
Revenue	53.8	50.5	7%	161.2	137.0	18%	190.7
Consumer security	23.4	23.8	–1%	71.4	70.9	1%	94.9
Corporate security	30.3	26.7	14%	89.8	66.1	36%	95.9
Products	18.4	16.6	11%	54.2	46.4	17%	63.8
Consulting	11.9	10.1	18%	35.6	19.7	81%	32.0
Cost of revenue	–12.6	–11.7	7%	–37.7	–26.9	40%	–39.4
Gross Margin	41.2	38.7	6%	123.6	110.1	12%	151.4
Other operating income ¹⁾	0.4	0.3	21%	1.1	1.7	–35%	2.3
Operating expenses ¹⁾	–34.8	–33.1	5%	–108.0	–99.3	9%	–136.2
Sales & Marketing	–23.3	–22.4	4%	–73.9	–65.5	13%	–90.7
Research & Development	–8.1	–7.8	4%	–24.6	–24.9	–1%	–33.5
Administration	–3.3	–2.8	19%	–9.5	–8.8	8%	–11.9
Adjusted EBITDA ²⁾	6.8 ⁴⁾	6.0	15%	16.6 ⁴⁾	12.6	32%	17.4
of revenue, %	12.7%	11.9%		10.3%	9.2%		9.1%
Adjustment to operating income				9.1			
M&A expenses		–2.7			–3.3		–3.6
EBITDA	6.8 ⁴⁾	3.3	109%	25.7 ⁴⁾	9.3	177%	13.8
of revenue, %	12.7%	6.5%		16.0%	6.8%		7.2%
Depreciation & amortization	–3.5 ⁴⁾	–1.8	92%	–10.1 ⁴⁾	–4.7		–6.8
Impairment				–6.0			
PPA amortization	–0.9	–1.1	–24%	–3.2	–1.4		–2.5
EBIT	2.5 ⁴⁾	0.4		6.4 ⁴⁾	3.1	104%	4.6
of revenue, %	4.7%	0.8%		4.0%	2.3%		2.4%
Adjusted EBIT ²⁾	3.4 ⁴⁾	4.2	–20%	6.5 ⁴⁾	7.8	–17%	10.6
of revenue, %	6.3%	8.3%		4.0%	5.7%		5.6%
Earnings per share, (EUR) ³⁾	0.01	0.01	7%	0.02	0.01	136%	0.01
Deferred revenue				70.2	69.0	2%	72.9
Cash flow from operations before financial items and taxes	3.7 ⁴⁾	–1.0		10.3 ⁴⁾	3.3		13.8
Cash and financial assets at fair value through P&L				24.9	21.5	15%	27.9
ROI, %	6.8%	7.7%	–11%	5.3%	8.1%	–35%	7.9%
Equity ratio, %				45.9%	43.7%	5%	42.7%
Gearing, %				28.3%	23.4%	21%	13.9%
Personnel, end of period				1,727	1,636	6%	1,666

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

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

³⁾ Based on the weighted average number of outstanding shares during the period 157,696,495 (1–9/2019).

⁴⁾ IFRS 16 increased Adjusted EBITDA and EBITDA by EUR 1.7 million during Q3 and EUR 5.0 million during January–September. Impact on adjusted EBIT and EBIT was EUR 0.1 million during Q3 and EUR 0.2 million during January–September. Depreciation and amortization increased by EUR 1.6 million during Q3 and by EUR 4.8 million during January–September. Positive impact on cash flow from operations before financial items and taxes was EUR 1.6 million during third quarter and EUR 4.7 million during January–September.

Third quarter (Q3)

Total revenue in July–September increased by 7% to EUR 53.8 million (50.5m), driven by corporate security. The share of corporate security of total revenue was 56% (44%).

Corporate security

Revenue from corporate security increased by 14% year-on-year to EUR 30.3 million (26.7m), driven by cyber security consulting as well as corporate security products. Q3/2019 revenue growth was purely organic while H1/2019 revenue was impacted by the acquisition of MWR InfoSecurity.

Products

Revenue from corporate security products increased by 11% to EUR 18.4 million (16.6m).

Revenue from Endpoint Protection (EPP) solutions increased from the previous year's level. Renewal rates with existing EPP installations remain at a good level. Selling endpoint product bundles provided us competitive edge against top competitors. On the contrary, new customer acquisition was soft in Finland and Japan as sales of some non-strategic products have been terminated. EDR continued to be sold broadly across geographies as a bundle on top of EPP while the product's revenue contribution is still small in F-Secure corporate security business.

Revenue from Managed Detection and Response (MDR) solutions (Countercept & RDS) increased well. Two particularly large deals closed in Q3 serve as a great testimony for competitiveness of F-Secure Countercept as they were won against industry's top competitors in the US and UK. On top of that conventional MDR deals were won in UK, Germany, Poland, Finland and South Africa in customer verticals such as finance, critical infrastructure and technology. We expect the new customer acquisition to show significant variation between quarters typical to new advanced solutions.

Cyber security consulting

Revenue from cyber security consulting increased by 18% to EUR 11.9 million (10.1m).

Cyber security consulting revenue continued to grow well in our largest markets, UK and Nordics, furthermore, Singapore performed particularly strongly in Q3. In September F-Secure finalized the MWR integration in consulting and combined all units into one globally operating multi-disciplinary organization. F-Secure provides cyber security consulting from 11 different locations across four continents, ensuring that offerings such as incident response, incident investigations and targeted attack simulation are available where and when most needed. Overall, the demand for cyber security consulting services continues to be strong.

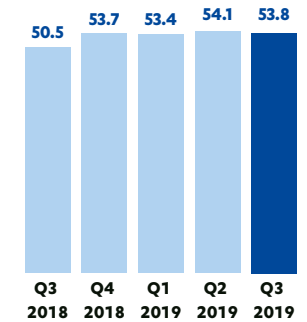
Consumer security

Revenue from consumer security decreased by 1% to EUR 23.4 million (23.8m).

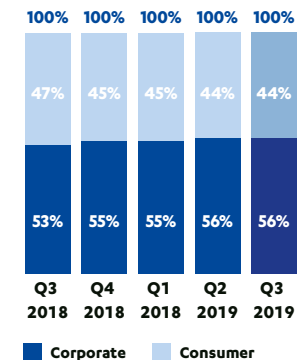
Operators

Revenue from the operator channel remained at previous years' level. F-Secure works closely with its broad global network of partners which continues to result in moderate increase of product activation rates while prices of additional devices for a subscribed users are on attractive levels. Positive sentiment around F-Secure SENSE and upcoming product launch of Identity Protection (IDP) continued in Q3 although revenue impact from these solutions is expected to be small in short term.

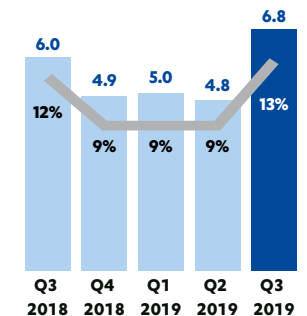
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Direct sales

Direct sales revenue declined slightly from previous year's level while overall renewal performance remained at a good level. Increasing demand for bundled solutions continues which is visible in the growth of F-Secure TOTAL revenue and in slight increase in average revenue per customer while revenue contribution from standalone products decreased. Overall, the strategic shift from retail to ecommerce progresses while pace varies depending on location.

Deferred revenue

Deferred revenue increased by 2% (year-on-year) to EUR 70.2 million (69.0m).

Gross margin

Gross margin increased by EUR 2.5 million to 41.2 million (38.7m) and was 77% of revenue (77%). Relative gross margin remained at previous year's level.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment increased by EUR 1.7 million to 34.8 million (33.1m) due to investments in research & development and sales & marketing.

Depreciation and amortization increased by EUR 1.4 million to 4.3 million (2.9m), where IFRS 16 impact was EUR 1.6 million and PPA amortization from acquisition of MWR InfoSecurity was EUR 0.9 million.

Profitability

Adjusted EBITDA was EUR 6.8 million and 12.7% of revenue (6.0m, 11.9%) and adjusted EBIT was EUR 3.4 million and 6.3% of revenue (4.2m, 8.3%). IFRS 16 had a positive impact of EUR 1.7 million to adjusted EBITDA and EUR 0.1 million to adjusted EBIT.

EBITDA was EUR 6.8 million and 12.7% of revenue (3.3m, 6.5%). EBIT was EUR 2.5 million and 4.7% of revenue (0.4m, 0.8%) including EUR 0.9 million of PPA amortization.

Cash flow

Cash flow from operating activities before financial items and taxes increased by EUR 4.7 million and was EUR 3.7 million (-1.0m). Cash flow from operations increased by EUR 4.9 million and was EUR 2.3 million (-2.6m). Group result excluding non-cash flow impacting adjustments such as PPA amortizations improved generating a more positive cash flow. IFRS 16 impact on increase was EUR 1.6m.

January–September

In January–September, total revenue increased by 18% year-on-year to EUR 161.2 million (137.0 m), driven by corporate security. Corporate security represented 56% (48%) of all revenue, and consumer security 44% (52%) of all revenue. Q3/2019 revenue growth was purely organic while H1/2019 revenue was impacted by the acquisition of MWR InfoSecurity.

Corporate security

Revenue from corporate security increased by 36% year-on-year to EUR 89.8 million (66.1m), driven by both the contribution from the acquired MWR InfoSecurity as well as continuing organic growth.

Consumer security

Revenue from consumer security increased by 1% year-on-year to 71.4 million (70.9m). Operator channel revenue grew slightly while direct business remained at previous year's level.

Deferred revenue

Deferred revenue increased by 2% (year-on-year) to EUR 70.2 million (69.0m).

Gross margin

Gross margin increased by EUR 13.5 million to EUR 123.6 million (110.1m), or 77% of revenue (80%). Relative gross margin decreased after first half of 2018 as the share of cyber security consultancy business increased due to the acquisition of MWR InfoSecurity.

Acquisition related items affecting comparability

During Q2 contingent consideration from MWR InfoSecurity acquisition was decreased due to acquired consulting business not reaching all agreed business milestones. Impact in second quarter financials is EUR 9.1 million increase in other operating income due to reduced liability. The remaining liability for the contingent consideration is EUR 6.4 million.

Accordingly, goodwill generated in the acquisition was tested for impairment based on latest forecasts. Test shows an impairment of EUR 6.0 million which was booked during second quarter. The remaining goodwill from the acquisition is EUR 75 million.

The net impact in EBIT related to this valuation revision was positive EUR 3.1 million.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment increased by EUR 8.7 million to 108.0 million (99.3m) due to the inclusion of MWR InfoSecurity in the company's financials.

Depreciation and amortization increased by EUR 5.8 million to 13.3 million (6.1m), where IFRS 16 impact was EUR 4.7 million and PPA amortization from acquisition of MWR InfoSecurity was EUR 3.2 million. In addition, impairment of goodwill during second quarter was EUR 6.0 million.

Profitability

Adjusted EBITDA was EUR 16.6 million and 10.3% of revenue (12.6m, 9.2%) and adjusted EBIT was EUR 6.5 million and 4.0% of revenue (7.8m, 5.7%). IFRS 16 had a positive impact of EUR 5.0 million to adjusted EBITDA and EUR 0.2 million to adjusted EBIT.

EBITDA was EUR 25.7 million and 16.0% of revenue (9.3m, 6.8%). EBIT was EUR 6.4 million and 4.0% of revenue (3.1m, 2.3%) including EUR 3.2 million of PPA amortization and EUR 6.0 million impairment of goodwill. Decrease in contingent consideration of MWR InfoSecurity acquisition in second quarter had EUR 9.1 million positive impact on EBITDA and EBIT.

Cash flow

Cash flow from operating activities before financial items and taxes increased by EUR 7.0 million and was EUR 10.3 million (3.3m). Cash flow from operations increased by EUR 12.2 million and was EUR 10.6 million (–1.6m). Group result excluding non-cash flow impacting adjustments such as PPA amortizations improved generating a more positive cash flow. IFRS 16 had EUR 4.7 million positive impact on operative cash flow. In addition, the Group received tax refunds during Q2 whereas tax advances were paid in comparison period.

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	7-9/2019	7-9/2018	Change %	1-9/2019	1-9/2018	Change %	1-12/2018
Cash and financial assets at fair value through P&L				24.9	21.5	15%	27.9
Interest bearing liabilities, non-current				33.1	34.0	-3%	31.0
Interest bearing liabilities, current				12.0	3.2		6.1
Capital expenditure ¹⁾	2.0	93.1	-98%	9.4	97.4		99.8
Capital expenditure, excl. acquisitions ¹⁾	2.0	1.8	12%	9.4	5.1	84%	7.5
Capitalized development expenses	1.4	1.4	-3%	4.7	3.4	40%	4.7
ROI, %	6.8%	7.7%		5.3%	8.1%		7.9%
Equity ratio, %				45.9%	43.7%		42.7%
Gearing, %				28.3%	23.4%		13.9%

¹⁾ Including IFRS16 related additions in 2019.

Financial position remained solid. First repayment of company's bank loan (EUR 3.0 million) was made at the end of second quarter.

Increase in interest bearing liabilities compared to previous year-end is due to adoption of IFRS 16 Leases -standard. At quarter end the amount of non-current lease liabilities is EUR 6.0 million and current lease liabilities is EUR 5.0 million. Recognition of lease liabilities also had an impact on F-Secure's equity ratio and gearing. Excluding IFRS 16 impact equity ratio is 49.4% and gearing 12.8%.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter F-Secure had 1,727 employees, which shows a net increase of 61 employees (4%) since the beginning of the year (1,666 on 31 December 2018), and an increase of 91 employees (6%) compared with end of September in 2018 (1,636).

Leadership team

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

Samu Konttinen (CEO), Antti Hovila (Strategy & Corporate Development), Kristian Järnefelt (Consumer Cyber Security), Juha Kivikoski (Enterprise & Channel Sales), Jyrki Rosenberg (Marketing & Communications), Ian Shaw (Cyber Security), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Eriikka Söderström (CFO), Jyrki Tulokas (Cyber Security Products & Services) and Eva Tuominen (People Operations & Culture).

SHARES, SHAREHOLDERS' EQUITY, OWN SHARES

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

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

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

RISKS AND UNCERTAINTIES MARKET OVERVIEW

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

The most significant risks are:

- Endpoint protection market disruption
- Market consolidation and failure to successfully complete acquisitions or divestments: in particular the integration of MWR InfoSecurity
- Failure to innovate and launch new technologies
- Failure to attract and retain talent

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

- Increased exposure outside the Eurozone carries increased risk related to currency fluctuations
- 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
- Interest rate risk exposure through increased borrowing
- Risk exposure from contractual liability requirements
- Potential security threats related to F-Secure's products and services
- Impact of a potential BREXIT to F-Secure's business

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 telecommunications operators are investing heavily in upgrading connectivity and introducing new security related services into their offerings. As consumers become increasingly aware of the threats to their privacy and security, they seek to buy more comprehensive solutions to secure their digital lives. This creates opportunities for innovative new security products.

STRATEGY 2018–2021

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

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

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

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

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

F-SECURE PRODUCTS AND SERVICES

Corporate security

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

Prediction solutions

F-Secure Radar – Vulnerability scanning and management platform

phishd – Anti-phishing behavior management platform

Prevention solutions

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

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

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

Detection & Response solutions (EDR & MDR)

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

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

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

Cyber security services

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

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



Consumer security

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

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

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

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

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



EVENTS AFTER PERIOD-END

On the 7th of October 2019 F-Secure began restructuring of operations and initiated co-operation negotiations.

The restructuring enables F-Secure to capture synergies from acquisition of MWR InfoSecurity, reallocate resources for further growth and streamline common functions. The restructuring is estimated to result in annual cost savings of more than EUR 5 million to be achieved by the end of 2020. The planned personnel reductions are estimated to be maximum 90 employees globally, out of 1,700 in total. The co-operation negotiations may lead to reduction of up to 50 employees in Finland. Research and development personnel, cyber security consultants and consumer business unit remain unaffected by the planned personnel reductions.

As part of restructuring F-Secure started organizational changes as of Monday 7 October 2019. Corporate Security's functional organization is under restructuring into a format that better addresses the different characteristics of Endpoint Security, Cyber Security Consulting and Managed Detection and Response businesses. New Leadership team is as follows:

Samu Konttinen (CEO), Antti Hovila (Strategy, Brand & Communications), Kristian Järnefelt (Consumer Cyber Security), Juha Kivikoski (Business Cyber 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).

ADDITIONAL INFORMATION

Contact information



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Financial calendar

F-Secure Corporation will publish its financial calendar for 2020 later this year.

KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Revenue	53.8	50.5	161.2	137.0	190.7
Consumer security	23.4	23.8	71.4	70.9	94.9
Corporate security	30.3	26.7	89.8	66.1	95.9
Products	18.4	16.6	54.2	46.4	63.8
Consulting	11.9	10.1	35.6	19.7	32.0
Gross margin	41.2	38.7	123.6	110.1	151.4
Gross margin, % of revenue	76.6%	76.8%	76.6%	80.4%	79.4%
Operating expenses	-39.1	-38.7	-127.4	-108.7	-149.1
Operating expenses for adjusted EBITDA	-34.8	-33.1	-108.0	-99.3	-136.2
Adjustment to other income			9.1		
Adjusted EBITDA	6.8 ¹⁾	6.0	16.6 ¹⁾	12.6	17.4
Adjusted EBITDA, % of revenue	12.7%	11.9%	10.3%	9.2%	9.1%
EBITDA	6.8 ¹⁾	3.3	25.7 ¹⁾	9.3	13.8
EBITDA, % of revenue	12.7%	6.5%	16.0%	6.8%	7.2%
Adjusted EBIT	3.4 ¹⁾	4.2	6.5 ¹⁾	7.8	10.6
Adjusted EBIT, % of revenue	6.3%	8.3%	4.0%	5.7%	5.6%
EBIT	2.5 ¹⁾	0.4	6.4 ¹⁾	3.1	4.5
EBIT, % of revenue	4.7%	0.8%	4.0%	2.3%	2.4%
ROI, %	6.8%	7.7%	5.3%	8.1%	7.9%
ROE, %	4.8%	4.7%	5.6%	2.4%	1.2%
CAPITAL STRUCTURE					
Equity ratio, %			45.9% ¹⁾	43.7%	42.7%
Gearing, %			28.3% ¹⁾	23.4%	13.9%
Interest bearing liabilities			45.0 ¹⁾	37.2	37.1
Cash and financial assets at FVTPL			24.9	21.5	27.9
SHARE RELATED					
Earnings per share, basic and diluted	0.01	0.01	0.02	0.01	0.01
Shareholders' equity per share, EUR			0.45	0.43	0.42
OTHER					
Capitalized expenditure, MEUR excl. acquisition	2.0 ¹⁾	1.8	9.4 ¹⁾	5.1	7.5
Capitalized development expenses, MEUR	1.4	1.4	4.7	3.4	4.7
Depreciation and amortization excl. PPA amortization, MEUR	-3.5 ¹⁾	-1.8	-10.1 ¹⁾	-4.8	-6.8
Depreciation and amortization	-4.3 ¹⁾	-2.9	-19.3 ¹⁾	-6.1	-9.3
Personnel, average	1,729	1,485	1,697	1,266	1,364
Personnel, period end			1,727	1,636	1,666

¹⁾ IFRS 16 impacts the figure in 2019.

CHANGES IN THE ACCOUNTING PRINCIPLES

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

IFRS 16 Leases

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

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

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

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

On initial application of IFRS 16 F-Secure has:

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

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

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

IFRIC 23 Uncertainty over income tax treatment

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

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

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

INCOME STATEMENT

	7-9/2019	7-9/2018	Change %	1-9/2019	1-9/2018	Change %	1-12/2018
Revenue	53.8	50.5	7%	161.2	137.0	18%	190.7
Cost of revenue	-12.6	-11.7	7%	-37.7	-26.9	40%	-39.4
Gross margin	41.2	38.7	6%	123.6	110.1	12%	151.4
Other operating income ¹⁾	0.4	0.3	21%	10.2	1.7		2.3
Sales and marketing	-25.0	-24.0	4%	-78.8	-68.9	14%	-95.0
Research and development	-9.7	-8.2	18%	-29.3	-26.1	12%	-35.7
Administration ¹⁾	-4.4	-6.5	-32%	-19.3	-13.7	41%	-18.3
EBIT	2.5	0.4		6.4	3.1	104%	4.5
Financial net	-1.1	-0.3		-2.6	-1.9	33%	-2.8
Result before taxes	1.4	0.1		3.8	1.2		1.7
Income taxes	-0.5	0.7		-1.0	0.0		-0.9
Result for the period total	0.8	0.8	7%	2.9	1.2	137%	0.8
Other comprehensive income							
Exchange differences on translating foreign operations	0.3	-1.0		1.0	-0.8		-1.3
Deferred costs of hedging		0.5					
Income tax relating to components of other comprehensive income		-0.1					
Total comprehensive income (parent company owners)	1.0	0.2		3.8	0.4		-0.4
Earnings per share	7-9/2019	7-9/2018	Change %	1-9/2019	1-9/2018	Change %	1-12/2018
Earnings per share, basic and diluted, EUR	0.01	0.01	7%	0.02	0.01	136%	0.01

¹⁾ Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 9.1m and EUR 6.0m impairment of goodwill was booked during Q2/19.

BALANCE SHEET

Assets	30 Sep 2019	30 Sep 2018	31 Dec 2018
Tangible assets ¹⁾	16.2	5.4	5.2
Intangible assets	36.6	40.6	38.4
Goodwill	85.0	90.4	90.7
Deferred tax assets	4.0	5.2	4.0
Other receivables	0.5	0.7	0.5
Total non-current assets	142.4	142.5	138.7
Inventories	0.3	0.7	0.6
Accrued income	3.5	2.0	1.3
Trade and other receivables	52.0	51.0	55.3
Income tax receivables	2.8	4.3	4.2
Financial asset at fair value through profit and loss	0.1	0.1	0.1
Cash and bank accounts	24.8	21.5	27.8
Total current assets	83.5	79.6	89.4
Total assets	225.9	222.1	228.0
Shareholders' equity and liabilities	30 Sep 2019	30 Sep 2018	31 Dec 2018
Equity	71.4	66.9	66.3
Interest bearing liabilities, non-current ¹⁾	33.1	34.0	31.0
Deferred tax liability	3.9	6.5	4.1
Deferred revenue, non-current	17.6	18.6	17.6
Other non-current liabilities	1.6	15.5	16.2
Obligatory provisions		1.2	1.2
Total non-current liabilities	56.1	75.8	70.0
Interest bearing liabilities, current ¹⁾	12.0	3.2	6.1
Trade and other payables	31.6	25.0	29.5
Income tax liabilities	2.2	0.8	0.8
Deferred revenue, current	52.6	50.5	55.3
Total current liabilities	98.5	79.4	91.7
Total liabilities and equity	225.9	222.1	228.0

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

CASH FLOW STATEMENT

	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Cash flow from operations					
Result for the financial year	0.8	0.8	2.9	1.2	0.8
Adjustments	7.3	2.2	16.3	10.2	15.1
Cash flow from operations before change in working capital	8.2	3.0	19.1	11.4	16.0
Change in net working capital	-4.5	-4.1	-8.8	-8.1	-2.2
Cash flow from operating activities before financial items and taxes	3.7	-1.0	10.3	3.3	13.8
Net financial items and taxes	-1.4	-1.5	0.3	-4.9	-7.0
Cash flows from operating activities	2.3	-2.6	10.6	-1.6	6.8
Cash flow from investments					
Net investments in tangible and intangible assets	-1.5	-1.7	-6.2	-4.9	-7.1
Acquisition of subsidiaries, net of cash acquired		-91.3		-92.3	-91.9
Other investments, net	0.0	0.0	0.0	53.5	53.5
Cash flow from investments	-1.5	-93.1	-6.2	-43.7	-45.6
Cash flow from financing activities					
Repayments of interest bearing liabilities ¹⁾	-1.6	-0.4	-7.8	-0.4	-0.5
Increase in interest-bearing liabilities		37.0		37.0	37.0
Own shares			0.1	-0.1	-0.1
Dividends paid				-6.3	-6.3
Cash flow from financing activities	-1.6	36.6	-7.7	30.2	30.1
Change in cash	-0.8	-59.1	-3.3	-15.1	-8.7
Cash and bank at the beginning of the period	25.5	79.8	27.8	36.3	36.3
Effect of exchange rate changes on cash	0.2	0.8	0.2	0.2	0.2
Cash and bank at period end	24.8	21.5	24.8	21.5	27.8

¹⁾ IFRS 16 lease liability repayments in 2019.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2017	1.6	0.2	5.4	-4.6	66.5	1.0	-0.6	69.5
Impact of IFRS 15 restatement					1.1			1.1
Impact of IFRS 9 restatement					1.1	-1.0		0.2
Equity 1 Jan 2018 (restated)	1.6	0.2	5.4	-4.6	68.8	0.0	-0.6	70.8
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
	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2018	1.6	0.2	6.1	-2.8	63.1	0.0	-1.8	66.3
Total comprehensive income for the year					2.9		1.0	3.9
Cost of share based payments			0.1	0.6	0.5			1.3
Equity 30 Sep 2019	1.6	0.2	6.2	-2.1	66.5	0.0	-0.8	71.4

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates			End rates		
	1-9/2019	1-9/2018	1-12/2018	30 Sep 2019	30 Sep 2018	31 Dec 2018
USD	1.1281	1.1979	1.1838	1.0889	1.1576	1.1450
GBP	0.8839	0.8842	0.8853	0.8857	0.8873	0.8945
JPY	123.19	131.21	130.77	117.59	131.23	125.85

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-9/2019	1-12/2018
USD	+/-0.7	+/-1.2
GBP	+/-0.1	+/-2.4
JPY	+/-0.7	+/-0.4

2 SEGMENT INFORMATION

The Group has one segment (security).

	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Revenue	53.8	50.5	161.2	137.0	190.7
Cost of revenue	-12.6	-11.7	-37.7	-26.9	-39.4
Gross margin	41.2	38.7	123.6	110.1	151.4
Other operating income	0.4	0.3	10.2	1.7	2.3
Sales and marketing	-25.0	-24.0	-78.8	-68.9	-95.0
Research and development	-9.7	-8.2	-29.3	-26.1	-35.7
Administration	-4.4	-6.5	-19.3	-13.7	-18.3
EBIT	2.5	0.4	6.4	3.1	4.5
Financial net	-1.1	-0.3	-2.6	-1.9	-2.8
Result before taxes	1.4	0.1	3.8	1.2	1.7

Disaggregation of revenue

By sales channels	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Consumer security	23.4	23.8	71.4	70.9	94.9
Corporate security	30.3	26.7	89.8	66.1	95.9
Products	18.4	16.6	54.2	46.4	63.8
Consulting	11.9	10.1	35.6	19.7	32.0
Total revenue	53.8	50.5	161.2	137.0	190.7

By geographical area	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Nordic countries	17.0	16.0	54.1	49.1	67.0
Rest of Europe	24.5	23.2	71.7	60.5	84.6
North America	4.8	4.7	14.1	12.4	17.2
Rest of the world	7.5	6.6	21.3	15.1	21.9
Total revenue	53.8	50.5	161.2	137.0	190.7

3 ACQUISITIONS

Prior period

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

Update to contingent consideration

During Q2/2019 the estimation of the fair value of contingent consideration from MWR InfoSecurity acquisition was decreased by EUR 9.1 million due to not achieving certain agreed business milestones.

4 INTANGIBLE AND TANGIBLE ASSETS

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Book value at the beginning of the period	134.2	28.0	28.0
Right-of-use assets at the beginning of the period	12.9		
Acquisitions and divestments		108.3	108.3
Additions	9.4 ¹⁾	5.1	7.5
Disposals	-0.1	-0.2	-0.4
Depreciation and amortization	-13.3	-6.1	-9.1
Impairment	-6.0		
Translation differences	0.7	1.4	0.0
Book value at the end of the period	137.8	136.5	134.2

¹⁾ Including IFRS 16 additions.

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

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

Adoption of IFRS 16

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

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

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

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

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

Adjustments made in adoption of IFRS 16

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

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

	30 Sep 2019	1 Jan 2019
Properties	9.1	10.3
Cars	1.7	2.1
Machinery and equipment	0.2	0.3
Total right-of-use assets	11.0	12.8

Impacts of IFRS 16 to the Group's income statement for 1–9/2019 are as follows:

	1–9/2019
Decrease in Cost of Revenue	0.2
Decrease in operating expenses (lease expenses)	4.8
Increase in right-of-use asset depreciation	-4.7
Increase in EBIT	0.2
Increase in financial expenses	-0.3
Profit / Loss for the period	-0.1

6 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

	Carrying value				Fair value			
	Financial assets		Financial liabilities		Hierarchy level			
	FVTPL	Amortised cost	Amortised cost	Total	1	2	3	Total
Cash and bank		24.8		24.8	24.8			24.8
Trade and other receivables		52.0		52.0		52.0		52.0
Financial assets at FVTPL	0.1			0.1		0.1		0.1
Bank loans			34.0	34.0		34.0		34.0
Lease liabilities			11.0	11.0		11.0		11.0
Trade payables			4.1	4.1		4.1		4.1
Contingent considerations ¹⁾			6.4	6.4			6.6	6.6

¹⁾ Contingent consideration from MWR InfoSecurity acquisition was decreased by EUR 9.1 million during Q2/19.

Contractual maturities of financial liabilities	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 5 years	Total contractual cash flows	Carrying amount
Bank loans	6.0	6.0	6.0	6.0	10.0	34.0	34.0
Lease liabilities	6.0	3.5	1.2	0.3	0.2	11.0	11.0
Contingent considerations	6.6					6.6	6.4
Total financial liabilities	18.5	9.5	7.2	6.3	10.2	51.6	51.4

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

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

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

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

	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Adjusted EBITDA	6.8	6.0	16.6	12.6	17.4
Adjustments to EBITDA					
Change in fair value of contingent consideration			9.1		
Costs related to business acquisitions		-2.0		-2.6	-2.6
Costs related to integration		-0.6		-0.6	-1.0
EBITDA	6.8	3.3	25.7	9.3	13.8
Depreciation, amortization and impairment losses	-4.3	-2.9	-19.3	-6.1	-9.3
EBIT	2.5	0.4	6.4	3.1	4.5
	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Adjusted EBIT	3.4	4.2	6.5	7.8	10.6
Adjustments to EBIT					
Change in fair value of contingent consideration			9.1		
Costs related to business acquisitions		-2.0		-2.6	-2.6
Costs related to integration		-0.6		-0.6	-1.0
PPA amortization	-0.9	-1.1	-3.2	-1.4	-2.5
Impairment of goodwill			-6.0		
EBIT	2.5	0.4	6.4	3.1	4.5

Classification of adjusted costs in operating expenses

	Operating Expenses 7–9/2019	Expenses for adjusted EBIT	Depreciation	Impairment	IFRS 16 depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 7–9/2019
Sales and marketing	-25.0	-25.0	0.5		1.2		-23.3
Research and development	-9.7	-9.7	1.2		0.4		-8.1
Administration	-4.4	-4.4	0.1		0.1	0.9	-3.3
Operating expenses	-39.1	-39.1	1.8	0.0	1.6	0.9	-34.8

	Operating Expenses 1–9/2019	Expenses for adjusted EBIT	Depreciation	Impairment	IFRS 16 depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–9/2019
Sales and marketing	-78.8	-78.8	1.5		3.4		-73.9
Research and development	-29.3	-29.3	3.6		1.1		-24.6
Administration ¹⁾	-19.3	-19.3	0.3	6.0	0.2	3.2	-9.5
Operating expenses	-127.3	-127.3	5.4	6.0	4.7	3.2	-108.0

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

8 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY

	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
Revenue	53.8	54.1	53.4	53.7	50.5
Cost of revenue	-12.6	-12.5	-12.6	-12.5	-11.7
Gross margin	41.2	41.6	40.8	41.3	38.7
Other operating income	0.4	9.6	0.2	0.6	0.3
Sales and marketing	-25.0	-28.1	-25.7	-26.2	-24.0
Research and development	-9.7	-9.4	-10.2	-9.7	-8.2
Administration	-4.4	-10.3	-4.6	-4.6	-6.5
EBIT	2.5	3.3	0.6	1.4	0.4
Financial net	-1.1	0.1	-1.5	-0.9	-0.3
Result before taxes	1.4	3.4	-1.0	0.5	0.1
Income taxes	-0.5	0.0	-0.4	-0.9	0.7
Result for the period total	0.8	3.4	-1.4	-0.4	0.8

EARNINGS PER SHARE QUARTERLY

	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
Earnings per share, basic and diluted, EUR	0.01	0.02	-0.01	0.00	0.01

KEY FIGURES

Gross margin, % of revenue	76.6%	76.9%	76.5%	76.8%	76.8%
Adjusted EBITDA ¹⁾	6.8	4.8	5.0	4.9	6.0
Adjusted EBITDA, % of revenue ¹⁾	12.7%	8.9%	9.4%	9.0%	11.9%
Adjusted EBIT ¹⁾	3.4	1.4	1.7	2.8	4.2
Adjusted EBIT, % of revenue ¹⁾	6.3%	2.5%	3.3%	5.3%	8.3%
ROI, %	6.8%	7.5%	1.6%	6.2%	7.7%
ROE, %	4.8%	19.8%	-8.3%	-2.2%	4.7%
Equity ratio, % (YTD) ¹⁾	45.9%	44.3%	41.3%	42.7%	43.7%
Gearing, % (YTD) ¹⁾	28.3%	30.0%	36.5%	13.9%	23.4%
Interest bearing liabilities ¹⁾	45.0	46.5	48.6	37.1	37.2
Cash and financial assets at FVTPL	24.9	25.5	23.4	27.9	21.5
Capitalized expenditure, MEUR excl. acquisition ¹⁾	2.0	5.6	1.8	2.3	1.8
Capitalized development expenses, MEUR	1.4	2.2	1.2	1.3	1.4
Depreciation and amortization excl. PPA amortization, MEUR ¹⁾	-3.5	-3.4	-3.3	-2.0	-1.8
Depreciation and amortization, MEUR ¹⁾	-4.3	-10.6	-4.4	-3.2	-2.9
Personnel, period end	1,727	1,710	1,680	1,666	1,636

¹⁾ IFRS 16 impacts the key figure in 2019.

CALCULATION OF KEY FIGURES

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

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