

**F-SECURE INTERIM REPORT
1 JANUARY – 30 SEPTEMBER 2020**

**PROFITABILITY IMPROVED FURTHER,
REVENUE AT THE PREVIOUS YEAR'S LEVEL**



HIGHLIGHTS OF JULY–SEPTEMBER (Q3)

- Revenue remained at previous year's level, and was EUR 54.5 million (53.8m)
- Revenue from corporate security decreased by 3% to EUR 29.5 million (30.3m)
- Revenue from consumer security increased by 7% to EUR 25.0 million (23.4m)
- Adjusted EBITDA was EUR 11.0 million (6.8m), 20.2% of revenue (12.7%)
- EBIT was EUR 6.9 million (2.5m), 12.7% of revenue (4.7%)
- Earnings per share (EPS) was EUR 0.03 (EUR 0.01)
- Cash flow from operating activities before financial items and taxes was EUR 7.9 million (3.7m)
- F-Secure issued a new financial outlook for 2020 on 15 October 2020


HIGHLIGHTS OF JANUARY–SEPTEMBER

- Revenue remained at previous year's level, and was EUR 162.3 million (161.2m)
- Revenue from corporate security remained at previous year's level, and was EUR 88.1 million (89.8m)
- Revenue from consumer security increased by 4% to EUR 74.2 million (71.4m)
- Adjusted EBITDA was EUR 28.4 million (16.6m), 17.5% of revenue (10.3%)
- EBIT was 16.5 million (6.4m), 10.2% of revenue (4.0%)
- Earnings per share (EPS) was EUR 0.06 (EUR 0.02)
- Cash flow from operating activities before financial items and taxes was EUR 28.9 million (10.3m)
- F-Secure issued a new financial outlook for 2020 on 15 October 2020

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

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

OUTLOOK

F-Secure issued financial outlook for 2020 on 15 October 2020.

F-Secure's outlook for 2020

- Revenue from corporate security products is expected to grow compared to 2019
- Revenue from cyber security consulting is expected to decrease compared to 2019
- Revenue from consumer security is expected to grow compared to 2019
- Adjusted EBITDA is expected to be above EUR 33 million



CEO SAMU KONTTINEN

“OUR SCALABLE PRODUCT BUSINESSES GREW, WHEREAS REVENUE FROM CYBER SECURITY CONSULTING DECREASED”

During the third quarter F-Secure’s revenue remained at the previous year’s level and reached EUR 54.5 million as our scalable product businesses grew, whereas revenue from cyber security consulting decreased compared to the last year. Our EBITDA margin of 20% was supported by lower activity levels impacted by the COVID-19-pandemic.

In Q3, the growth with the Managed Detection and Response (MDR) solutions continued as we won several new deals in Europe within healthcare, media and defense industries. The strong renewal performance amongst the MDR customers is a testimony of our high quality detection and response service

in addition to the “peace time value” delivered. This concept helps our clients improve their cyber resilience and IT security practices. In Q3, we still witnessed COVID-19 negatively impacting the growth in MDR as sales cycles were prolonged.

The endpoint security business continued to grow slightly excluding the impact from discontinued products. I am delighted that the positive new sales performance stems from all of our main markets in Europe and Japan. The strong new sales growth arises from the sales of the whole endpoint suite alongside the adjacent Cloud Protection products winning new contracts such as the published deal with Yahoo! JAPAN. Overall, I am pleased with the momentum among our channel partners, and as a result the growth of new orders has clearly outpaced revenue growth for the past three quarters.

Cyber security consulting was still impacted by the COVID-19 pandemic, which led to a reduction in revenue from the previous year’s level. Significant regional variations in revenue continued, while the overall sentiment has improved from the spring as clients are increasingly getting accustomed to the new remote ways of working. The pandemic still casts a shadow on the short term predictability of the business, however in the long term we find the market attractive for profitable growth.

Consumer security grew from the previous year, which was driven by both the operator channel and direct business. The growth in consumer security derives from our core solutions F-Secure SAFE and TOTAL and also from the new deals signed in US and Asia. These operator deals include contracts for F-Secure SENSE and F-Secure ID PROTECTION on top of the traditional endpoint protection, planting the seed for growth potential in the longer term. The reported revenue growth of 7% contains a slight positive impact related to one-off items.

On a personal level, the third quarter closes a chapter in my life as I will pass on the torch to F-Secure’s next CEO. I am proud to leave behind a great company that has transformed from an endpoint protection vendor to a cyber security specialist with a broad set of products and services. As a result, the company of today stands tall and protects our consumer and business customers better than ever before. Lastly, I want to thank all the Fellows from the past 15 years that I have been a part of F-Secure.

CEO Samu Konttinen

FINANCIAL PERFORMANCE

EUR m	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Revenue	54.5	53.8	1%	162.3	161.2	1%	217.3
Consumer security	25.0	23.4	7%	74.2	71.4	4%	94.8
Corporate security	29.5	30.3	-3%	88.1	89.8	-2%	122.5
Products	18.5	18.4	1%	55.5	54.2	2%	72.5
Consulting	10.9	11.9	-8%	32.6	35.6	-9%	50.0
Cost of revenue	-11.8	-12.6	-6%	-35.8	-37.7	-5%	-50.5
Gross Margin	42.7	41.2	4%	126.5	123.6	2%	166.8
Other operating income ¹⁾	0.4	0.4	-12%	1.7	1.1	50%	1.5
Operating expenses ¹⁾	-32.0	-34.8	-8%	-99.6	-108.0	-8%	-145.1
Sales & Marketing	-20.9	-23.3	-10%	-64.7	-73.9	-12%	-99.4
Research & Development	-8.0	-8.1	-2%	-25.5	-24.6	4%	-33.2
Administration	-3.1	-3.3	-5%	-9.3	-9.5	-2%	-12.4
Adjusted EBITDA ²⁾	11.0	6.8	62%	28.4	16.6	71%	23.2
of revenue, %	20.2%	12.7%		17.5%	10.3%		10.7%
Adjustment to operating income					9.1		12.5
Restructuring				0.4			-4.6
EBITDA	11.0	6.8	62%	28.8	25.7	12%	31.1
of revenue, %	20.2%	12.7%		17.8%	16.0%		14.3%
Depreciation & amortization	-3.1	-3.5	-11%	-9.6	-11.0	-13%	-13.6
Impairment	-0.3			-0.3	-6.0	-95%	-6.3
PPA amortization	-0.7	-0.9	-15%	-2.4	-2.3	5%	-4.1
EBIT	6.9	2.5	177%	16.5	6.4	160%	7.2
of revenue, %	12.7%	4.7%		10.2%	4.0%		3.3%
Adjusted EBIT ²⁾	7.7	3.4	126%	18.6	6.5	186%	9.6
of revenue, %	14.0%	6.3%		11.4%	4.0%		4.4%
Earnings per share, (EUR) ³⁾	0.03	0.01	494%	0.06	0.02	255%	0.02
Deferred revenue				72.0	70.2	3%	73.9
Cash flow from operations before financial items and taxes	7.9	3.7	112%	28.9	10.3	180%	19.0
Cash and financial assets at fair value through P&L				42.8	24.9	72%	25.5
ROI, %	24.2%	10.6%	128%	20.3%	8.9%	128%	7.8%
Equity ratio, %				49.2%	45.9%	7%	49.0%
Gearing, %				8.4%	28.3%	-70%	20.8%
Personnel, end of period				1,693	1,727	-2%	1,696

¹⁾ Excluding Items Affecting Comparability (IAC) and depreciation and amortization

²⁾ Adjustments are material items outside normal course of business associated with acquisitions, integration, restructuring, gains or losses from sales of businesses and other items affecting comparability. Reconciliation and a breakdown of adjusted costs is in note 5 of the Table Section of this report.

³⁾ Based on the weighted average number of outstanding shares during the period 158,051,995 (1-9/2020).

Third quarter (Q3)

Total revenue in July–September remained at the previous year's level, and was EUR 54.5 million (53.8m). The share of corporate security of total revenue was 54% (56%).

Corporate security

Revenue from corporate security decreased by 3% year-on-year to EUR 29.5 million (30.3m) due to the negative impact of the COVID-19 pandemic on cyber security consulting.

Products

Revenue from corporate security products remained at the previous year's level, and was EUR 18.5 million (18.4m).

Revenue from Endpoint Protection (EPP) solutions increased slightly from the previous year's level, excluding the effect from discontinued products. In Q3, the order intake continued to grow faster than the revenue. The contract durations were higher than normal as several customers committed to multi-year deals. The renewal performance with the existing EPP installations remained on a good level. The increasing demand for solutions that are sold adjacent to the traditional Endpoint Protection (EPP) was visible in the increased sales of Endpoint Detection and Response (EDR) and Cloud Protection products although majority of the business still consists of the traditional EPP. Until now, this business has been impacted by the pandemic only to a limited extent.

Revenue from Managed Detection and Response (MDR) solutions (F-Secure Countercept) increased compared to the previous year's level. Several new multi-year F-Secure Countercept deals were closed in countries such as UK, France, and Finland despite the COVID-19 pandemic changing the sales & marketing model. In Q3, the renewal performance was strong. In terms of pipeline creation and new deal count Q3 was the best quarter in 2020 so far, even though sales cycles have prolonged due to COVID-19. This negative impact is expected to continue during the pandemic.

Cyber security consulting

Revenue from cyber security consulting decreased by 8% to EUR 10.9 million (11.9m).

F-Secure consulting continued to deliver assignments predominantly remotely although on-site delivery requirements by customers accompanied with reduced spend on cyber security have had a negative impact on the business performance. We have reacted to the situation by adjusting our resources in various sites accordingly. In the Nordics, a particularly large project is in its finalization phase, which meant a reduction in scope when compared to the previous year. The overall sentiment has improved from the spring which has been visible in clients extending projects whereas the pandemic has hindered the creation of new customer pipeline. Nevertheless, the predictability of the consulting business is still low and expected to be negatively affected if the pandemic prolongs.

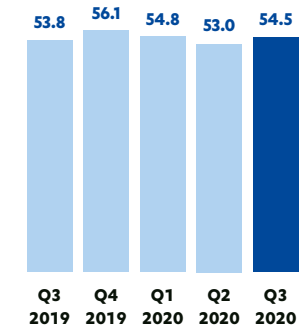
Consumer security

Revenue from consumer security increased by 7% to EUR 25.0 million (23.4m) during the quarter driven by both operator and direct sales channels. The reported revenue growth contains a slight positive impact related to one-off items.

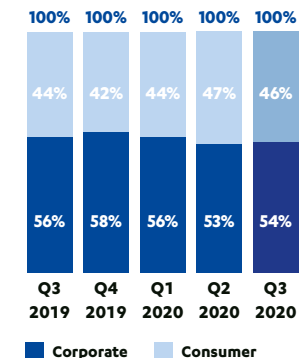
Operators

Revenue from the operator channel grew from the previous year's level. The growth arises from the sales of our conventional endpoint protection solution in addition to operator partners expanding to the other solutions of F-Secure's consumer product portfolio. Importantly, F-Secure was able to close new deals for F-Secure SENSE and F-Secure ID PROTECTION on top of the new contracts for F-Secure SAFE. The new solutions provide a growth opportunity in the long term even though the short term revenue impact is expected to be small. The COVID-19 pandemic has had only limited impact on operator sales.

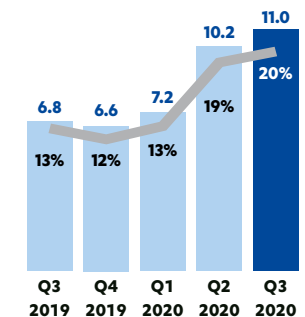
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Direct sales

Revenue from the direct sales to consumers grew from the previous year's level which was driven by the positive performance with our bundled solution, F-Secure TOTAL. The overall renewal performance continued at a good level. The direct ecommerce and retail sales activities of F-Secure ID Protection began in Q3. Retail sales had a good quarter despite the COVID-19 pandemic complemented by also growth in ecommerce.

Gross margin

Gross margin remained at previous year's level, and was EUR 42.7 million (41.2m). Relative gross margin was 78% of revenue (77%). Relative gross margin increased compared to the previous year as cyber security services' share of all revenue decreased.

Operating expenses

Operating expenses excluding depreciation and amortization decreased by EUR 2.8 million, and was 32.0 million (34.8m) especially due to lower sales and marketing activity driven by the COVID-19 pandemic. For instance, the marketing and R&D costs are expected to start increasing towards the end of the year in comparison with the Q2 and Q3 levels.

Depreciation and amortization decreased by EUR 0.2 million to 4.1 million (4.3m), where PPA amortization from acquisitions was EUR 0.7 million (0.9m).

Profitability

EBITDA was EUR 11.0 million and 20.2% of revenue (6.8m, 12.7%) and adjusted EBIT was EUR 7.7 million and 14.0% of revenue (3.4m, 6.3%). Profitability improved due to lower operating expenses and revenue growth from the consumer security.

EBIT was EUR 6.9 million and 12.7% of revenue (2.5m, 4.7%) including EUR 0.7 million of PPA amortization. EBITDA does not include any adjustments during third quarter.

Cash flow

Cash flow from operating activities before financial items and taxes improved significantly and was 7.9m (3.7m). Increase in operative cash flow was due to improved Group result. Cash flow from operations was EUR 6.8 million (2.3m).

January–September

Total revenue in January–September remained at the previous year's level, and was EUR 162.3 million (161.2 m). Corporate security represented 54% (56%) of all revenue and consumer security 46% (44%).

Corporate security

Revenue from corporate security remained at the previous year's level, and was EUR 88.1 million (89.8m). Corporate product revenue grew slightly excluding the effect from discontinued products whereas cyber security consulting decreased by 9%.

Consumer security

Revenue from consumer security increased by 4% to EUR 74.2 million (71.4m). Revenue from both operator channel and direct business grew.

Gross margin

Gross margin remained at the previous year's level, and was EUR 126.5 million (123.6m), or 78% of revenue (77%). Relative gross margin increased compared to the previous year as cyber security services' share of all revenue decreased.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment decreased by EUR 8.4 million to 99.6 million (108.0m) especially due to lower sales and marketing activity driven by the COVID-19 pandemic. For instance, the marketing and R&D costs are expected to start increasing towards the end of the year in comparison with the Q2 and Q3 levels.

Depreciation and amortization decreased by EUR 1.0 million and was EUR 12.3 million (13.3m). PPA amortization from acquisition of MWR InfoSecurity was EUR 2.4 million (3.2m). An impairment of goodwill EUR 6.0 million was booked during comparative period.

Profitability

Adjusted EBITDA was EUR 28.4 million and 17.5% of revenue (16.6m, 10.3%) and adjusted EBIT was EUR 18.6 million and 11.4% of revenue (6.5m, 4.0%). Profitability improved due to lower operating expenses and revenue growth from the consumer security.

EBITDA was EUR 28.8 million and 17.8% of revenue (25.7m, 16.0%). EBIT was EUR 16.5 million and 10.2% of revenue (6.4m, 4.0%) including EUR 2.4 million of PPA amortization.

Cash flow

Cash flow from operating activities before financial items and taxes improved significantly, and was EUR 28.9 million (10.3m). Group result excluding non-cash flow impacting items such as adjustments to PPA improved generating higher cash flow. Changes in net working capital increased cash flow by 7.1 million. Cash flow from operations was EUR 25.8 million (10.6m).

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Cash and financial assets at fair value through P&L				42.8	24.9	72%	25.5
Interest bearing liabilities, non-current				28.7	33.1	-13%	29.5
Interest bearing liabilities, current				20.5	12.0	71%	11.9
Capital expenditure	2.4	2.0	21%	12.2	9.4	29%	12.8
Capitalized development expenses	1.5	1.4	10%	4.5	4.7	-4%	6.2
ROI, %	24.2%	10.6%		20.3%	8.9%		7.8%
Equity ratio, %				49.2%	45.9%		49.0%
Gearing, %				8.4%	28.3%		20.8%

Financial position remained solid. At the end of Q3 the company had liquid assets of EUR 42.8 million (24.9m) and interest bearing bank debt of EUR 38.0 million (34.0m). The next bank loan repayment is due at the year-end (3.0m). F-Secure has EUR 23.0 million committed revolving credit facility (RCF) to decrease short-term liquidity risk. Revolving credit facility is presented in current interest bearing liabilities.

The interest bearing liabilities in the table contain IFRS 16 lease liabilities. Capital expenditure includes new and extended lease contracts in IFRS 16 right-of-use assets.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,693 employees, which shows a net decrease of 3 employees (0%) since the beginning of the year (1,696 on 31 December 2019), and an decrease of 34 employees (2%) compared with end of September in 2019 (1,727).

Leadership team

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

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

Edward Parsons was appointed as the new Executive Vice President of F-Secure Cyber Security Consulting on 30 September 2020. Ian Shaw (previously EVP, Cyber Security Consulting) will leave the company at the end of October.

SHARES, SHAREHOLDERS' EQUITY, OWN SHARES

The total number of company shares is currently 158,798,739. The company's registered shareholders' equity is EUR 1,551,311.18. The company held 635,760 of its own shares at the end of the quarter.

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

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

RISKS AND UNCERTAINTIES

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

COVID-19 pandemic

Cyber security consulting and the new sales of Managed Detection and Response (MDR) service are negatively affected by the COVID-19 pandemic. Further slowdown in the new sales of software products and Managed Detection and Response (MDR) service may occur if the situation prolongs.

Goodwill is tested for impairment annually and whenever there is indication that it might be impaired. The impacts of the pandemic on cyber security consulting can be seen as such indication, and an impairment testing of consulting goodwill was carried out during second quarter based on updated long-term forecasts approved by the Board of Directors. Testing resulted in no need for impairment, although sensitivity of the testing has decreased. Management continues to assess the need for updated testing regularly.

Under pandemic an increase in credit losses and delayed customer payments may occur. Until the end of third quarter no significant risks have realized, but as the impacts of the pandemic on customers may arise in longer term, management has reassessed the provision for expected credit losses under IFRS 9 and a slight increase has been booked during the first half to address increased risk.

Endpoint protection market disruption

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

Market consolidation

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

Risks relating to launch of new technologies

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

Attracting and retaining talent

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

Geopolitical risks

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

Currency fluctuations

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

MARKET OVERVIEW

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

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

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

F-SECURE PRODUCTS AND SERVICES

Corporate security

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

Detection & Response solutions (EDR & MDR)

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

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

Prevention solutions

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

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

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

F-Secure Cloud Protection for Microsoft Office 365 – Advanced protection for online exchange of content

Prediction solutions

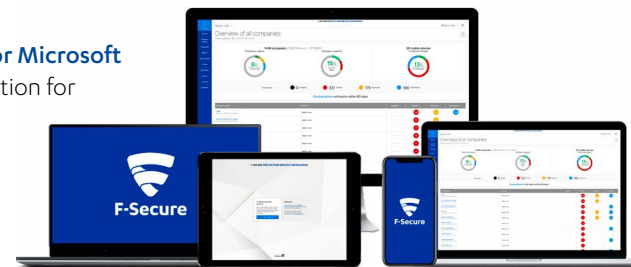
F-Secure Radar – Vulnerability scanning and management platform

phishd – Anti-phishing behavior management platform

Cyber security services

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

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



Consumer security

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

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

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

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

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

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



EVENTS AFTER PERIOD-END

Samu Konttinen resigned to pursue a leadership opportunity outside the company. Juhani Hintikka was appointed President and CEO of F-Secure Corporation, effective 1 November, 2020. Further information on the appointment can be found in F-Secure's stock exchange release from 8 October 2020.

F-Secure issued financial outlook for 2020 on 15 October 2020. Further information can be found from this interim report in the Outlook section.

ADDITIONAL INFORMATION

Financial calendar

During the year 2021, F-Secure Corporation will publish financial information as follows:

- Financial Statement Release 2020 and Annual Report 2020, February 10, 2021
- Interim report January–March 2021, April 29, 2021
- Half year financial report January–June 2021, July 15, 2021
- Interim report January–September 2021, October 21, 2021

The Annual General Meeting is scheduled for Wednesday, March 24, 2021 at 14:00 EET. The Board of Directors will convene the meeting.

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KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Revenue	54.5	53.8	162.3	161.2	217.3
Consumer security	25.0	23.4	74.2	71.4	94.8
Corporate security	29.5	30.3	88.1	89.8	122.5
Products	18.5	18.4	55.5	54.2	72.5
Consulting	10.9	11.9	32.6	35.6	50.0
Gross margin	42.7	41.2	126.5	123.6	166.8
Gross margin, % of revenue	78.3%	76.6%	77.9%	76.6%	76.7%
Operating expenses	-36.1	-39.1	-111.6	-127.4	-173.7
Operating expenses for adjusted EBITDA	-32.0	-34.8	-99.6	-108.0	-145.1
Adjustment to other income				9.1	12.5
Adjusted EBITDA	11.0	6.8	28.4	16.6	23.2
Adjusted EBITDA, % of revenue	20.2%	12.7%	17.5%	10.3%	10.7%
EBITDA	11.0	6.8	28.8	25.7	31.1
EBITDA, % of revenue	20.2%	12.7%	17.8%	16.0%	14.3%
Adjusted EBIT	7.7	3.4	18.6	6.5	9.6
Adjusted EBIT, % of revenue	14.0%	6.3%	11.4%	4.0%	4.4%
EBIT	6.9	2.5	16.5	6.4	7.2
EBIT, % of revenue	12.7%	4.7%	10.2%	4.0%	3.3%
ROI, %	24.2%	10.6%	20.3%	8.9%	7.8%
ROE, %	27.3%	4.8%	17.8%	5.6%	4.7%
CAPITAL STRUCTURE					
Equity ratio, %			49.2%	45.9%	49.0%
Gearing, %			8.4%	28.3%	20.8%
Interest bearing liabilities			49.2	45.0	41.3
Cash and financial assets at FVTPL			42.8	24.9	25.5
SHARE RELATED					
Earnings per share, basic and diluted	0.03	0.01	0.06	0.02	0.02
Shareholders' equity per share, EUR			0.48	0.45	0.48
OTHER					
Capitalized expenditure, MEUR excl. acquisition	2.4	2.0	12.2	9.4	12.8
Capitalized development expenses, MEUR	1.5	1.4	4.5	4.7	6.2
Depreciation and amortization excl. PPA amortization, MEUR	-3.3	-3.5	-9.9	-10.1	-13.6
Depreciation and amortization	-4.1	-4.3	-12.3	-19.3	-24.0
Personnel, average	1,702	1,729	1,693	1,697	1,701
Personnel, period end			1,693	1,727	1,696

The Interim Report has been prepared in accordance with IAS 34 standard Interim Financial Reporting. COVID-19 impacts on accounting principles of this interim report are limited, and have been presented in the table section within relevant items. Otherwise, the accounting principles are the same as in the annual report 2019.

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

INCOME STATEMENT

	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019
Revenue	54.5	53.8	1%	162.3	161.2	1%	217.3
Cost of revenue	-11.8	-12.6	-6%	-35.8	-37.7	-5%	-50.5
Gross margin	42.7	41.2	4%	126.5	123.6	2%	166.8
Other operating income ¹⁾	0.4	0.4	-12%	1.7	10.2	-84%	14.0
Sales and marketing	-22.5	-25.0	-10%	-69.4	-78.8	-12%	-106.0
Research and development	-9.6	-9.7	-1%	-30.2	-29.3	3%	-39.5
Administration ²⁾	-4.1	-4.4	-7%	-11.9	-19.3	-38%	-28.1
EBIT	6.9	2.5	173%	16.5	6.4	158%	7.2
Financial net	-0.6	-1.1	-46%	-2.7	-2.6	4%	-2.9
Result before taxes	6.3	1.4	355%	13.9	3.8	261%	4.2
Income taxes	-1.3	-0.5	134%	-3.7	-1.0	275%	-0.9
Result for the period total	5.0	0.8	496%	10.2	2.9	256%	3.4
Other comprehensive income							
Exchange differences on translating foreign operations	-0.5	0.3		-10.7	1.0		5.1
Total comprehensive income (parent company owners)	4.6	1.0	343%	-0.4	3.8	-112%	8.5
Earnings per share							
Earnings per share, basic and diluted, EUR	0.03	0.01	494%	0.06	0.02	255%	0.02

¹⁾ Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 12.5m during 2019 (Q2: EUR 9.1m, Q4: EUR 3.4m).

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

BALANCE SHEET

Assets	30 Sep 2020	30 Sep 2019	31 Dec 2019
Tangible assets	15.9	16.2	15.6
Intangible assets	33.8	36.6	36.5
Goodwill ¹⁾	78.9	85.0	88.4
Deferred tax assets	3.1	4.0	3.1
Other receivables	0.6	0.5	0.6
Total non-current assets	132.4	142.4	144.2
Inventories	0.1	0.3	0.1
Accrued income	4.2	3.5	3.5
Trade and other receivables ²⁾	44.8	52.0	53.9
Income tax receivables	3.5	2.8	2.3
Financial asset at fair value through profit and loss	0.1	0.1	0.1
Cash and bank accounts	42.7	24.8	25.4
Total current assets	95.3	83.5	85.2
Total assets	227.7	225.9	229.4
Shareholders' equity and liabilities	30 Sep 2020	30 Sep 2019	31 Dec 2019
Equity	76.6	71.4	76.2
Interest bearing liabilities, non-current	28.7	33.1	29.5
Deferred tax liability	2.9	3.9	2.5
Deferred revenue, non-current	20.3	17.6	17.6
Other non-current liabilities	1.7	1.6	1.9
Obligatory provisions			3.0
Total non-current liabilities	53.6	56.1	54.4
Interest bearing liabilities, current	20.5	12.0	11.9
Trade and other payables	21.5	31.6	29.0
Income tax liabilities	3.8	2.2	1.5
Deferred revenue, current	51.7	52.6	56.4
Total current liabilities	97.5	98.5	98.8
Total liabilities and equity	227.7	225.9	229.4

¹⁾ Due to COVID-19 impact on cyber security consulting business, an impairment testing of consulting goodwill was carried out during second quarter. Testing resulted in no need for impairment.

²⁾ Management has assessed potential impact on trade receivables under pandemic situation and adjusted IFRS 9 bad debt provision during first half.

CASH FLOW STATEMENT

	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Cash flow from operations					
Result for the financial year	5.0	0.8	10.2	2.9	3.4
Adjustments	7.3	7.3	20.4	16.3	22.2
Cash flow from operations before change in working capital	12.3	8.2	30.6	19.1	25.6
Change in net working capital	-4.4	-4.5	-1.7	-8.8	-6.6
Cash flow from operating activities before financial items and taxes	7.9	3.7	28.9	10.3	19.0
Net financial items and taxes	-1.1	-1.4	-3.1	0.3	-0.5
Cash flows from operating activities	6.8	2.3	25.8	10.6	18.5
Cash flow from investments					
Net investments in tangible and intangible assets	-1.1	-1.5	-6.0	-6.2	-8.5
Acquisition of subsidiaries, net of cash acquired ¹⁾			-3.7		
Cash flow from investments	-1.1	-1.5	-9.7	-6.2	-8.5
Cash flow from financing activities					
Change of interest bearing liabilities	-2.2	-1.6	1.7	-7.8	-12.5
Own shares				0.1	
Cash flow from financing activities	-2.2	-1.6	1.7	-7.7	-12.5
Change in cash	3.5	-0.8	17.9	-3.3	-2.5
Cash and bank at the beginning of the period	39.7	25.5	25.4	27.8	27.8
Effect of exchange rate changes on cash	-0.5	0.2	-0.6	0.2	0.1
Cash and bank at period end	42.7	24.8	42.7	24.8	25.4

¹⁾ Payout of MWR InfoSecurity earnout in Q1/20 is presented in cash flow from investments.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2018	1.6	0.2	6.1	-2.8	63.1	-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	-0.8	71.4
	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2019	1.6	0.2	6.2	-2.1	67.1	3.2	76.1
Total comprehensive income for the year					10.2	-10.7	-0.4
Cost of share based payments			0.4	0.8	-0.4		0.9
Equity 30 Sep 2020	1.6	0.2	6.6	-1.4	77.0	-7.4	76.6

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates			End rates		
	1-9/2020	1-9/2019	1-12/2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
USD	1.1246	1.1281	1.1195	1.1708	1.0889	1.1234
GBP	0.8790	0.8839	0.8759	0.9124	0.8857	0.8508
JPY	120.79	123.19	121.96	123.76	117.59	121.59

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-9/2020	1-12/2019
USD	-0.3/+0.4	+/-0.3
GBP	+/-0.4	+/-0.1
JPY	-0.0/+0.1	+/-0.1

2 SEGMENT INFORMATION

The Group has only one segment (security).

	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Revenue	54.5	53.8	162.3	161.2	217.3
Cost of revenue	-11.8	-12.6	-35.8	-37.7	-50.5
Gross margin	42.7	41.2	126.5	123.6	166.8
Other operating income	0.4	0.4	1.7	10.2	14.0
Sales and marketing	-22.5	-25.0	-69.4	-78.8	-106.0
Research and development	-9.6	-9.7	-30.1	-29.3	-39.5
Administration	-4.1	-4.4	-11.9	-19.3	-28.1
EBIT	6.9	2.5	16.5	6.4	7.2
Financial net	-0.6	-1.1	-2.7	-2.6	-2.9
Result before taxes	6.3	1.4	13.9	3.8	4.2

Disaggregation of revenue

By sales channels	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Consumer security	25.0	23.4	74.2	71.4	94.8
Corporate security	29.5	30.3	88.1	89.8	122.5
Products	18.5	18.4	55.5	54.2	72.5
Consulting	10.9	11.9	32.6	35.6	50.0
Total revenue	54.5	53.8	162.3	161.2	217.3

By geographical area	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Nordic countries	17.0	17.0	51.9	54.1	72.5
Europe excl. Nordics	25.3	24.5	73.1	71.7	96.2
North America	5.7	4.8	17.5	14.1	19.7
Rest of the world	6.5	7.5	19.8	21.3	28.9
Total revenue	54.5	53.8	162.3	161.2	217.3

3 INTANGIBLE AND TANGIBLE ASSETS

	30 Sep 2020	30 Sep 2019	31 Dec 2019
Book value at the beginning of the period	140.6	134.2	134.2
Right-of-use assets at the beginning of the period		12.8	12.8
Additions	12.2	9.4	12.8
Disposals	-0.2	-0.1	-0.2
Depreciation and amortization	-11.8	-13.3	-18.0
Impairment	-0.3	-6.0	-6.6
Translation differences	-11.8	0.7	5.4
Book value at the end of the period	128.7	137.8	140.6

Goodwill from MWR InfoSecurity acquisition was tested for impairment during 2019. As a result an impairment of EUR 6.0 million was booked. Impairment testing of consulting goodwill due to pandemic situation during Q2/2020 resulted in no need for impairment.

5 RECONCILIATION BETWEEN ADJUSTED EBITDA, EBITDA, ADJUSTED EBIT AND EBIT

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

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

	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Adjusted EBITDA	11.0	6.8	28.4	16.6	23.2
Adjustments to EBITDA					
Change in fair value of contingent consideration				9.1	12.5
Costs related to restructuring			0.4		-4.6
EBITDA	11.0	6.8	28.8	25.7	31.1
Depreciation, amortization and impairment losses	-4.1	-4.3	-12.3	-19.3	-24.0
EBIT	6.9	2.5	16.5	6.4	7.2
	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Adjusted EBIT	7.7	3.4	18.6	6.5	9.6
Adjustments to EBIT					
Change in fair value of contingent consideration				9.1	12.5
PPA amortization	-0.7	-0.9	-2.4	-3.2	-4.1
Impairment of goodwill				-6.0	-6.3
Costs related to restructuring			0.4		-4.6
EBIT	6.9	2.5	16.5	6.4	7.2

Classification of adjusted costs in operating expenses

	Operating Expenses 7–9/2020	Items affecting comparability	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 7–9/2020
Sales and marketing	-22.5		-22.5	1.6		-20.9
Research and development	-9.6		-9.6	1.6		-8.0
Administration	-4.1		-4.1	0.2	0.7	-3.1
Operating expenses	-36.1		-36.1	3.3	0.7	-32.0
	Operating Expenses 1–9/2020	Costs relating to restructuring	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–9/2020
Sales and marketing	-69.4		-69.4	4.7		-64.7
Research and development	-30.1		-30.1	4.6		-25.5
Administration	-11.9	-0.4	-12.3	0.6	2.4	-9.3
Operating expenses	-111.5	-0.4	-111.9	9.9	2.4	-99.6

6 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY

	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019
Revenue	54.5	53.0	54.8	56.1	53.8
Cost of revenue	-11.8	-11.6	-12.4	-12.9	-12.6
Gross margin	42.7	41.4	42.4	43.2	41.2
Other operating income	0.4	0.8	0.5	3.9	0.4
Sales and marketing	-22.5	-21.7	-25.3	-27.2	-25.0
Research and development	-9.6	-10.2	-10.3	-10.3	-9.7
Administration	-4.1	-4.2	-3.7	-8.9	-4.4
EBIT	6.9	6.0	3.6	0.8	2.5
Financial net	-0.6	-0.7	-1.3	-0.3	-1.1
Result before taxes	6.3	5.3	2.3	0.4	1.4
Income taxes	-1.3	-2.2	-0.2	0.1	-0.5
Result for the period total	5.0	3.1	2.1	0.5	0.8

EARNINGS PER SHARE QUARTERLY

	7-9/2020	4-6/2020	1-3/2020	10-12/2019	7-9/2019
Earnings per share, basic and diluted, EUR	0.03	0.02	0.01	0.00	0.01

KEY FIGURES

Gross margin, % of revenue	78.3%	78.2%	77.3%	77.0%	76.6%
Adjusted EBITDA	11.0	10.2	7.2	6.6	6.8
Adjusted EBITDA, % of revenue	20.2%	19.3%	13.2%	11.8%	12.7%
Adjusted EBIT	7.7	6.9	4.0	3.1	3.4
Adjusted EBIT, % of revenue	14.0%	12.9%	7.4%	5.6%	6.3%
ROI, %	24.2%	22.5%	15.9%	4.3%	10.6%
ROE, %	27.3%	17.5%	11.4%	2.7%	4.8%
Equity ratio, % (YTD)	49.2%	46.3%	49.2%	49.0%	45.9%
Gearing, % (YTD)	8.4%	14.3%	19.5%	20.8%	28.3%
Interest bearing liabilities	49.2	50.0	39.9	41.3	45.0
Cash and financial assets at FVTPL	42.8	39.8	26.3	25.5	24.9
Capitalized expenditure, MEUR excl. acquisition	2.4	7.1	2.7	3.3	2.0
Capitalized development expenses, MEUR	1.5	1.5	1.6	1.5	1.4
Depreciation and amortization excl. PPA amortization, MEUR	-3.3	-3.3	-3.2	-3.2	-3.5
Depreciation and amortization, MEUR	-4.1	-4.2	-4.1	-4.7	-4.3
Personnel, period end	1,693	1,713	1,688	1,696	1,727

CALCULATION OF KEY FIGURES

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

CYBER SECURITY LIVES HERE

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