

**FINANCIAL STATEMENT RELEASE
1 JANUARY – 31 DECEMBER 2020**

A SOLID END TO AN UNUSUAL YEAR



HIGHLIGHTS OF OCTOBER–DECEMBER (Q4)

- Revenue increased by 3% to EUR 57.9 million (56.1m)
- Revenue from corporate security remained at previous year's level, and was EUR 32.0 million (32.7m)
- Revenue from consumer security increased by 11% to EUR 25.9 million (23.4m)
- Adjusted EBITDA was EUR 7.3 million (6.6m), 12.6% of revenue (11.8%)
- EBIT was EUR 3.1 million (0.8m), 5.4% of revenue (1.3%)
- Earnings per share (EPS) was EUR 0.02 (EUR 0.00)
- Cash flow from operating activities before financial items and taxes was EUR 19.4 million (8.7m)

CONTENTS

- 02 Highlights
- 03 Outlook
- 04 CEO Juhani Hintikka
- 05 Financial performance
- 13 F-Secure products and services
- 15 Key ratios and other key figures
- 16 Tables

HIGHLIGHTS OF JANUARY–DECEMBER

- Revenue remained at previous year's level, and was EUR 220.2 million (217.3m)
- Revenue from corporate security remained at previous year's level, and was EUR 120.1 million (122.5m)
- Revenue from consumer security increased by 6% to EUR 100.1 million (94.8m)
- Adjusted EBITDA improved significantly and was EUR 35.7 million (23.2m), 16.2% of revenue (10.7%)
- EBIT was 19.7 million (7.2m), 8.9% of revenue (3.3%)
- Earnings per share (EPS) was EUR 0.08 (EUR 0.02)
- Cash flow from operating activities before financial items and taxes was EUR 48.3 million (19.0m)

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

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

OUTLOOK

F-Secure's financial outlook for 2021 is:

- Revenue from corporate security products is expected to grow at a high single-digit rate.
- Revenue from cyber security consulting is expected to grow but uncertainty remains due to the COVID-19 pandemic.
- Revenue from consumer security is expected to grow approximately at the same rate as in 2020.
- Adjusted EBITDA is expected to remain approximately at the previous year's level (EUR 35.7 million).

The COVID-19 pandemic continues to impact the predictability of cyber security consulting and can also impact the new sales of software solutions. The related risks are described in this Financial Statement Release 2020.



**“ORDERS
INCREASED
CLEARLY IN
OUR PRODUCT
BUSINESSES.”**

CEO JUHANI HINTIKKA

The year ended positively as orders increased clearly in our product businesses and we saw improvement in the consulting business. In Q4, F-Secure's revenue grew by 3% driven by strong performance in consumer security. The business activity levels started to normalize to pre-COVID-19 levels, resulting in increasing costs and consequently an adjusted EBITDA margin of 13%.

During Q4 the revenue growth of Managed Detection and Response continued. The order intake was at the highest level of 2020 as we won multiple new customers and the renewal performance was good. These new deals were won in demanding customer

verticals, such as technical trade, critical infrastructure and finance. I was pleased to witness the strong performance in MDR despite the ongoing pandemic still impacting the length of sales cycles.

The new sales performance especially in our cloud-based endpoint protection (EPP) products was strong in Q4. Importantly, the increase in orders was faster than for years, and it clearly outpaced revenue growth, which speaks for the potential in this field of business. However, over the previous quarters we have seen a rise in contract duration, meaning that the revenue impact of new orders is spread over a longer time period.

The revenue from cyber security consulting decreased from the previous year's level, as business still experienced the effects from the COVID-19 pandemic in the past quarter. Compared to previous quarters, recent developments have been positive due to organizations adjusting to remote deliveries and experiencing a constant need for advanced cyber security. This need has been

apparent in recent occurrences, that have resulted in several Incident Response assignments to F-Secure. Overall, the short term predictability has improved gradually, but it is still subject to the volatility in the operating environment caused by the pandemic.

Consumer security grew from the previous year, and was driven by the sales of our core products: F-Secure SAFE in the operator channel and F-Secure TOTAL in the direct channel. The particularly high revenue growth of 11% stemmed from new subscriptions and a solid renewal performance, and the positive impact related to one-off items. In Q4, the positive traction around F-Secure ID PROTECTION continued as we signed four new deals with operator partners in Asia and Europe.

Over the past year, the COVID-19 pandemic has substantially impacted individuals and organizations alike. F-Secure has been focusing on the safety and well-being of our employees, while simultaneously transitioning to remote ways of working. Despite the transformed work environment, our cyber security operations carry on unaffected, ensuring the protection of our customers. F-Secure's software businesses for both consumers and corporate customers proved their resilience in 2020, while consulting has been negatively influenced by the pandemic.

F-Secure is starting 2021 as a strong cyber security company with good momentum among channel and operator partners in software products. Furthermore, we have a strong foothold in the fast growing MDR market and in the recovering cyber security consulting. Thanks to our significantly improved profitability, the Board of Directors is proposing a dividend of EUR 0.04 per share.

CEO Juhani Hintikka

FINANCIAL PERFORMANCE

EUR m	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Revenue	57.9	56.1	3%	220.2	217.3	1%
Consumer security	25.9	23.4	11%	100.1	94.8	6%
Corporate security	32.0	32.7	-2%	120.1	122.5	-2%
Products	18.7	18.3	2%	74.3	72.5	2%
Consulting	13.3	14.4	-8%	45.8	50.0	-8%
Cost of revenue	-12.2	-12.9	-5%	-48.0	-50.5	-5%
Gross Margin	45.7	43.2	6%	172.2	166.8	3%
Other operating income ¹⁾	0.4	0.4	0%	2.1	1.5	36%
Operating expenses ¹⁾	-38.9	-37.0	5%	-138.5	-145.1	-5%
Sales & Marketing	-24.7	-25.5	-3%	-89.4	-99.4	-10%
Research & Development	-10.4	-8.7	19%	-35.9	-33.2	8%
Administration	-3.8	-2.9	32%	-13.2	-12.4	6%
Adjusted EBITDA ²⁾	7.3	6.6	11%	35.7	23.2	54%
of revenue, %	12.6%	11.8%		16.2%	10.7%	
Adjustment to operating income		3.4			12.5	
Restructuring	-0.4	-4.6		0.0	-4.6	
EBITDA	6.9	5.4	29%	35.7	31.1	15%
of revenue, %	11.8%	9.7%		16.2%	14.3%	
Depreciation & amortization	-3.0	-3.5	-14%	-12.6	-13.6	-8%
Impairment		-0.3		-0.3	-6.3	-95%
PPA amortization	-0.7	-0.9	-18%	-3.2	-4.1	-23%
EBIT	3.1	0.8	291%	19.7	7.2	172%
of revenue, %	5.4%	1.3%		8.9%	3.3%	
Adjusted EBIT ²⁾	4.3	3.1	38%	22.9	9.6	137%
of revenue, %	7.4%	5.6%		10.4%	4.4%	
Earnings per share, (EUR) ³⁾	0.02	0.00	434%	0.08	0.02	282%
Deferred revenue				81.0	73.9	10%
Cash flow from operations before financial items and taxes	19.4	8.7	124%	48.3	19.0	154%
Cash and financial assets at fair value through P&L				51.4	25.5	102%
ROI, %	11.6%	4.3%	172%	18.5%	7.8%	137%
Equity ratio, %				52.5%	49.0%	7%
Gearing, %				-14.1%	20.8%	-168%
Personnel, end of period				1,678	1,696	-1%

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 158,082,324 (1–12/2020).

Fourth quarter (Q4)

Total revenue in October–December increased by 3% to EUR 57.9 million (56.1 m). The share of corporate security of total revenue was 55% (58%).

Corporate security

Revenue from corporate security remained at previous year's level, and was EUR 32.0 million (32.7m).

Products

Revenue from corporate security products remained at the previous year's level, and was EUR 18.7 million (18.3m).

Revenue from Endpoint Protection (EPP) solutions increased from the previous year's level. Recently there has been good traction, especially among the focus channel partners, which becomes visible in the order intake growth across our main markets in Europe and Japan. The renewal performance with the existing EPP installations remained on a good level. The increasing demand for the holistic endpoint security suite continued with especially EDR (Endpoint Detection and Response) orders growing. Also, the adjacent Cloud Protection products had a solid quarter while traditional EPP accounts for the majority of the business.

Revenue from Managed Detection and Response (MDR) solutions (F-Secure Countercept) increased compared to the previous year's level although it was negatively impacted by the COVID-19 extended sales cycles. Several new multi-year F-Secure Countercept deals were closed in countries, such as the UK, Germany and South Africa. Renewal performance was good in Q4. The quarterly deal volumes and sizes are anticipated to fluctuate also in the coming quarters.

Cyber security consulting

Revenue from cyber security consulting decreased by 8% to EUR 13.3 million (14.4m).

The past quarter was the best since the COVID-19 outbreak despite some of the lockdown measures tightening in numerous locations. During Q4 substantial regional differences continued. F-Secure Consulting performed well in our largest markets, the UK and Nordics. In the Nordic region, 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 previous quarters, although the business is expected to be negatively affected if the pandemic extends.

Consumer security

Revenue from consumer security increased by 11% to EUR 25.9 million (23.4m). Revenue from both operator and direct sales channels grew. The reported revenue growth includes a positive impact related to one-off items.

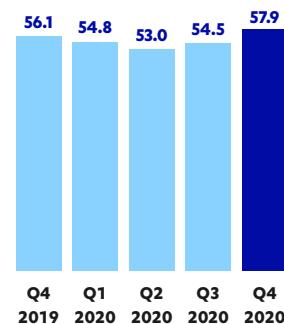
Operators

The operator channel revenue grew from the previous year's level which stems from the sales of our core endpoint protection solutions in addition to operator partners expanding to F-Secure's new consumer products. The close cooperation with global operator partner network and boost in digitalization since the pandemic outbreak have generated an increase in product activation and usage rates. The negative impact from COVID-19 pandemic is mainly related to the extending of F-Secure SENSE and ID PROTECTION sales cycles and launch timelines.

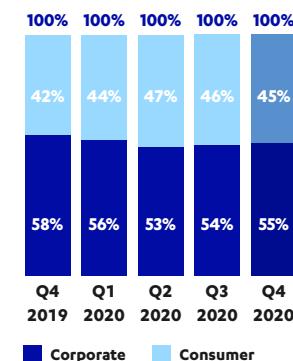
Direct sales

Revenue from the direct sales to consumers grew from the previous year's level, driven by the positive performance of our bundled solution, F-Secure TOTAL. The overall renewal performance continued on a good level. Sales in both ecommerce and retail channel grew during the last quarter of 2020.

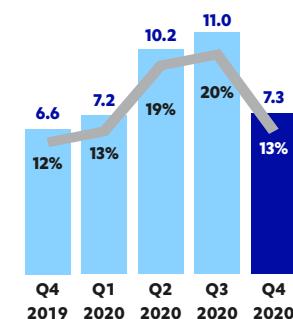
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Gross margin

Gross margin improved from the previous year's level, and was EUR 45.7 million (43.2m). Relative gross margin was 79% of revenue (77%). Relative gross margin increased compared to the previous year as consulting's share of all revenue decreased.

Operating expenses

Operating expenses excluding depreciation and amortization and IAC items increased by EUR 1.9 million, and was 38.9 million (37.0m). Sales and marketing activities were lower compared to previous year due to the pandemic while R&D cost increased.

Depreciation and amortization decreased by EUR 1.0 million to 3.7 million (4.7m), where PPA amortization from acquisitions was EUR 0.7 million (0.9m). Depreciation and amortization excluding PPA amortization and impairment decreased by EUR 0.5 million.

Profitability

Adjusted EBITDA was EUR 7.3 million and 12.6% of revenue (6.6m, 11.8%) and adjusted EBIT was EUR 4.3 million and 7.4% of revenue (3.1m, 5.6%). Profitability improved due to revenue growth in consumer security.

EBITDA was EUR 6.9 million and 11.8% of revenue (5.4m, 9.7%). EBIT was EUR 3.1 million and 5.4% of revenue (0.8m, 1.3%) including EUR 0.7 million of PPA amortization.

Cash flow

Cash flow from operating activities before financial items and taxes improved significantly and was 19.4m (8.7m). High operative cash flow was driven by change in net working capital. High order intake with large upfront payments increased deferred revenue and other net working capital items related to sales in final quarter. Cash flow from operations was EUR 20.8 million (7.9m). Cash flow related to taxes was positive due to parent company's tax refund from 2019.

January–December

Total revenue in January–December remained at the previous year's level, and was EUR 220.2 million (217.3 m). Corporate security represented 55% (56%) of all revenue and consumer security 45% (44%).

Corporate security

Revenue from corporate security remained at the previous year's level, and was EUR 120.1 million (122.5m). Corporate security product revenue grew excluding the effect from discontinued products whereas cyber security consulting decreased by 8%.

Consumer security

Revenue from consumer security increased by 6% to EUR 100.1 million (94.8m). Revenue from both operator channel and direct business grew. The reported revenue growth contains a slight positive impact related to one-off items.

Gross margin

Gross margin increased by 3% to EUR 172.2 million (166.8m), or 78% of revenue (77%). Relative gross margin increased compared to the previous year as cyber security consulting's share of all revenue decreased.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment and IAC items decreased by EUR 6.6 million to EUR 138.5 million (145.1m) especially due to lower sales and marketing activity driven by the COVID-19 pandemic.

Depreciation and amortization decreased by EUR 8.0 million and was EUR 16.0 million (24.0m). PPA amortization from acquisitions was EUR 3.2 million (4.1m). Impairment of goodwill EUR 6.0 million was booked during comparative period.

Profitability

Adjusted EBITDA was EUR 35.7 million and 16.2% of revenue (23.2m, 10.7%) and adjusted EBIT was EUR 22.9 million and 10.4% of revenue (9.6m, 4.4%). Profitability improved due to lower operating expenses and revenue growth from the consumer security.

EBITDA was EUR 35.7 million and 16.2% of revenue (31.1m, 14.3%). EBIT was EUR 19.7 million and 8.9% of revenue (7.2m, 3.3%) including EUR 3.2 million of PPA amortization.

Cash flow

Cash flow from operating activities before financial items and taxes improved significantly, and was EUR 48.3 million (19.0m). Group result excluding non-cash flow impacting items such as adjustments to PPA improved from the previous year generating higher cash flow. During last quarter high order intake with upfront payments resulted in improved net working capital. In total, changes in net working capital increased cash flow by 17.4 million. Cash flow from operations was EUR 46.7 million (18.5m).

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Cash and financial assets at fair value through P&L				51.4	25.5	102%
Bank loans, non-current				19.0	25.0	-24%
Lease liabilities, non-current				4.9	4.5	11%
Bank loans, current				11.0	6.0	83%
Lease liabilities, current				4.9	5.9	-16%
Capital expenditure	2.1	3.3	-37%	14.3	12.8	12%
Capitalized development expenses	1.3	1.5	-16%	5.5	6.2	-12%
ROI, %	11.6%	4.3%		18.5%	7.8%	
Equity ratio, %				52.5%	49.0%	
Gearing, %				-14.1%	20.8%	

Financial position remained solid. At the end of Q4 the company had liquid assets of EUR 51.4 million (25.5m) and interest bearing bank debt of EUR 30.0 million (31.0m). Gearing was negative -14.1% due to strong liquidity generated by strong operative cash flow.

The next term loan repayment is due at the end of Q2/2021 (3.0m). F-Secure has EUR 23.0 million committed revolving credit facility (RCF) to decrease short-term liquidity risk. Withdrawal of EUR 10 million was made from RCF in second quarter to address any unexpected liquidity issues due to COVID-19. In October, EUR 5.0 million repayment to RCF was made due to strong cash position. Remaining revolving credit facility, EUR 5.0 million, is presented in current interest bearing liabilities.

Capital expenditure in the table 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 1,678 employees, which shows a net decrease of 18 employees (-1%) since the beginning of the year (1,696 on 31 December 2019).

Leadership team

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

Juhani Hintikka (CEO & President), Eriikka Söderström (CFO), Jyrki Tulokas (Security Research & Technologies), 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) and Eva Tuominen (People Operations & Culture).

Juhani Hintikka was appointed President and CEO of F-Secure Corporation, effective 1 November, 2020.

In February 2021, Ari Vänttinen started as Chief Marketing Officer. Consequently, Antti Hovila is now Executive Vice President, Strategy & Portfolio.

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 607,108 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.

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) solutions 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 additional impairment testing of consulting goodwill was carried out during the second quarter based on updated long-term forecasts. Yearly impairment tests of Consulting and MDR goodwill were carried out at the end of the year. None of them resulted in impairment, although long-term forecasts include higher level of uncertainty due to prolonged pandemic. Management continues to assess the need for updated testing regularly.

Under the pandemic an increase in credit losses and delayed customer payments may occur. During the financial year significant risks have not 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 financial year to address increased risk.

Cyber security incident

Cyber security attacks threaten the confidentiality, integrity and availability of F-Secure's products, services and enterprise. F-Secure builds cyber resilience by continually improving its capability to identify, protect, detect and respond to relevant threats.

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. Changes in regulations or their application, applicable to current or new technologies or services, may adversely affect F-Secure's business operations.

MARKET OVERVIEW

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.

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.

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 software 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 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 – A software-based solution integrated in operators' broadband routers to secure all devices and the entire connected home against online threats.

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

EVENTS AFTER PERIOD-END

Dividend proposal

The company's dividend policy is to pay approximately half of its profits as dividends. On December 31, 2020, F-Secure Oyj's distributable funds totaled EUR 74.6 million of which net profit for the period was EUR 14.8 million. No material changes have taken place in the company's financial position after the balance sheet date.

F-Secure's Board of Directors proposes that a dividend of EUR 0.04 per share which totals EUR 6.4 million in dividends, be paid on the basis of the balance sheet to be adopted for the financial year that ended December 31, 2020. The dividend shall be paid to shareholders who are registered in the company's shareholder register maintained by Euroclear Finland Oy on the record date for the dividend payment, March 26, 2021. The Board of Directors proposes that the dividend will be paid on Thursday, 8 April 2021.

ADDITIONAL INFORMATION

Financial calendar

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

- 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. The Annual Report for 2020 will be published on the Company's website on 10 February 2021. More information is available at <https://www.f-secure.com/en/investors/governance?a=annual-general-meeting>.

Contact information



Eriikka Söderström, CFO, F-Secure



Henri Kiili, Investor Relations and Corporate Finance Director, F-Secure

+358 40 8405450

investor-relations@f-secure.com

KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Revenue	57.9	56.1	220.2	217.3
Consumer security	25.9	23.4	100.1	94.8
Corporate security	32.0	32.7	120.1	122.5
Products	18.7	18.3	74.3	72.5
Consulting	13.3	14.4	45.8	50.0
Gross margin	45.7	43.2	172.2	166.8
Gross margin, % of revenue	79.0%	77.0%	78.2%	76.7%
Operating expenses	-43.0	-46.3	-154.6	-173.7
Operating expenses for adjusted EBITDA	-38.9	-37.0	-138.5	-145.1
Adjustment to other income		3.4		12.5
Adjusted EBITDA	7.3	6.6	35.7	23.2
Adjusted EBITDA, % of revenue	12.6%	11.8%	16.2%	10.7%
EBITDA	6.9	5.4	35.7	31.1
EBITDA, % of revenue	11.8%	9.7%	16.2%	14.3%
Adjusted EBIT	4.3	3.1	22.9	9.6
Adjusted EBIT, % of revenue	7.4%	5.6%	10.4%	4.4%
EBIT	3.1	0.8	19.7	7.2
EBIT, % of revenue	5.4%	1.3%	8.9%	3.3%
ROI, %	11.6%	4.3%	18.5%	7.8%
ROE, %	13.4%	2.7%	16.2%	4.7%
CAPITAL STRUCTURE				
Equity ratio, %			52.5%	49.0%
Gearing, %			-14.1%	20.8%
Interest bearing liabilities			39.9	41.3
Cash and financial assets at FVTPL			51.4	25.5
SHARE RELATED				
Earnings per share, basic and diluted	0.02	0.00	0.08	0.02
Shareholders' equity per share, EUR			0.52	0.48
OTHER				
Capitalized expenditure, MEUR excl. acquisition	2.1	3.3	14.3	12.8
Capitalized development expenses, MEUR	1.3	1.5	5.5	6.2
Depreciation and amortization excl. PPA amortization, MEUR	-3.0	-3.5	-12.9	-13.6
Depreciation and amortization, MEUR	-3.7	-4.7	-16.0	-24.0
Personnel, average	1,685	1,714	1,691	1,701
Personnel, period end			1,678	1,696

The Financial statement 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 Financial statement is unaudited.

INCOME STATEMENT

	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Revenue	57.9	56.1	3%	220.2	217.3	1%
Cost of revenue	-12.2	-12.9	-5%	-48.0	-50.5	-5%
Gross margin	45.7	43.2	6%	172.2	166.8	3%
Other operating income ¹⁾	0.4	3.9	-89%	2.1	14.0	-85%
Sales and marketing	-26.2	-27.2	-4%	-95.6	-106.0	-10%
Research and development	-11.7	-10.3	13%	-41.9	-39.5	6%
Administration ²⁾	-5.2	-8.9	-41%	-17.1	-28.1	-39%
EBIT	3.1	0.8	317%	19.7	7.2	175%
Financial net	-0.6	-0.3	62%	-3.2	-2.9	11%
Result before taxes	2.6	0.4	539%	16.5	4.2	288%
Income taxes	0.1	0.1	-15%	-3.6	-0.9	306%
Result for the period total	2.7	0.5	435%	12.9	3.4	283%
Other comprehensive income						
Exchange differences on translating foreign operations	13.9	4.1		3.2	5.1	
Total comprehensive income (parent company owners)	16.5	4.7	253%	16.1	8.5	90%
Earnings per share	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Earnings per share, basic and diluted, EUR	0.02	0.00	434%	0.08	0.02	282%

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	31 Dec 2020	31 Dec 2019
Tangible assets	14.1	15.6
Intangible assets	34.0	36.5
Goodwill ¹⁾	81.9	88.4
Deferred tax assets	4.0	3.1
Other receivables	0.6	0.6
Total non-current assets	134.6	144.2
Inventories	0.1	0.1
Accrued income	3.4	3.5
Trade and other receivables ²⁾	47.5	53.9
Income tax receivables	0.9	2.3
Financial asset at fair value through profit and loss	0.1	0.1
Cash and bank accounts	51.4	25.4
Total current assets	103.2	85.2
Total assets	237.8	229.4
Shareholders' equity and liabilities		
Equity	31 Dec 2020	31 Dec 2019
Interest bearing liabilities, non-current	23.9	29.5
Deferred tax liability	1.3	2.5
Deferred revenue, non-current	23.8	17.6
Other non-current liabilities	1.5	1.9
Obligatory provisions	3.0	
Total non-current liabilities	50.6	54.4
Interest bearing liabilities, current	15.9	11.9
Trade and other payables	26.1	29.0
Income tax liabilities	5.7	1.5
Deferred revenue, current	57.2	56.4
Total current liabilities	104.9	98.8
Total liabilities and equity	237.8	229.4

¹⁾ Due to COVID-19 impact on cyber security consulting business, an additional impairment testing of consulting goodwill was carried out during second quarter. Yearly impairment testings of Consulting and MDR goodwill were carried out at the end of the year. Testings 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

	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Cash flow from operations				
Result for the financial year	2.7	0.5	12.9	3.4
Adjustments	4.3	5.9	24.7	22.2
Cash flow from operations before change in working capital	7.0	6.4	37.5	25.6
Change in net working capital	12.4	2.2	10.8	-6.6
Cash flow from operating activities before financial items and taxes	19.4	8.7	48.3	19.0
Net financial items and taxes	1.4	-0.8	-1.6	-0.5
Cash flows from operating activities	20.8	7.9	46.7	18.5
Cash flow from investments				
Net investments in tangible and intangible assets	-1.9	-2.3	-7.9	-8.5
Acquisition of subsidiaries, net of cash acquired ¹⁾			-3.7	
Cash flow from investments	-1.9	-2.3	-11.6	-8.5
Cash flow from financing activities				
Increase in interest-bearing liabilities			10.0	
Repayments of interest bearing liabilities	-8.0	-3.0	-11.0	-6.5
Repayments of lease liabilities	-1.9	-1.7	-7.3	-6.5
Own shares		-0.1		0.0
Cash flow from financing activities	-9.9	-4.8	-8.3	-12.5
Change in cash	9.0	0.8	26.9	-2.5
Cash and bank at the beginning of the period	42.7	24.8	25.4	27.8
Effect of exchange rate changes on cash	-0.3	-0.1	-0.9	0.1
Cash and bank at period end	51.4	25.4	51.4	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					3.4	5.1	8.5
Cost of share based payments			0.1	0.6	0.7		1.4
Equity 31 Dec 2019	1.6	0.2	6.2	-2.1	67.2	3.2	76.2
	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	67.2	3.2	76.2
Total comprehensive income for the year					12.9	-7.4	5.5
Cost of share based payments			0.3	0.9	-0.5		0.7
Equity 31 Dec 2020	1.6	0.2	6.5	-1.3	79.6	-4.1	82.3

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates		End rates	
	1–12/2020	1–12/2019	31 Dec 2020	31 Dec 2019
USD	1.1384	1.1195	1.2271	1.1234
GBP	0.8853	0.8759	0.8990	0.8508
JPY	121.51	121.96	126.49	121.59

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1–12/2020	1–12/2019
USD	-0.4/+0.5	+/-0.3
GBP	+/-0.1	+/-0.1
JPY	+/-0.1	+/-0.1

2 SEGMENT INFORMATION

The Group has only one segment (security).

	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Revenue	57.9	56.1	220.2	217.3
Cost of revenue	-12.2	-12.9	-48.0	-50.5
Gross margin	45.7	43.2	172.2	166.8
Other operating income	0.4	3.9	2.1	14.0
Sales and marketing	-26.2	-27.2	-95.6	-106.0
Research and development	-11.7	-10.3	-41.8	-39.5
Administration	-5.2	-8.9	-17.1	-28.1
EBIT	3.1	0.8	19.7	7.2
Financial net	-0.6	-0.3	-3.2	-2.9
Result before taxes	2.6	0.4	16.5	4.2

Disaggregation of revenue

By sales channels	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Consumer security	25.9	23.4	100.1	94.8
Corporate security	32.0	32.7	120.1	122.5
Products	18.7	18.3	74.3	72.5
Consulting	13.3	14.4	45.8	50.0
Total revenue	57.9	56.1	220.2	217.3
By geographical area	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Nordic countries	19.1	18.4	70.9	72.5
Europe excl. Nordics	25.8	24.5	98.9	96.2
North America	5.8	5.6	23.2	19.7
Rest of the world	7.3	7.6	27.1	28.9
Total revenue	57.9	56.1	220.2	217.3

3 INTANGIBLE AND TANGIBLE ASSETS

	31 Dec 2020	31 Dec 2019
Book value at the beginning of the period	140.6	134.2
Right-of-use assets at the beginning of the period	0.0	12.8
Additions	14.3	12.8
Disposals	−0.6	−0.2
Depreciation and amortization	−15.6	−18.0
Impairment	−0.3	−6.6
Translation differences	−8.3	5.4
Book value at the end of the period	130.0	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.

Due to Covid-19-impact on cyber security consulting business, an additional Impairment testing of consulting goodwill was carried out during Q2/2020. Yearly impairment testings of COnsulting and MDR goodwill were carried out at the end of the year. Testings resulted in no need for impairment.

4 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

	Carrying value			Fair value			
	Financial assets		Financial liabilities	Total	Hierarchy level		
	FVTPL	Amortised cost	Amortised cost		1	2	3
Cash and bank		51.4		51.4			
Financial assets at FVTPL	0.1			0.1		0.1	0.1
Bank loans		30.0		30.0		30.0	30.0
Trade payables		4.2		4.2		4.2	4.2
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	11.0	6.0	13.0			30.0	30.0
Lease liabilities	4.9	2.6	1.5	0.8	0.1	9.9	9.9
Total financial liabilities	15.9	8.6	14.5	0.8	0.1	39.9	39.9

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

During Q2 2020 the Group withdrew EUR 10 million from Revolving Credit Facility, RCF, (total commitment: EUR 23 million) to reduce potential short-term liquidity risk under pandemic. Revolving credit is presented as short term debt but the Group has right to roll forward the payment provided that loan covenants in the financing agreement are met. Repayment of EUR 5m was done for RCF in Q4 2020.

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.

	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Adjusted EBITDA	7.3	6.6	35.7	23.2
Adjustments to EBITDA				
Change in fair value of contingent consideration		3.4		12.5
Costs related to restructuring	-0.4	-4.6	0.0	-4.6
EBITDA	6.9	5.4	35.7	31.1
Depreciation, amortization and impairment losses	-3.7	-4.7	-16.0	-24.0
EBIT	3.1	0.8	19.7	7.2
Adjusted EBIT	4.3	3.1	22.9	9.6
Adjustments to EBIT				
Change in fair value of contingent consideration		3.4		12.5
PPA amortization	-0.7	-0.9	-3.2	-4.1
Impairment of goodwill		-0.3		-6.3
Costs related to restructuring	-0.4	-4.6	0.0	-4.6
EBIT	3.1	0.8	19.7	7.2

Classification of adjusted costs in operating expenses

	Operating Expenses 10-12/2020	Restructuring	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 10-12/2020
Sales and marketing	-26.2		-26.2	1.5		-24.7
Research and development	-11.7		-11.7	1.3		-10.4
Administration	-5.2	0.4	-4.8	0.2	0.7	-3.8
Operating expenses	-43.0	0.4	-42.6	3.0	0.7	-38.9
	Operating Expenses 1–12/2020	Restructuring	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–12/2020
Sales and marketing	-95.6		-95.6	6.2		-89.4
Research and development	-41.8		-41.8	5.9		-35.9
Administration	-17.1	0.0	-17.1	0.8	3.2	-13.2
Operating expenses	-154.5	0.0	-154.5	12.9	3.2	-138.5

6 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY	10–12/2020	7–9/2020	4–6/2020	1–3/2020	10–12/2019
Revenue	57.9	54.5	53.0	54.8	56.1
Cost of revenue	-12.2	-11.8	-11.6	-12.4	-12.9
Gross margin	45.7	42.7	41.4	42.4	43.2
Other operating income	0.4	0.4	0.8	0.5	3.9
Sales and marketing	-26.2	-22.5	-21.7	-25.3	-27.2
Research and development	-11.7	-9.6	-10.2	-10.3	-10.3
Administration	-5.2	-4.1	-4.2	-3.7	-8.9
EBIT	3.1	6.9	6.0	3.6	0.8
Financial net	-0.6	-0.6	-0.7	-1.3	-0.3
Result before taxes	2.6	6.3	5.3	2.3	0.4
Income taxes	0.1	-1.3	-2.2	-0.2	0.1
Result for the period total	2.7	5.0	3.1	2.1	0.5
EARNINGS PER SHARE QUARTERLY					
Earnings per share, basic and diluted, EUR	0.02	0.03	0.02	0.01	0.00
KEY FIGURES					
Gross margin, % of revenue	79.0%	78.3%	78.2%	77.3%	77.0%
Adjusted EBITDA	7.3	11.0	10.2	7.2	6.6
Adjusted EBITDA, % of revenue	12.6%	20.2%	19.3%	13.2%	11.8%
Adjusted EBIT	4.3	7.7	6.9	4.0	3.1
Adjusted EBIT, % of revenue	7.4%	14.0%	12.9%	7.4%	5.6%
ROI, %	11.6%	24.2%	22.5%	15.9%	4.3%
ROE, %	13.4%	27.3%	17.5%	11.4%	2.7%
Equity ratio, % (YTD)	52.5%	49.2%	46.3%	49.2%	49.0%
Gearing, % (YTD)	-14.1%	8.4%	14.3%	19.5%	20.8%
Interest bearing liabilities	39.9	49.2	50.0	39.9	41.3
Cash and financial assets at FVTPL	51.4	42.8	39.8	26.3	25.5
Capitalized expenditure, MEUR excl. acquisition	2.1	2.4	7.1	2.7	3.3
Capitalized development expenses, MEUR	1.3	1.3	1.3	1.6	1.5
Depreciation and amortization excl. PPA amortization, MEUR	-3.0	-3.3	-3.3	-3.2	-3.2
Depreciation and amortization, MEUR	-3.7	-4.1	-4.2	-4.1	-4.7
Personnel, period end	1,678	1,693	1,713	1,688	1,696

CALCULATION OF KEY FIGURES

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

CYBER SECURITY LIVES HERE

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