

**HALF YEAR REPORT
1 JANUARY – 30 JUNE 2021**

**GROWTH ACROSS ALL BUSINESSES –
REVENUE UP BY 10% IN Q2**



HIGHLIGHTS OF APRIL–JUNE (Q2)


- Revenue increased by 10% to EUR 58.2 million (53.0m)
- Revenue from corporate security products increased by 9% to EUR 20.2 million (18.5m)
- Revenue from cyber security consulting increased by 19% to EUR 11.6 million (9.7m)
- Revenue from consumer security increased by 6% to EUR 26.3 million (24.8m)
- Adjusted EBITDA was EUR 8.1 million (10.2m), 14% of revenue (19%)
- A strategic review resulted in items affecting comparability (IAC) of EUR 2.3 million
- Earnings per share (EPS) was EUR 0.01 (EUR 0.02)
- Cash flow from operating activities before financial items and taxes was EUR 12.9 million (11.4m)

HIGHLIGHTS OF JANUARY–JUNE (H1)

- Revenue increased by 8% to EUR 116.0 million (107.8m)
- Revenue from corporate security products increased by 7% to EUR 39.7 million (37.0m)
- Revenue from cyber security consulting increased by 9% to EUR 23.6 million (21.6m)
- Revenue from consumer security increased by 7% to EUR 52.6 million (49.2m)
- Adjusted EBITDA was EUR 17.8 million (17.4m), 15% of revenue (16%)
- A strategic review resulted in items affecting comparability (IAC) of EUR 2.3 million
- Earnings per share (EPS) was EUR 0.04 (EUR 0.03)
- Cash flow from operating activities before financial items and taxes was EUR 19.2 million (21.0m)

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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 (UNCHANGED)

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 Half Year Report for January–June 2021.

CEO JUHANI HINTIKKA

F-Secure's revenue grew across all businesses during the second quarter. I was particularly pleased to see growth picking up in both corporate security products and cyber security consulting. While the company's revenue grew 10% year-on-year, the operational costs are returning to pre-pandemic level resulting in an adjusted EBITDA margin of 14%.

The revenue from corporate security products grew 9% year-on-year. In cloud-based business security software (endpoint protection platform, EPP), the growth in orders continued to outpace revenue growth driven by sales of the whole portfolio and complimented by landmark deals with large international customers in Cloud Protection for Salesforce. Demand for Managed Detection and Response (MDR) solutions strengthened due to the recent ransomware and supply chain attacks. F-Secure Countercept had many new customers committing to multi-year deals globally within the customer verticals such as retail, finance, critical infrastructure and professional services.

The revenue from cyber security consulting grew by 19% against a comparative period when this business was clearly hit by the COVID-19 pandemic. I was happy to see good development in the UK and Nordics although operations in some countries remain negatively impacted by the pandemic. It is strategically important that many customers chose us for targeted attack simulation and incident response assignments. This is a great testimony to our technical capability and reputation within advanced cyber security domains.

Consumer security continues to grow driven by the sale of our core products that had an increase in device activations and a solid renewal performance. In Q2, we signed multiple new deals within our partner network. As an example, a leading Nordic energy company decided to complement their offering with cyber security and chose F-Secure TOTAL to provide full protection for their customers. This demonstrates the potential among new partner verticals that are looking for a way to increase average revenue per customer and reduce churn within their customer base.



“I WAS PLEASED TO SEE GROWTH PICKING UP IN CORPORATE SECURITY PRODUCTS AND CYBER SECURITY CONSULTING.”

F-Secure is a cyber security technology company for which the ability to innovate is crucial. In Q2 we launched F-Secure ELEMENTS which is a modular, cloud-native platform that enables customers to choose between standalone solutions and the full suite of endpoint products. This platform meets the need for the servitization of cyber security and is an easy way for our customers to deploy new solutions, which helps us to implement the Land and Expand strategy. Another highlight was the great results of F-Secure's Detection and Response Capabilities in the 3rd MITRE Engenuity ATT&CK® Evaluation.

We start the second half of the year from an exciting position. F-Secure has positive momentum across all businesses, an enhanced offering and a 15% increase in deferred revenue year-on-year to give us tailwinds for the future. Furthermore, we completed a strategic review and analyzed different scenarios for building a platform for sustainable, long-term growth.

CEO Juhani Hintikka

FINANCIAL PERFORMANCE

EUR m	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue	58.2	53.0	10%	116.0	107.8	8%	220.2
Consumer security	26.3	24.8	6%	52.6	49.2	7%	100.1
Corporate security	31.9	28.2	13%	63.4	58.7	8%	120.1
Products	20.2	18.5	9%	39.7	37.0	7%	74.3
Consulting	11.6	9.7	19%	23.6	21.6	9%	45.8
Cost of revenue	-12.2	-11.6	6%	-24.5	-24.0	2%	-48.0
Gross Margin	45.9	41.4	11%	91.5	83.8	9%	172.2
of revenue, %	79.0%	78.2%		78.9%	77.7%		78.2%
Other operating income	0.5	0.8	-38%	1.0	1.3	-27%	2.1
Operating expenses ¹⁾	-38.3	-31.9	20%	-74.7	-67.6	11%	-138.5
Sales & Marketing	-24.0	-20.1	20%	-46.4	-43.8	6%	-89.4
Research & Development	-10.0	-8.7	15%	-19.8	-17.5	13%	-35.9
Administration	-4.2	-3.1	36%	-8.4	-6.2	36%	-13.2
Adjusted EBITDA ²⁾	8.1	10.2	-20%	17.8	17.4	2%	35.7
of revenue, %	14.0%	19.3%		15.3%	16.2%		16.2%
Items affecting comparability (IAC) ²⁾	-2.3			-2.3	0.4		
EBITDA	5.8	10.2	-43%	15.5	17.8	-13%	35.7
of revenue, %	10.0%	19.3%		13.3%	16.6%		16.2%
Depreciation & amortization	-2.7	-3.3	-18%	-5.5	-6.5	-16%	-12.6
Impairment							-0.3
PPA amortization	-0.7	-0.8	-11%	-1.5	-1.7	-13%	-3.2
EBIT	2.4	6.0	-61%	8.5	9.6	-11%	19.7
of revenue, %	4.1%	11.4%		7.3%	8.9%		8.9%
Adjusted EBIT ²⁾	5.4	6.9	-21%	12.3	10.9	13%	22.9
of revenue, %	9.3%	12.9%		10.6%	10.1%		10.4%
Earnings per share, (EUR) ³⁾	0.01	0.02	-55%	0.04	0.03	22%	0.08
Deferred revenue				83.2	72.3	15%	81.0
Cash flow from operations before financial items and taxes	12.9	11.4	13%	19.2	21.0	-8%	48.3
Cash and financial assets at fair value through P&L				44.4	39.8	12%	51.4
ROI, %	7.8%	22.5%	-65%	15.2%	18.5%	-18%	18.5%
Equity ratio, %				57.3%	46.3%	24%	52.5%
Gearing, %				-14.4%	14.3%	-201%	-14.1%
Personnel, end of period				1,694	1,713	-1%	1,678

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 158,320,025 (1-6/2021).

Second quarter (Q2)

The company's total revenue in April–June increased by 10% year-on-year, and was EUR 58.2 million (53.0 m). The share of corporate security of total revenue was 55% (53%).

Corporate security

Revenue from corporate security increased by 13% year-on-year to EUR 31.9 million (28.2m).

Products

Revenue from corporate security products increased by 9% year-on-year to EUR 20.2 million (18.5m).

Revenue from business security software (endpoint protection platform, EPP) grew year-on-year. The positive new order development was complemented by a good renewal performance. The order growth derives from good momentum among our channel partners across most regions. On product level, multiple new contracts in cloud platform security were signed and EDR (Endpoint Detection and Response) software had solid growth while traditional EPP still accounts for a large share of the business.

Revenue from Managed Detection and Response (MDR) solutions (F-Secure Countercept) grew year-on-year. Several new F-Secure Countercept deals were closed in countries such as the USA, Germany, France and Finland. Renewal performance was good in Q2. The volume and magnitude of deals are expected to fluctuate also in the coming quarters.

Cyber security consulting

Revenue from cyber security consulting grew by 19% year-on-year and was EUR 11.6 million (9.7m).

Cyber security consulting performed better than during the comparative period in 2020 which was impacted heavily by the COVID-19 pandemic. In some regions, sales and service delivery faced challenges due to pandemic-related economic volatility which has resulted in lengthier sales cycles and project scheduling.

Consumer security

Revenue from consumer security increased by 6% year-on-year to EUR 26.3 million (24.8m). Revenue from both operator and direct sales channels grew.

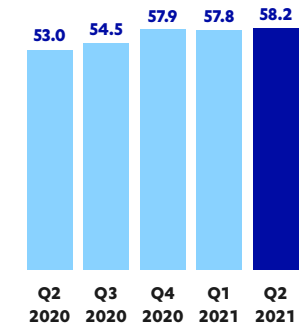
Operators

The operator channel revenue grew year-on-year, driven by the sale of core endpoint protection solutions in addition to partners expanding their offering to F-Secure's new consumer products. In Q2, new contracts were signed across the portfolio which was accompanied with several partners rolling out F-Secure ID PROTECTION to their customer base. The close cooperation with the global partner network and acceleration in digitalization since the pandemic outbreak have generated an increase in product activation and usage rates.

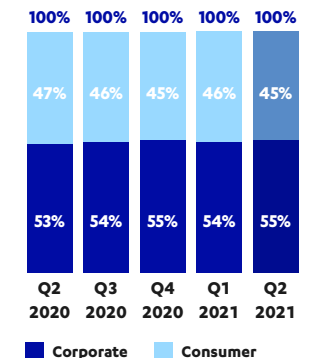
Direct sales

Revenue from direct sales to consumers grew year-on-year and renewal performance remained on a good level. Average revenue per customer continued to grow as consumers are increasingly interested in bundled solutions to secure their digital lives, which is driving the sales of F-Secure TOTAL.

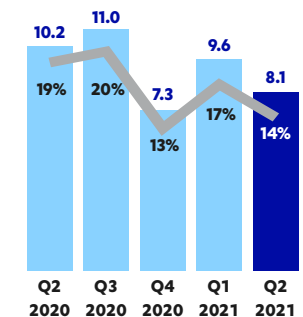
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Gross margin

Gross margin increased by EUR 4.5 million to 45.9 million (41.4m) and was 79% of revenue (78%). The increase in gross margin was due to increased revenue in scalable product businesses and improved performance in cyber security consulting.

Operating expenses

Operating expenses excluding depreciation and amortization, and items affecting comparability (IAC) increased by EUR 6.4 million to 38.3 million (31.9m). During the comparative period operative expenses were at an unusually low level due to the COVID-19 pandemic outbreak. Sales and marketing costs grew year-on-year due to increase in marketing activities and higher sales commissions. In addition, we are facing salary inflation in several markets.

Depreciation and amortization were 3.5 million (4.2m), where PPA amortization from acquisitions was EUR 0.7 million (0.8m). Items affecting comparability (IAC) totaled EUR 2.3 million and consisted of costs related to a strategic review.

Profitability

Adjusted EBITDA was EUR 8.1 million and 14% of revenue (10.2m, 19%). Adjusted EBIT was EUR 5.4 million and 9% of revenue (6.9m, 13%). Profitability decreased year-on-year because operating expenses during the comparative period were at an unusually low level.

EBITDA was EUR 5.8 million and 10% of revenue (10.2m, 19%). EBIT was EUR 2.4 million and 4% of revenue (6.0m, 11%) including EUR 0.7 million of PPA amortization (0.8m) and EUR 2.3 million of IAC items.

Cash flow

Cash flow from operating activities before financial items and taxes was positively impacted by changes in net working capital and totaled 12.9m (11.4m). Cash flow from operations was EUR 10.2 million (10.6m). The dividends of EUR 6.3 million that were approved in the AGM in March, were paid in April and are included in cash flows for financing activities.

January–June (H1)

The company's total revenue in January–June increased by 8% year-on-year to EUR 116.0 million (107.8m). The share of corporate security of total revenue was 55% (54%).

Corporate security

Revenue from corporate security increased by 8% year-on-year and was EUR 63.4 million (58.7m) as corporate security products grew by 7% and cyber security consulting by 9%.

Consumer security

Revenue from consumer security increased by 7% year-on-year and was EUR 52.6 million (49.2m) as both operator channel and direct business grew.

Gross margin

Gross margin increased by EUR 7.7 million to EUR 91.5 million (83.8m) was 79% of revenue (78%). The increase in gross margin was due to increased revenue in scalable product businesses and improved performance in cyber security consulting.

Operating expenses

Operating expenses excluding depreciation and amortization, and items affecting comparability (IAC) increased by EUR 7.1 million to 74.7 million (67.6m). During the comparative period operative expenses were at an unusually low level due to the COVID-19 pandemic outbreak. Sales and marketing costs grew year-on-year due to increase in marketing activities and higher sales commissions. In addition, we are facing salary inflation in several markets.

Depreciation and amortization were 7.0 million (8.2m), where PPA amortization from acquisitions was EUR 1.5 million (1.7m). Items affecting comparability (IAC) totaled EUR 2.3 million and consisted of costs related to a strategic review.

Profitability

Adjusted EBITDA was EUR 17.8 million and 15% of revenue (17.4m, 16%) and adjusted EBIT was EUR 12.3 million and 11% of revenue (10.9m, 10%).

EBITDA was EUR 15.5 million and 13% of revenue (17.8m, 17%). EBIT was EUR 8.5 million and 7% of revenue (9.6m, 9%) including EUR 1.5 million of PPA amortization (1.7m) and EUR 2.3 million of IAC items.

Cash flow

Cash flow from operating activities before financial items and taxes decreased by EUR 1.8 million and was 19.2m (21.0m). Cash flow from operations was EUR 13.8 million (19.0m). The dividends of EUR 6.3 million that were approved in the AGM in March, were paid in April and are included in cash flows for financing activities.

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Cash and financial assets at fair value through P&L				44.4	39.8	12%	51.4
Bank loans, non-current				16.0	22.0	-27%	19.0
Lease liabilities, non-current				5.6	7.6	-27%	4.9
Bank loans, current				6.0	16.0	-63%	11.0
Lease liabilities, current				4.1	4.4	-5%	4.9
Capital expenditure	3.3	7.1	-53%	7.1	9.7	-27%	14.3
Capitalized development expenses	1.3	1.3	-6%	3.0	2.9	4%	5.5
ROI, %	7.8%	22.5%		15.2%	18.5%		18.5%
Equity ratio, %				57.3%	46.3%		52.5%
Gearing, %				-14.4%	14.3%		-14.1%

The financial position remained solid. The company has liquid assets of EUR 44.4 million (39.8m) and interest-bearing bank debt of EUR 22.0 million (38.0m). A repayment of EUR 3.0 million of the term loan was made in the current quarter and the remaining repayment (3.0m) in 2021 is due at the year-end. To guarantee liquidity, F-Secure has EUR 23.0 million committed revolving credit facility that was undrawn at the end of the quarter. In the comparative period, EUR 10.0 million of the revolving credit facility was withdrawn to decrease short-term liquidity risk during the COVID-19 pandemic. This was subsequently repaid with payments of EUR 5.0 million each in Q4/2020 and Q1/2021. In case withdrawn the revolving credit facility is presented in current interest-bearing liabilities.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,694 employees, which shows a net increase of 16 employees (1%) since the beginning of the year (1,678 on 31 December 2020), and a net decrease of 19 employees (-1%) compared with end of June in 2020 (1,713).

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 (CTO), Ari Vänttinen (CMO), Jari Still (CIO), Kristian Järnefelt (Consumer Security), Juha Kivikoski (Business Security), Edward Parsons (Cyber Security Consulting), Tim Orchard (Managed Detection & Response), Antti Hovila (Strategy & Portfolio) and Charlotte Guillou (People Operations & Culture).

F-Secure's CFO, Eriikka Söderström, has decided to leave the company on 30 September 2021.

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 411,358 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 an 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. 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 annual impairment testing of Consulting and MDR goodwill was carried out at the end of 2020 and indicated no impairment although long-term forecasts include a higher level of uncertainty due to the 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. To date, significant risks have not realized, but the impacts of the pandemic on customers may arise in the longer term. As part of the quarterly assessment of allowances for expected credit losses under IFRS 9, a slight increase in the calculation of expected credit losses was decided to maintain.

Cyber security incident

Cyber security attacks threaten the confidentiality, integrity and availability of F-Secure's products, services and the 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 products and services relevant to 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 in artificial intelligence to ensure a competitive product portfolio.

MARKET OVERVIEW

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 in 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.

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.

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.

F-Secure Elements – one cloud-native platform for chosen cyber security solutions

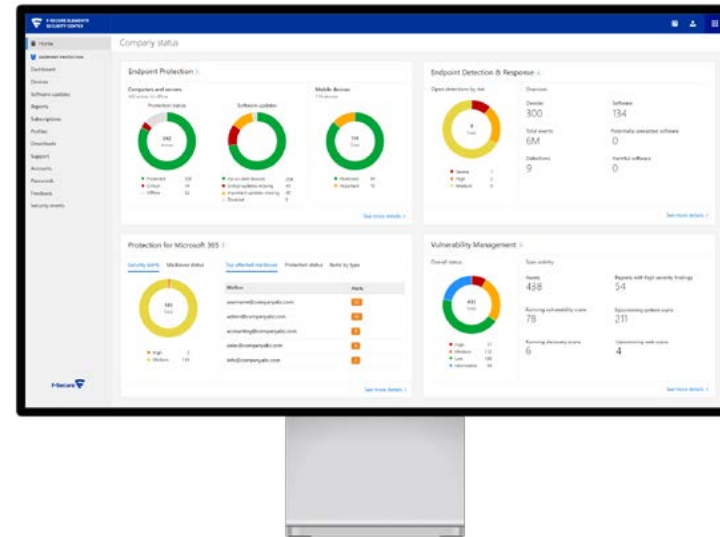
F-Secure Elements is a flexible platform that allows our partners to choose from a traditional annual license, a monthly subscription or the pay-as-you-go model.

F-Secure Elements Endpoint Protection – Cloud-native endpoint security

F-Secure Elements Endpoint Detection and Response – Customer- or partner-managed software solution to protect against targeted attacks

F-Secure Elements Vulnerability Management – Automated vulnerability scanning and management platform

F-Secure Elements for Microsoft 365 – Security solution to ensure safety of Salesforce cloud environments and content shared in the platforms



Independent cyber security solutions

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

F-Secure Cloud Protection for Salesforce – Cloud-hosted content-level security for Salesforce customers

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

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 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

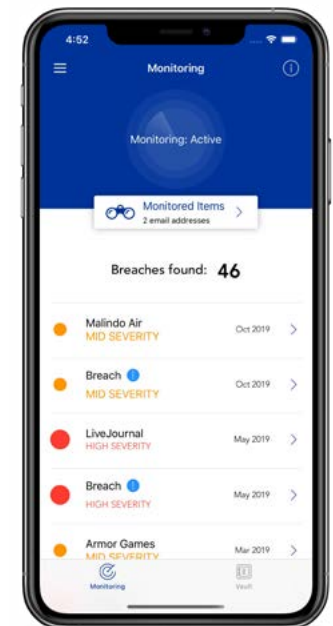
– Combines personal information monitoring against data breaches with password manager to create strong passwords

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



EVENTS AFTER PERIOD-END

F-Secure's CFO, Eriikka Söderström, has decided to leave the company on 30 September 2021. The process to appoint a new CFO is in progress.

ADDITIONAL INFORMATION

F-Secure will arrange a Capital Markets Day for investors and analysts on Tuesday, 31 August 2021 at 13.00 EEST.

Financial calendar

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

- Interim report January–September 2021, October 21, 2021

Contact information



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KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Revenue	58.2	53.0	116.0	107.8	220.2
Consumer security	26.3	24.8	52.6	49.2	100.1
Corporate security	31.9	28.2	63.4	58.7	120.1
Products	20.2	18.5	39.7	37.0	74.3
Consulting	11.6	9.7	23.6	21.6	45.8
Gross margin	45.9	41.4	91.5	83.8	172.2
Gross margin, % of revenue	79.0%	78.2%	78.9%	77.7%	78.2%
Operating expenses	-44.1	-36.2	-84.0	-75.5	-154.6
Operating expenses for adjusted EBITDA	-38.3	-31.9	-74.7	-67.6	-138.5
Adjusted EBITDA	8.1	10.2	17.8	17.4	35.7
Adjusted EBITDA, % of revenue	14.0%	19.3%	15.3%	16.2%	16.2%
EBITDA	5.8	10.2	15.5	17.8	35.7
EBITDA, % of revenue	10.0%	19.3%	13.3%	16.6%	16.2%
Adjusted EBIT	5.4	6.9	12.3	10.9	22.9
Adjusted EBIT, % of revenue	9.3%	12.9%	10.6%	10.1%	10.4%
EBIT	2.4	6.0	8.5	9.6	19.7
EBIT, % of revenue	4.1%	11.4%	7.3%	8.9%	8.9%
ROI, %	7.8%	22.5%	15.2%	18.5%	18.5%
ROE, %	6.4%	17.5%	14.8%	14.0%	16.2%
CAPITAL STRUCTURE					
Equity ratio, %			57.3%	46.3%	52.5%
Gearing, %			-14.4%	14.3%	-14.1%
Interest bearing liabilities			31.7	50.0	39.9
Cash and financial assets at FVTPL			44.4	39.8	51.4
SHARE RELATED					
Earnings per share, basic and diluted	0.01	0.02	0.04	0.03	0.08
Shareholders' equity per share, EUR			0.55	0.45	0.52
OTHER					
Capital expenditure, MEUR excl. acquisition	3.3	7.1	7.1	9.7	14.3
Capitalized development expenses, MEUR	1.7	1.3	3.0	2.9	5.5
Depreciation and amortization excl. PPA amortization, MEUR	-2.7	-3.3	-5.5	-6.5	-12.9
Depreciation and amortization, MEUR	-3.5	-4.2	-7.0	-8.2	-16.0
Personnel, average	1,678	1,688	1,674	1,685	1,691
Personnel, period end			1,694	1,713	1,678

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. COVID-19 impacts on the accounting principles of this financial statement 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 2020.

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

INCOME STATEMENT

	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue	58.2	53.0	10%	116.0	107.8	8%	220.2
Cost of revenue	-12.2	-11.6	6%	-24.5	-24.0	2%	-48.0
Gross margin	45.9	41.4	11%	91.5	83.8	9%	172.2
Other operating income	0.5	0.8	-38%	1.0	1.3	-27%	2.1
Sales and marketing	-25.4	-21.7	17%	-49.1	-47.0	4%	-95.6
Research and development	-11.2	-10.2	10%	-22.3	-20.5	8%	-41.8
Administration	-7.5	-4.2	80%	-12.6	-7.9	60%	-17.1
EBIT	2.4	6.0	-61%	8.5	9.6	-11%	19.7
Financial net	-0.3	-0.7	-58%	-0.1	-2.0	-97%	-3.2
Result before taxes	2.1	5.3	-61%	8.5	7.6	12%	16.5
Income taxes	-0.7	-2.2	-70%	-2.2	-2.4	-10%	-3.6
Result for the period total	1.4	3.1	-55%	6.3	5.2	22%	12.9
Other comprehensive income							
Exchange differences on translating foreign operations	-0.1	-1.3		4.4	-10.2		3.2
Total comprehensive income (parent company owners)	1.3	1.8	-27%	10.7	-5.0		16.1
Earnings per share							
Earnings per share, basic and diluted, EUR	0.01	0.02	-55%	0.04	0.03	22%	0.08

BALANCE SHEET

Assets	30 Jun 2021	30 Jun 2020	31 Dec 2020
Tangible assets	13.9	17.1	14.1
Intangible assets	34.5	34.3	34.0
Goodwill	85.8	79.3	81.9
Deferred tax assets	4.1	3.0	4.0
Other receivables	1.1	0.6	0.6
Total non-current assets	139.3	134.3	134.6
Inventories	0.1	0.1	0.1
Accrued income	4.3	3.0	3.4
Trade and other receivables ¹⁾	47.4	46.1	47.5
Income tax receivables	1.0	3.2	0.9
Financial asset at fair value through profit and loss	0.1	0.1	0.1
Cash and bank accounts	44.3	39.7	51.4
Total current assets	97.1	92.2	103.2
Total assets	236.4	226.5	237.8
Shareholders' equity and liabilities	30 Jun 2021	30 Jun 2020	31 Dec 2020
Equity	87.8	71.5	82.3
Interest bearing liabilities, non-current	21.6	29.6	23.9
Deferred tax liability	0.9	2.4	1.3
Deferred revenue, non-current	25.9	19.1	23.8
Other non-current liabilities	0.3	1.3	1.5
Total non-current liabilities	48.8	52.4	50.6
Interest bearing liabilities, current	10.1	20.4	15.9
Trade and other payables	28.7	25.7	26.1
Income tax liabilities	3.7	3.3	5.7
Deferred revenue, current	57.3	53.2	57.2
Total current liabilities	99.8	102.6	104.9
Total liabilities and equity	236.4	226.5	237.8

¹⁾ Management has assessed the potential impact on trade receivables due to the COVID-19 pandemic and adjusted allowances for expected credit losses under IFRS 9.

CASH FLOW STATEMENT

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Cash flow from operations					
Result for the financial year	1.4	3.1	6.3	5.2	12.9
Adjustments	5.5	6.9	10.7	13.1	24.7
Cash flow from operations before change in working capital	6.9	10.0	17.0	18.2	37.5
Change in net working capital	6.0	1.4	2.2	2.7	10.8
Cash flow from operating activities before financial items and taxes	12.9	11.4	19.2	21.0	48.3
Net financial items and taxes	-2.7	-0.8	-5.5	-2.0	-1.6
Cash flows from operating activities	10.2	10.6	13.8	19.0	46.7
Cash flow from investments					
Net investments in tangible and intangible assets	-2.0	-2.2	-3.4	-4.8	-7.9
Acquisition of subsidiaries, net of cash acquired ¹⁾				-3.7	-3.7
Cash flow from investments	-2.0	-2.2	-3.4	-8.5	-11.6
Cash flow from financing activities					
Proceeds from interest-bearing liabilities		10.0		10.0	10.0
Repayments of interest bearing liabilities	-3.0	-3.0	-8.0	-3.0	-11.0
Repayments of lease liabilities	-1.5	-1.7	-3.0	-3.1	-7.3
Dividends paid	-6.3		-6.3		
Cash flow from financing activities	-10.9	5.3	-17.4	3.9	-8.3
Change in cash	-2.6	13.7	-7.0	14.4	26.9
Cash and bank at the beginning of the period	47.1	26.2	51.4	25.4	25.4
Effect of exchange rate changes on cash	-0.1	-0.2	0.0	-0.1	-0.9
Cash and bank at period end	44.3	39.7	44.3	39.7	51.4

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 2019	1.6	0.2	6.2	-2.1	67.1	3.2	76.1
Total comprehensive income for the year					5.2	-10.2	-5.0
Cost of share based payments			0.4	0.8	-0.9		0.3
Equity 30 Jun 2020	1.6	0.2	6.6	-1.4	71.4	-7.0	71.5
	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2020	1.6	0.2	6.5	-1.3	79.6	-4.1	82.3
Total comprehensive income for the year					6.3	4.4	10.7
Dividend					-6.3		-6.3
Cost of share based payments			0.3	0.4	0.4		1.1
Equity 30 Jun 2021	1.6	0.2	6.8	-0.8	79.9	0.3	87.8

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates			End rates		
	1-6/2021	1-6/2020	1-12/2020	30 Jun 2021	30 Jun 2020	31 Dec 2020
USD	1.2089	1.1039	1.1384	1.1884	1.1198	1.2271
GBP	0.8724	0.8670	0.8853	0.8581	0.9124	0.8990
JPY	129.62	119.29	121.51	131.43	120.66	126.49

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-6/2021	1-12/2020
USD	-0.3/+0.3	-0.4/+0.5
GBP	+/-0.0	+/-0.1
JPY	-0.2/+0.2	+/-0.1

2 SEGMENT INFORMATION

The Group has only one segment (security).

	4–6/2021	4–6/2020	1–6/2021	1–6/2020	1–12/2020
Revenue	58.2	53.0	116.0	107.8	220.2
Cost of revenue	-12.2	-11.6	-24.5	-24.0	-48.0
Gross margin	45.9	41.4	91.5	83.8	172.2
Other operating income	0.5	0.8	1.0	1.3	2.1
Sales and marketing	-25.4	-21.7	-49.1	-47.0	-95.6
Research and development	-11.2	-10.2	-22.3	-20.5	-41.8
Administration	-7.5	-4.2	-12.6	-7.9	-17.1
EBIT	2.4	6.0	8.5	9.6	19.7
Financial net	-0.3	-0.7	-0.1	-2.0	-3.2
Result before taxes	2.1	5.3	8.5	7.6	16.5

Disaggregation of revenue

By sales channels	4–6/2021	4–6/2020	1–6/2021	1–6/2020	1–12/2020
Consumer security	26.3	24.8	52.6	49.2	100.1
Corporate security	31.9	28.2	63.4	58.7	120.1
Products	20.2	18.5	39.7	37.0	74.3
Consulting	11.6	9.7	23.6	21.6	45.8
Total revenue	58.2	53.0	116.0	107.8	220.2

By geographical area	4–6/2021	4–6/2020	1–6/2021	1–6/2020	1–12/2020
Nordic countries	19.3	17.6	38.6	34.9	70.9
Europe excl. Nordics	26.2	22.9	52.2	47.9	98.9
North America	5.7	6.1	11.4	11.7	23.2
Rest of the world	7.0	6.4	13.8	13.3	27.1
Total revenue	58.2	53.0	116.0	107.8	220.2

3 INTANGIBLE AND TANGIBLE ASSETS

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Book value at the beginning of the period	130.0	140.6	140.6
Additions	7.1	9.7	14.3
Disposals	-0.8	-0.3	-0.6
Depreciation and amortization	-7.0	-8.1	-15.6
Impairment			-0.3
Translation differences	4.8	-11.2	-8.3
Book value at the end of the period	134.1	130.7	130.0

4 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

	Carrying value			Fair value				
	Financial assets		Financial liabilities	Hierarchy level				
	FVTPL	Amortised cost	Amortised cost	Total	1	2	3	Total
Cash and bank		44.3		44.3				
Financial assets at FVTPL	0.1			0.1		0.1		0.1
Bank loans			22.0	22.0		22.0		22.0
Trade payables			5.7	5.7		5.7		5.7
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		16.0				22.0	22.0
Lease liabilities	4.1		3.9	1.3	0.3		9.7	9.7
Total financial liabilities	10.1		19.9	1.3	0.3		31.7	31.7

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

To guarantee liquidity, F-Secure has EUR 23.0 million committed revolving credit facility (RCF) that was undrawn at the end of the quarter. In the comparative period, EUR 10.0 million of the revolving credit facility was withdrawn to decrease short-term liquidity risk during the COVID-19 pandemic. This was subsequently repaid with payments of EUR 5 million each in Q4 2020 and Q1 2021. In case withdrawn the revolving credit facility is presented in current interest-bearing liabilities.

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 the normal course of business. These items are associated with acquisitions, integration costs, gains and losses from the sale of businesses and other items affecting comparability.

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Adjusted EBITDA	8.1	10.2	17.8	17.4	35.7
Adjustments to EBITDA					
Costs related to restructuring				0.4	0.0
Costs related to strategic review	-2.3		-2.3		
EBITDA	5.8	10.2	15.5	17.8	35.7
Depreciation, amortization and impairment losses	-3.5	-4.2	-7.0	-8.2	-16.0
EBIT	2.4	6.0	8.5	9.6	19.7
	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Adjusted EBIT	5.4	6.9	12.3	10.9	22.9
Adjustments to EBIT					
PPA amortization	-0.7	-0.8	-1.5	-1.7	-3.2
Costs related to restructuring				0.4	0.0
Costs related to strategic review	-2.3		-2.3		
EBIT	2.4	6.0	8.5	9.6	19.7

Classification of adjusted costs in operating expenses

	Operating Expenses 4–6 2021	Cost related to strategic review	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 4–6 2021
Sales and marketing	-25.4		-25.4	1.3		-24.0
Research and development	-11.2		-11.2	1.2		-10.0
Administration	-7.5	2.3	-5.1	0.2	0.7	-4.2
Operating expenses	-44.1	2.3	-41.8	2.7	0.7	-38.3

	Operating Expenses 1–6/2021	Cost related to strategic review	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–6/2021
Sales and marketing	-49.1		-49.1	2.7		-46.4
Research and development	-22.3		-22.3	2.5		-19.8
Administration	-12.6	2.3	-10.3	0.4	1.5	-8.4
Operating expenses	-84.0	2.3	-81.7	5.5	1.5	-74.7

6 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY	4–6/2021	1–3/2021	10–12/2020	7–9/2020	4–6/2020
Revenue	58.2	57.8	57.9	54.5	53.0
Cost of revenue	-12.2	-12.2	-12.2	-11.8	-11.6
Gross margin	45.9	45.6	45.7	42.7	41.4
Other operating income	0.5	0.5	0.4	0.4	0.8
Sales and marketing	-25.4	-23.7	-26.2	-22.5	-21.7
Research and development	-11.2	-11.1	-11.7	-9.6	-10.2
Administration	-7.5	-5.2	-5.2	-4.1	-4.2
EBIT	2.4	6.2	3.1	6.9	6.0
Financial net	-0.3	0.3	-0.6	-0.6	-0.7
Result before taxes	2.1	6.4	2.6	6.3	5.3
Income taxes	-0.7	-1.5	0.1	-1.3	-2.2
Result for the period total	1.4	4.9	2.7	5.0	3.1

EARNINGS PER SHARE QUARTERLY

Earnings per share, basic and diluted, EUR	0.01	0.03	0.02	0.03	0.02
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KEY FIGURES

Gross margin, % of revenue	79.0%	78.9%	79.0%	78.3%	78.2%
Adjusted EBITDA	8.1	9.6	7.3	11.0	10.2
Adjusted EBITDA, % of revenue	14.0%	16.7%	12.6%	20.2%	19.3%
Adjusted EBIT	5.4	6.9	4.3	7.7	6.9
Adjusted EBIT, % of revenue	9.3%	11.9%	7.4%	14.0%	12.9%
ROI, %	7.8%	22.5%	11.6%	24.2%	22.5%
ROE, %	6.4%	23.4%	13.4%	27.3%	17.5%
Equity ratio, % (YTD)	57.3%	54.0%	52.5%	49.2%	46.3%
Gearing, % (YTD)	-14.4%	-14.2%	-14.1%	8.4%	14.3%
Interest bearing liabilities	31.7	35.0	39.9	49.2	50.0
Cash and financial assets at FVTPL	44.4	47.1	51.4	42.8	39.8
Capital expenditure, MEUR excl. acquisition	3.3	3.7	2.1	2.4	7.1
Capitalized development expenses, MEUR	1.7	1.3	1.3	1.3	1.3
Depreciation and amortization excl. PPA amortization, MEUR	-2.7	-2.7	-3.0	-3.3	-3.3
Depreciation and amortization, MEUR	-3.5	-3.5	-3.7	-4.1	-4.2
Personnel, period end	1,694	1,670	1,678	1,693	1,713

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, %	$\frac{\text{Interest bearing liabilities – cash and bank and financial asset through profit and loss}}{\text{Total equity}} \times 100$
Earnings per share, EUR	$\frac{\text{Profit attributable to equity holders of the company}}{\text{Weighted average number of outstanding shares}}$
Shareholders' equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$
Operating expenses	Sales and marketing, research and development, and administration costs
EBITDA	EBIT + Depreciation, amortization and impairment

CYBER SECURITY LIVES HERE

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