

**INTERIM REPORT
1 JANUARY – 31 MARCH 2021**

**SOFTWARE BUSINESSES FOR BOTH
CORPORATE AND CONSUMER
CUSTOMERS GROWING**



HIGHLIGHTS OF JANUARY–MARCH (Q1)

- Revenue increased by 5% to EUR 57.8 million (54.8m)
- Revenue from corporate security products increased by 5% to EUR 19.5 million (18.6m)
- Revenue from cyber security consulting remained at the previous year's level and was EUR 12.0 million (11.9m)
- Revenue from consumer security increased by 8% to EUR 26.3 million (24.4m)
- Adjusted EBITDA was EUR 9.6 million (7.2m), 16.7% of revenue (13.2%)
- Earnings per share (EPS) was EUR 0.03 (EUR 0.01)
- Cash flow from operating activities before financial items and taxes was EUR 6.3 million (9.6m)

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 interim report from January – March 2021.

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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.

CEO JUHANI HINTIKKA

We had a good start to 2021 as the order growth continued in software businesses for both corporate and consumer customers. The overall revenue growth and improved performance in consulting resulted in an adjusted EBITDA margin of 17%.

In cloud-native business security software (endpoint protection platform, EPP), the growth in orders clearly outpaced revenue growth in Q1. The start of the year was strong in terms of new orders which was backed up by a good renewal performance. I was particularly happy to see that this development derives from all our focus countries and on a product level, across the whole portfolio. As a result of an increase in contract duration year-on-year for business security software, there will be a corresponding delay in converting the positive order intake development to revenue. Also supporting the future growth in corporate security products, Managed Detection and Response (MDR) solutions gained several new customers across Europe within customer verticals such as technology, finance and professional services.

The revenue from cyber security consulting was at the previous year's level even though the market is still impacted by the COVID-19 pandemic as many locations are experiencing lockdown measures. Strategically important is that the constant need for advanced cyber security was again emphasized by strong demand for Incident Response assignments.

Consumer security continued on a growth path with the Q1 revenue growing by 8% which 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 growth stems from increased subscriptions and a solid renewal performance. Also new product commercialization developed as several partners rolled out F-Secure ID PROTECTION and SENSE to their customer base during the quarter.



Notably from a technological point of view, our endpoint protection products for both businesses and consumers received best-in-class awards from the AV-TEST institute. F-Secure is the only company with products that have won an AV-TEST Best Protection award in 7 of the last 10 years, which is the most consistent track record in the industry. This recognition and the increasing sales of our new software solutions is a testament to our successful R&D investments.

After a good start to the year, we strive for growth across all our businesses with the increased deferred revenue balance backing up the gradual acceleration of revenue growth in corporate security products during the coming quarters.

A blue ink signature of Juhani Hintikka, consisting of stylized, overlapping letters and lines.

CEO Juhani Hintikka

**“WE HAD A
GOOD START
TO 2021 AS THE
ORDER GROWTH
CONTINUED
IN SOFTWARE
BUSINESSES.”**

FINANCIAL PERFORMANCE

EUR m	1-3/2021	1-3/2020	Change %	1-12/2020
Revenue	57.8	54.8	5%	220.2
Consumer security	26.3	24.4	8%	100.1
Corporate security	31.5	30.4	3%	120.1
Products	19.5	18.6	5%	74.3
Consulting	12.0	11.9	1%	45.8
Cost of revenue	-12.2	-12.4	-2%	-48.0
Gross Margin	45.6	42.4	8%	172.2
of revenue, %	78.9%	77.3%		78.2%
Other operating income	0.5	0.5	-11%	2.1
Operating expenses ¹⁾	-36.4	-35.7	2%	-138.5
Sales & Marketing	-22.4	-23.7	-6%	-89.4
Research & Development	-9.8	-8.9	11%	-35.9
Administration	-4.2	-3.1	36%	-13.2
Adjusted EBITDA ²⁾	9.6	7.2	33%	35.7
of revenue, %	16.7%	13.2%		16.2%
Restructuring		0.4		0.0
EBITDA	9.6	7.6	26%	35.7
of revenue, %	16.7%	13.9%		16.2%
Depreciation & amortization	-2.7	-3.2	-14%	-12.6
Impairment				-0.3
PPA amortization	-0.8	-0.9	-14%	-3.2
EBIT	6.2	3.6	73%	19.7
of revenue, %	10.6%	6.5%		8.9%
Adjusted EBIT ²⁾	6.9	4.0	71%	22.9
of revenue, %	11.9%	7.4%		10.4%
Earnings per share, (EUR) ³⁾	0.03	0.01	136%	0.08
Deferred revenue	84.0	73.7	14%	81.0
Cash flow from operations before financial items and taxes	6.3	9.6	-34%	48.3
Cash and financial assets at fair value through P&L	47.1	26.3	80%	51.4
ROI, %	22.5%	15.9%	41%	18.5%
Equity ratio, %	54.0%	49.2%	10%	52.5%
Gearing, %	-14.2%	19.5%	-173%	-14.1%
Personnel, end of period	1,670	1,688	-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 158,253,892 (1-3/2021).

First quarter (Q1)

Total revenue in January–March increased by 5% to EUR 57.8 million (54.8 m). The share of corporate security of total revenue was 54% (56%).

Corporate security

Revenue from corporate security increased by 3% year-on-year to EUR 31.5 million (30.4m).

Products

Revenue from corporate security products increased by 5% to EUR 19.5 million (18.6m).

Revenue from business security software (endpoint protection platform, EPP) increased from the previous year's level. The recent good traction with our focus channel partners drove the order intake growth across our main markets in Europe and Japan. F-Secure gained several new customers in cloud platform security and had solid growth with EDR (Endpoint Detection and Response) software while traditional EPP still accounts for the majority of the business.

Managed Detection and Response (MDR) solutions (F-Secure Countercept) had slight revenue growth. Several new F-Secure Countercept deals were closed in countries, such as the UK, Germany, France and Belgium. Renewal performance was good in Q1. The volume and magnitude of deals are expected to fluctuate also in the coming quarters.

Cyber security consulting

Revenue from cyber security consulting remained at the previous year's level and was EUR 12.0 million (11.9m).

Cyber security consulting performed well in Q1. Especially the UK and Scandinavia had a good start of the year although regional differences continued. New customer acquisition improved compared to previous quarters. Despite the positive start of the year, cyber security consulting is expected to be negatively affected if the pandemic extends.

Consumer security

Revenue from consumer security increased by 8% to EUR 26.3 million (24.4m). Revenue from both operator and direct sales channels grew.

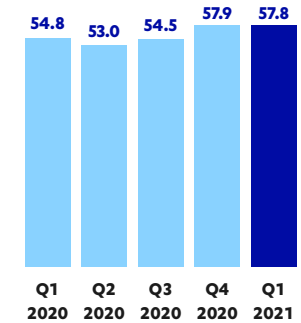
Operators

The operator channel revenue grew year-on-year, driven by the sale of core endpoint protection solutions in addition to operator partners expanding to F-Secure's new consumer products. The close cooperation with the global operator partner network and acceleration in digitalization since the pandemic outbreak have generated an increase in product activation and usage rates.

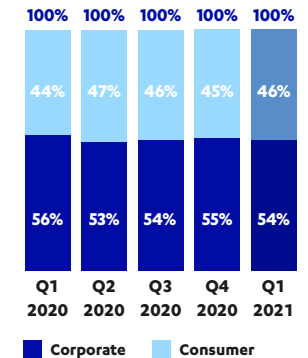
Direct sales

Revenue from the direct sales to consumers grew year-on-year, driven by the performance of our bundled solution, F-Secure TOTAL. The renewal performance continued on a good level.

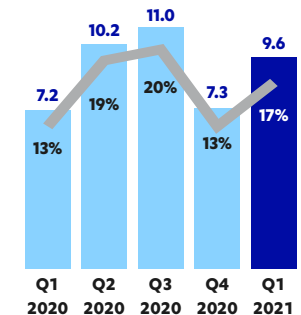
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Gross margin

Gross margin increased by EUR 3.2 million to 45.6 million (42.4m) and was 78.9% of revenue (77.3%). 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 remained at the previous year's level and were 36.4 million (35.7m). Cost increases in administration and R&D were offset partially by lower sales and marketing costs.

Depreciation and amortization decreased by EUR 0.6 million to 3.5 million (4.1m), where PPA amortization from acquisitions was EUR 0.8 million (0.9m).

Profitability

Adjusted EBITDA was EUR 9.6 million and 16.7% of revenue (7.2m, 13.2%) and adjusted EBIT was EUR 6.9 million and 11.9% of revenue (4.0m, 7.4%). Profitability improved as revenue and relative gross margin increased while operating expenses remained at a similar level as the previous year.

EBIT was EUR 6.2 million and 10.6% of revenue (3.6m, 6.5%) including EUR 0.8 million of PPA amortization (0.9m).

Cash flow

Cash flow from operating activities before financial items and taxes decreased and was 6.3m (9.6m). Changes in net working capital due primarily to an increase in current receivables had a negative impact on operative cash flows. Cash flow from operations was EUR 3.6 million (8.4m).

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	1-3/2021	1-3/2020	Change %	1-12/2020
Cash and financial assets at fair value through P&L	47.1	26.3	80%	51.4
Bank loans, non-current	19.0	25.0	-24%	19.0
Lease liabilities, non-current	5.7	3.8	49%	4.9
Bank loans, current	6.0	6.0	0%	11.0
Lease liabilities, current	4.3	5.1	-15%	4.9
Capital expenditure	3.7	2.7	41%	14.3
Capitalized development expenses	1.3	1.6	-19%	5.5
ROI, %	22.5%	15.9%		18.5%
Equity ratio, %	54.0%	49.2%		52.5%
Gearing, %	-14.2%	19.5%		-14.1%

The financial position remained solid. The company has liquid assets of EUR 47.1 million (26.3m) and interest-bearing bank debt of EUR 25.0 million (31.0m), with repayments due at the end of the second quarter (3m) and at the end of the year (3m) in 2021. In the current quarter, a repayment of EUR 5.0 million of the revolving credit facility was made. To guarantee liquidity, F-Secure has EUR 23 million committed revolving credit facility that was undrawn at the end of the quarter.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,670 employees, which shows a net decrease of 8 employees (0%) since the beginning of the year (1,678 on 31 December 2020), and a net decrease of 18 employees (1%) compared to the end of March 2020 (1,688).

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).

In March 2021, Charlotte Guillou started as Executive Vice President, People Operations & Culture.

SHARES, SHAREHOLDERS' EQUITY, OWN SHARES

The total number of company shares is currently 158,798,739. The company's registered shareholders' equity is EUR 1,551,311.18. The company held 441,790 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.

F-Secure announced on 7 April 2021 that it had transferred without consideration a total of 30,432 of the company's own shares to members of the Board of Directors. Following the transfer, F-Secure Corporation holds a total of 411,358 of its own shares.

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 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 as the impacts of the pandemic on customers may arise in the longer term, management has reassessed the allowances for expected credit losses under IFRS 9 and a slight increase has been incorporated in the calculation of expected credit losses.

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 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.

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 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.

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.

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



ANNUAL GENERAL MEETING

The Annual General Meeting of F-Secure Corporation was held on 24 March 2021. The Meeting confirmed the financial statements for the financial year 2020 and reviewed the remuneration policy and remuneration report for governing bodies. The members of the Board and the President and CEO were discharged from liability.

The Annual General meeting approved the proposal of the Board of Directors that a dividend of EUR 0.04 per share shall be paid from the parent company's distributable funds to shareholders who are registered in the Company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date, 26 March 2021. The dividend was paid on 8 April 2021.

The Annual General Meeting decided that the annual remuneration of the Board of Directors remain unchanged: EUR 80,000 for the Chairman of the Board of Directors, EUR 48,000 for the Committee Chairmen, EUR 38,000 for the members of the Committees, and EUR 12,667 for a member of the Board of Directors belonging to the personnel of the Company. Approximately 40% of the annual remuneration will be paid as company shares.

The Annual General Meeting decided that the number of Board members shall be seven. The following current Board members were re-elected: Risto Siilasmaa, Keith Bannister, Pertti Ervi, Päivi Rekonen and Tuomas Syrjänen. Åsa Riisberg and Robin Wikström, who belongs to the personnel of F-Secure Corporation, were elected as new members of the Board of Directors.

The Board elected Risto Siilasmaa as the Chairman of the Board. Päivi Rekonen was nominated as the Chair to the Personnel Committee and Risto Siilasmaa and Tuomas Syrjänen as members of the Personnel Committee. Pertti Ervi was nominated as the Chairman of the Audit Committee and Keith Bannister, Åsa Riisberg and Robin Wikström were nominated as members of the Audit Committee.

It was decided that the Auditor's fee will be paid against approved invoice. PricewaterhouseCoopers Oy was elected as the Group's auditor. APA, Mr. Janne Rajalahti acts as the responsible partner.

The Board of Directors was authorized to resolve to repurchase a maximum of 10,000,000 shares in the Company. Shares may be repurchased also otherwise than in proportion to the shareholders' holding in the Company. The authorization to repurchase the Company's own shares shall be valid until the conclusion of the next Annual General Meeting, in any case until no later than 30 June 2022.

The Board of Directors was authorized to decide on the issuance of a maximum of 15,879,874 shares in total through a share issue or by issuing special rights entitling to shares pursuant to chapter 10, section 1 of the Companies Act in one or several tranches. The proposed maximum number of the shares corresponds to approximately 10% of the Company's registered number of shares. The authorization entitles the Board of Directors to decide on all terms related to the share issue as well as the issuance of options and other special rights entitling to shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive subscription right (directed issue). The authorization is valid until the conclusion of the next Annual General Meeting, in any case until no later than 30 June 2022.

EVENTS AFTER PERIOD-END

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

ADDITIONAL INFORMATION

Financial calendar

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

- Half year financial report January–June 2021, July 15, 2021
- Interim report January–September 2021, October 21, 2021

Contact information



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KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	1-3/2021	1-3/2020	1-12/2020
Revenue	57.8	54.8	220.2
Consumer security	26.3	24.4	100.1
Corporate security	31.5	30.4	120.1
Products	19.5	18.6	74.3
Consulting	12.0	11.9	45.8
Gross margin	45.6	42.4	172.2
Gross margin, % of revenue	78.9%	77.3%	78.2%
Operating expenses	-39.9	-39.3	-154.6
Operating expenses for adjusted EBITDA	-36.4	-35.7	-138.5
Adjusted EBITDA	9.6	7.2	35.7
Adjusted EBITDA, % of revenue	16.7%	13.2%	16.2%
EBITDA	9.6	7.6	35.7
EBITDA, % of revenue	16.7%	13.9%	16.2%
Adjusted EBIT	6.9	4.0	22.9
Adjusted EBIT, % of revenue	11.9%	7.4%	10.4%
EBIT	6.2	3.6	19.7
EBIT, % of revenue	10.6%	6.5%	8.9%
ROI, %	22.5%	15.9%	18.5%
ROE, %	23.4%	11.4%	16.2%
CAPITAL STRUCTURE			
Equity ratio, %	54.0%	49.2%	52.5%
Gearing, %	-14.2%	19.5%	-14.1%
Interest bearing liabilities	35.0	39.9	39.9
Cash and financial assets at FVTPL	47.1	26.3	51.4
SHARE RELATED			
Earnings per share, basic and diluted	0.03	0.01	0.08
Shareholders' equity per share, EUR	0.54	0.44	0.52
OTHER			
Capitalized expenditure, MEUR excl. acquisition	3.7	2.7	14.3
Capitalized development expenses, MEUR	1.3	1.6	5.5
Depreciation and amortization excl. PPA amortization, MEUR	-2.7	-3.2	-12.9
Depreciation and amortization, MEUR	-3.5	-4.1	-16.0
Personnel, average	1,669	1,682	1,691
Personnel, period end	1,670	1,688	1,678

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 2020.

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

INCOME STATEMENT

	1-3/2021	1-3/2020	Change %	1-12/2020
Revenue	57.8	54.8	5%	220.2
Cost of revenue	-12.2	-12.4	-2%	-48.0
Gross margin	45.6	42.4	8%	172.2
Other operating income	0.5	0.5	-11%	2.1
Sales and marketing	-23.7	-25.3	-6%	-95.6
Research and development	-11.2	-10.3	8%	-41.8
Administration	-5.2	-3.7	38%	-17.1
EBIT	6.2	3.6	72%	19.7
Financial net	0.3	-1.3	-120%	-3.2
Result before taxes	6.4	2.3	181%	16.5
Income taxes	-1.5	-0.2		-3.6
Result for the period total	4.9	2.1	136%	12.9
Other comprehensive income				
Exchange differences on translating foreign operations	4.5	-8.9		3.2
Total comprehensive income (parent company owners)	9.4	-6.8	-237%	16.1
Earnings per share				
Earnings per share, basic and diluted, EUR	0.03	0.01	136%	0.08

BALANCE SHEET

Assets	31 Mar 2021	31 Mar 2020	31 Dec 2020
Tangible assets	14.3	14.0	14.1
Intangible assets	34.3	35.1	34.0
Goodwill	85.6	80.4	81.9
Deferred tax assets	3.8	3.1	4.0
Other receivables	0.6	0.6	0.6
Total non-current assets	138.6	133.2	134.6
Inventories	0.1	0.1	0.1
Accrued income	3.2	4.3	3.4
Trade and other receivables ¹⁾	52.6	47.2	47.5
Income tax receivables	0.9	4.6	0.9
Financial asset at fair value through profit and loss	0.1	0.1	0.1
Cash and bank accounts	47.1	26.2	51.4
Total current assets	103.9	82.5	103.2
Total assets	242.5	215.7	237.8
Shareholders' equity and liabilities	31 Mar 2021	31 Mar 2020	31 Dec 2020
Equity	85.6	69.9	82.3
Interest bearing liabilities, non-current	24.7	28.8	23.9
Deferred tax liability	0.9	2.7	1.3
Deferred revenue, non-current	27.2	19.2	23.8
Other non-current liabilities	0.3	1.0	1.5
Obligatory provisions		0.5	
Total non-current liabilities	53.2	52.3	50.6
Interest bearing liabilities, current	10.3	11.1	15.9
Trade and other payables	31.7	25.0	26.1
Income tax liabilities	5.0	3.1	5.7
Deferred revenue, current	56.8	54.4	57.2
Total current liabilities	97.4	93.5	104.9
Total liabilities and equity	242.5	215.7	237.8

¹⁾ Management has assessed potential impact on trade receivables under pandemic situation and adjusted IFRS 9 bad debt provision during first half 2020.

CASH FLOW STATEMENT

	1-3/2021	1-3/2020	1-12/2020
Cash flow from operations			
Result for the financial year	4.9	2.1	12.9
Adjustments	5.2	6.2	24.7
Cash flow from operations before change in working capital	10.1	8.3	37.5
Change in net working capital	-3.8	1.3	10.8
Cash flow from operating activities before financial items and taxes	6.3	9.6	48.3
Net financial items and taxes	-2.8	-1.2	-1.6
Cash flows from operating activities	3.6	8.4	46.7
Cash flow from investments			
Net investments in tangible and intangible assets	-1.4	-2.6	-7.9
Acquisition of subsidiaries, net of cash acquired ¹⁾		-3.7	-3.7
Cash flow from investments	-1.4	-6.3	-11.6
Cash flow from financing activities			
Proceeds from interest-bearing liabilities			10.0
Repayments of interest bearing liabilities	-5.0		-11.0
Repayments of lease liabilities	-1.5	-1.5	-7.3
Cash flow from financing activities	-6.5	-1.5	-8.3
Change in cash	-4.4	0.7	26.9
Cash and bank at the beginning of the period	51.4	25.4	25.4
Effect of exchange rate changes on cash	0.1	0.1	-0.9
Cash and bank at period end	47.1	26.2	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	67.2	3.2	76.2
Total comprehensive income for the year					2.1	-8.9	-6.8
Cost of share based payments			0.2	0.5	-0.1		0.6
Equity 31 Mar 2020	1.6	0.2	6.4	-1.7	69.1	-5.7	69.9
	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					4.9	4.5	9.4
Dividend ¹⁾					-6.3		-6.3
Cost of share based payments			0.3	0.4	-0.4		0.2
Equity 31 Mar 2021	1.6	0.2	6.7	-0.9	77.7	0.4	85.6

¹⁾ Dividend payable recorded following the approval of AGM on 24 Mar 2021.

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates			End rates		
	1-3/2021	1-3/2020	1-12/2020	31 Mar 2021	31 Mar 2020	31 Dec 2020
USD	1.2176	1.1088	1.1384	1.1725	1.0956	1.2271
GBP	0.8845	0.8486	0.8853	0.8521	0.8864	0.8990
JPY	127.46	120.55	121.51	129.91	118.90	126.49

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-3/2021	1-12/2020
USD	-0.2/+0.3	-0.4/+0.5
GBP	+/-0.1	+/-0.1
JPY	-0.4/+0.3	+/-0.1

2 SEGMENT INFORMATION

The Group has only one segment (security).

	1-3/2021	1-3/2020	1-12/2020
Revenue	57.8	54.8	220.2
Cost of revenue	-12.2	-12.4	-48.0
Gross margin	45.6	42.4	172.2
Other operating income	0.5	0.5	2.1
Sales and marketing	-23.7	-25.3	-95.6
Research and development	-11.1	-10.3	-41.8
Administration	-5.2	-3.7	-17.1
EBIT	6.2	3.6	19.7
Financial net	0.3	-1.3	-3.2
Result before taxes	6.4	2.3	16.5

Disaggregation of revenue

By sales channels	1-3/2021	1-3/2020	1-12/2020
Consumer security	26.3	24.4	100.1
Corporate security	31.5	30.4	120.1
Products	19.5	18.6	74.3
Consulting	12.0	11.9	45.8
Total revenue	57.8	54.8	220.2

By geographical area	1-3/2021	1-3/2020	1-12/2020
Nordic countries	19.3	17.3	70.9
Europe (excl. Nordics)	26.0	24.9	98.9
North America	5.7	5.6	23.2
Rest of the world	6.9	7.0	27.1
Total revenue	57.8	54.8	220.2

3 INTANGIBLE AND TANGIBLE ASSETS

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Book value at the beginning of the period	130.0	140.6	140.6
Additions	3.7	2.7	14.3
Disposals	-0.7	-0.1	-0.6
Depreciation and amortization	-3.5	-4.1	-15.6
Impairment			-0.3
Translation differences	4.7	-9.5	-8.3
Book value at the end of the period	134.2	129.5	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		47.1		47.1				
Financial assets at FVTPL	0.1			0.1		0.1		0.1
Bank loans			25.0	25.0		25.0		25.0
Trade payables			3.9	3.9		3.9		3.9
Contractual maturities of financial liabilities		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 5 years	Total contractual cash flows	Carrying amount
Bank loans		6.0	6.0	13.0			25.0	25.0
Lease liabilities		4.3	3.4	1.6	0.6		10.0	10.0
Total financial liabilities		10.3	9.4	14.6	0.6	0.0	35.0	35.0

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. Repayments of EUR 5m each were made of RCF in Q4 2020 and Q1 2021.

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.

	1-3/2021	1-3/2020	1-12/2020
Adjusted EBITDA	9.6	7.2	35.7
Adjustments to EBITDA			
Costs related to restructuring		0.4	0.0
EBITDA	9.6	7.6	35.7
Depreciation, amortization and impairment losses	-3.5	-4.1	-16.0
EBIT	6.2	3.6	19.7
	1-3/2021	1-3/2020	1-12/2020
Adjusted EBIT	6.9	4.0	22.9
Adjustments to EBIT			
PPA amortization	-0.8	-0.9	-3.2
Costs related to restructuring		0.4	0.0
EBIT	6.2	3.6	19.7

Classification of adjusted costs in operating expenses

	Operating Expenses 1-3/2021	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1-3/2021
Sales and marketing	-23.7	-23.7	1.3		-22.4
Research and development	-11.1	-11.1	1.2		-9.8
Administration	-5.2	-5.2	0.2	0.8	-4.2
Operating expenses	-39.9	-39.9	2.7	0.8	-36.4

6 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY

	1–3/2021	10–12/2020	7–9/2020	4–6/2020	1–3/2020
Revenue	57.8	57.9	54.5	53.0	54.8
Cost of revenue	-12.2	-12.2	-11.8	-11.6	-12.4
Gross margin	45.6	45.7	42.7	41.4	42.4
Other operating income	0.5	0.4	0.4	0.8	0.5
Sales and marketing	-23.7	-26.2	-22.5	-21.7	-25.3
Research and development	-11.1	-11.7	-9.6	-10.2	-10.3
Administration	-5.2	-5.2	-4.1	-4.2	-3.7
EBIT	6.2	3.1	6.9	6.0	3.6
Financial net	0.3	-0.6	-0.6	-0.7	-1.3
Result before taxes	6.4	2.6	6.3	5.3	2.3
Income taxes	-1.5	0.1	-1.3	-2.2	-0.2
Result for the period total	4.9	2.7	5.0	3.1	2.1

EARNINGS PER SHARE QUARTERLY

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

Gross margin, % of revenue	78.9%	79.0%	78.3%	78.2%	77.3%
Adjusted EBITDA	9.6	7.3	11.0	10.2	7.2
Adjusted EBITDA, % of revenue	16.7%	12.6%	20.2%	19.3%	13.2%
Adjusted EBIT	6.9	4.3	7.7	6.9	4.0
Adjusted EBIT, % of revenue	11.9%	7.4%	14.0%	12.9%	7.4%
ROI, %	22.5%	11.6%	24.2%	22.5%	15.9%
ROE, %	23.4%	13.4%	27.3%	17.5%	11.4%
Equity ratio, % (YTD)	54.0%	52.5%	49.2%	46.3%	49.2%
Gearing, % (YTD)	-14.2%	-14.1%	8.4%	14.3%	19.5%
Interest bearing liabilities	35.0	39.9	49.2	50.0	39.9
Cash and financial assets at FVTPL	47.1	51.4	42.8	39.8	26.3
Capitalized expenditure, MEUR excl. acquisition	3.7	2.1	2.4	7.1	2.7
Capitalized development expenses, MEUR	1.3	1.3	1.3	1.3	1.6
Depreciation and amortization excl. PPA amortization, MEUR	-2.7	-3.0	-3.3	-3.3	-3.2
Depreciation and amortization, MEUR	-3.5	-3.7	-4.1	-4.2	-4.1
Personnel, period end	1,670	1,678	1,693	1,713	1,688

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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