

**F-SECURE HALF YEAR REPORT
1 JANUARY – 30 JUNE 2020**

**IMPROVED PROFITABILITY IN
CHALLENGING MARKET ENVIRONMENT**



HIGHLIGHTS OF APRIL–JUNE (Q2)

- Revenue remained at previous year's level, and was EUR 53.0 million (54.1m)
- Revenue from corporate security decreased by 6% to EUR 28.2 million (30.1m)
- Revenue from consumer security increased by 3% to EUR 24.8 million (24.0m)
- Adjusted EBITDA was EUR 10.2 million (4.8m), 19.3% of revenue (8.9%)
- EBIT was EUR 6.0 million (3.3m), 11.4% of revenue (6.1%)
- Earnings per share (EPS) was EUR 0.02 (EUR 0.02)
- Cash flow from operating activities before financial items and taxes was EUR 11.4 million (6.9m)
- F-Secure withdrew its financial outlook for 2020 in April due to COVID-19 related market uncertainties


HIGHLIGHTS OF JANUARY–JUNE (H1)

- Revenue remained at previous year's level, and was EUR 107.8 million (107.5m)
- Revenue from corporate security remained at previous year's level, and was EUR 58.7 million (59.5m)
- Revenue from consumer security remained at previous year's level, and was EUR 49.2 million (48.0m)
- Adjusted EBITDA was EUR 17.4 million (9.8m), 16.2% of revenue (9.1%)
- EBIT was 9.6 million (3.9m), 8.9% of revenue (3.6%)
- Earnings per share (EPS) was EUR 0.03 (EUR 0.01)
- Cash flow from operating activities before financial items and taxes was EUR 21.0 million (6.6m)
- F-Secure withdrew its financial outlook for 2020 in April due to COVID-19 related market uncertainties

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

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



CEO SAMU KONTTINEN

“I AM HAPPY WITH HOW WELL WE HAVE MANAGED TO HANDLE OUR OPERATIONS IN THESE EXTRAORDINARY TIMES AND KEEP OUR CUSTOMERS PROTECTED 24/7”

During the second quarter F-Secure’s revenue remained at the previous year’s level and reached EUR 53.0 million. The global pandemic influenced negatively growth in corporate security, especially the consulting business was severely hit by COVID-19, whereas consumer security showed its resilience and grew by 3%. In these challenging market conditions, we reached an EBITDA margin of 19%.

The company has been working remotely for the whole quarter and I am happy with how well we have managed to handle our operations in these extraordinary times and keep our customers protected 24/7. In Q2 the negative topline impact related to the pandemic

was limited to our consulting business and slightly to our MDR business as well, while the latter continued to grow. F-Secure’s software product businesses for both corporate and consumer markets have only been impacted by the COVID-19 to a limited extent. I was pleased to see us prudently manage costs, along with the exceptionally low sales and marketing activity also helped us to achieve strong profitability. We expect business operations to start normalizing in the coming quarters which will bring costs back to pre-pandemic levels.

Managed Detection and Response (MDR) solutions continued to grow although at a slower pace due to the pandemic impacting new sales. In Q2, we won new customers in several European countries in the fields of engineering, finance, critical infrastructure, and in the public sector. The underlying demand for the managed detection and response solutions remains good, while we expect quarterly variation in new sales to continue.

The endpoint security business continued to grow slightly while orders grew faster than the revenue. The second quarter was characterized by good performance in new sales across several countries. Our cloud-native products in Endpoint Protection (EPP) and Endpoint Detection

and Response (EDR) are increasingly sold as a bundle because customers value a unified management interface. Cloud Protection for Microsoft Office 365 was launched to address email security challenges, which are still the main initial attack vectors in breaches. This is a nice addition to our Cloud Protection for Salesforce solution, which is gaining traction in the market.

Cyber security consulting was hit by the COVID-19 pandemic, which led to a significant reduction in revenue from the previous year. We have countered the low utilization rates in impacted countries through means such as furloughs. The pandemic has often blocked access to customer sites and so put projects that require on-site work on hold. New client acquisition faced a significant slowdown as well. On the other hand, threat actors have not decreased their activity during the pandemic, which resulted in several Incident Response assignments. This is a prime example of how the demand for cyber security does not follow economic patterns. Towards the end of the quarter, our sales performance improved, but the pandemic still casts a shadow on the predictability of the business.

In consumer security, the resilient operator channel has mainly been unaffected by the market uncertainties. Direct sales continued to perform well with a solid quarter in ecommerce. I was pleased to see us win three new operator partners, out of which two are in the US and one in Europe. The sales of F-Secure ID PROTECTION progressed well as we secured multiple new operator deals during the quarter and the product was launched in our own e-store in June.

Despite the ongoing global pandemic, the long-term outlook of all F-Secure’s businesses remains to be attractive as the cyber security market fundamentals have not changed.

CEO Samu Konttinen

FINANCIAL PERFORMANCE

EUR m	4–6/2020	4–6/2019	Change %	1–6/2020	1–6/2019	Change %	1–12/2019
Revenue	53.0	54.1	–2%	107.8	107.5	0%	217.3
Consumer security	24.8	24.0	3%	49.2	48.0	2%	94.8
Corporate security	28.2	30.1	–6%	58.7	59.5	–1%	122.5
Products	18.5	18.0	2%	37.0	35.8	3%	72.5
Consulting	9.7	12.1	–19%	21.6	23.7	–9%	50.0
Cost of revenue	–11.6	–12.5	–8%	–24.0	–25.1	–4%	–50.5
Gross Margin	41.4	41.6	0%	83.8	82.4	2%	166.8
Other operating income ¹⁾	0.8	0.5	55%	1.3	0.7	87%	1.5
Operating expenses ¹⁾	–31.9	–37.3	–15%	–67.6	–73.3	–8%	–145.1
Sales & Marketing	–20.1	–26.5	–24%	–43.8	–50.6	–13%	–99.4
Research & Development	–8.7	–7.8	11%	–17.5	–16.5	6%	–33.2
Administration	–3.1	–3.0	4%	–6.2	–6.2	0%	–12.4
Adjusted EBITDA ²⁾	10.2	4.8	111%	17.4	9.8	78%	23.2
of revenue, %	19.3%	8.9%		16.2%	9.1%		10.7%
Adjustment to operating income		9.1			9.1		12.5
Restructuring				0.4			–4.6
EBITDA	10.2	13.9	–27%	17.8	18.9	–5%	31.1
of revenue, %	19.3%	25.7%		16.6%	17.6%		14.3%
Depreciation & amortization	–3.3	–3.4	–2%	–6.5	–6.7	–3%	–13.6
Impairment		–6.0			–6.0		
PPA amortization	–0.8	–1.1	–28%	–1.7	–2.3	–26%	–4.1
EBIT	6.0	3.3	85%	9.6	3.9	149%	7.2
of revenue, %	11.4%	6.1%		8.9%	3.6%		3.3%
Adjusted EBIT ²⁾	6.9	1.4	402%	10.9	3.1	250%	9.6
of revenue, %	12.9%	2.5%		10.1%	2.9%		4.4%
Earnings per share, (EUR) ³⁾	0.02	0.02	–10%	0.03	0.01	155%	0.02
Deferred revenue				72.3	71.0	2%	73.9
Cash flow from operations before financial items and taxes	11.4	6.9	64%	21.0	6.6	219%	19.0
Cash and financial assets at fair value through P&L				39.8	25.5	56%	25.5
ROI, %	22.5%	11.9%	89%	18.5%	7.7%	139%	7.8%
Equity ratio, %				46.3%	44.3%	5%	49.0%
Gearing, %				14.3%	30.0%	–52%	20.8%
Personnel, end of period				1,713	1,710	0%	1,696

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

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

³⁾ Based on the weighted average number of outstanding shares during the period 157,995,583 (1–6/2020).

Second quarter (Q2)

Total revenue in April–June remained at previous year's level, and was EUR 53.0 million (54.1 m). The share of corporate security of total revenue was 53% (56%).

Corporate security

Revenue from corporate security decreased by 6% year-on-year to EUR 28.2 million (30.1m) due to the negative impact of the COVID-19 pandemic on cyber security consulting.

Products

Revenue from corporate security products remained at previous year's level, and was EUR 18.5 million (18.0m).

Revenue from Endpoint Protection (EPP) solutions increased slightly from the previous year's level, excluding the effect from discontinued products. In Q2, the order intake grew faster than the revenue. The renewal performance with existing EPP installations was good. The increasing demand for solutions that are sold adjacent to traditional EPP continued. F-Secure also had several new customer wins in cloud platform security. The sales of new solutions grew although most of the business still comes from traditional EPP. Until now, this business has been impacted by the pandemic only to a limited extent.

Revenue from Managed Detection and Response (MDR) solutions (F-Secure Countercept) increased well compared to the previous year's level. Renewal performance continued on a good level in Q2. New F-Secure Countercept deals were closed in various customer verticals, in countries such as Germany, France and Finland. Additionally, a considerable extension to an existing multi-year deal with a European logistics company proves our service quality. The new customer acquisition of MDR may be further impacted by the COVID-19 pandemic due to the high-touch sales approach and long sales cycles.

Cyber security consulting

Revenue from cyber security consulting decreased by 19% to EUR 9.7 million (12.1m).

The revenue from cyber security consulting decreased significantly. The COVID-19 pandemic caused a slowdown in sales, blocked physical access to some customer sites, and made customers evaluate more cautiously how much to spend on cyber security. Low utilization rates have been countered in impacted countries with furloughs. In the Nordics, a particularly large project is in its finalization phase, which meant a reduction in scope when compared to the previous year. Positives in the challenging quarter included our improved ability to deliver assignments remotely, better sales performance towards the end of the quarter, and increased demand for our spearhead offering, Incident Response assignments. Nevertheless, the predictability of the consulting business is still low and the business is expected to be negatively affected if the pandemic prolongs.

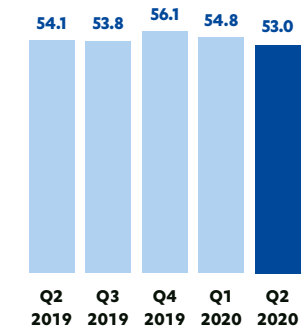
Consumer security

Revenue from consumer security increased by 3% to EUR 24.8 million (24.0m) during the quarter.

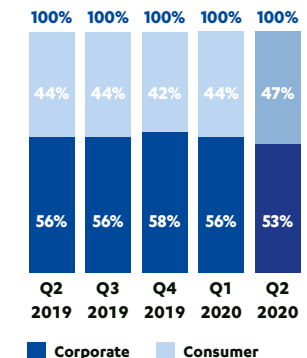
Operators

Revenue from the operator channel grew slightly from the previous year's level. F-Secure works in close cooperation with its broad global network of partners, which continues to result in a moderate increase of product activation rates. Importantly, F-Secure was able to close new deals for F-Secure SENSE and F-Secure ID PROTECTION despite the challenging market conditions. However, revenue impact from these solutions is expected to be small in the short term. The COVID-19 pandemic has had only limited impact on operator sales.

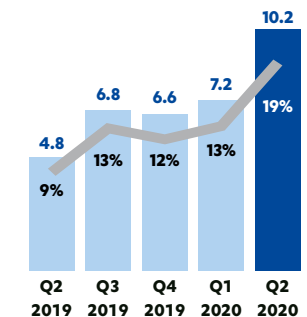
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Direct sales

Revenue from direct sales to consumers grew slightly from the previous year's level. In Q2, F-Secure ID PROTECTION was launched also to the direct sales channel. The renewal performance including our bundled solution, F-Secure TOTAL, continued at a good level. Ecommerce has performed well despite the COVID-19 pandemic, whereas some negative impact has occurred in retail sales although it is a considerably smaller share of direct sales to consumers.

Gross margin

Gross margin remained at previous year's level, and was EUR 41.4 million (41.6m). Relative gross margin was 78% of revenue (77%). Relative gross margin increased compared to the previous year as cyber security services' share of all revenue decreased.

Operating expenses

Operating expenses excluding depreciation and amortization decreased by EUR 5.4 million, and was 31.9 million (37.3m) especially due to lower sales and marketing activity driven by the COVID-19 pandemic. Activity levels of business operations are expected to start normalizing in the coming quarters which will bring costs back to pre-pandemic levels.

Depreciation and amortization decreased by EUR 0.4 million to 4.2 million (4.6m), where PPA amortization from acquisitions was EUR 0.8 million (1.1m).

Profitability

EBITDA was EUR 10.2 million and 19.3% of revenue (4.8m, 8.9%) and adjusted EBIT was EUR 6.9 million and 12.9% of revenue (1.4m, 2.5%). Profitability was improved due to cost savings as operating costs and cost of revenue decreased from the previous year.

EBIT was EUR 6.0 million and 11.4% of revenue (3.3m, 6.1%) including EUR 0.8 million of PPA amortization. EBITDA does not include adjustments during second quarter.

Cash flow

Cash flow from operating activities before financial items and taxes improved significantly and was 11.4m (6.9m). Group result excluding non-cash flow impacting items such as adjustments to PPA improved generating a more positive cash flow. Cash flow from operations was EUR 10.6 million (9.6m).

January–June (H1)

Total revenue in January–June remained at the previous year's level, and was EUR 107.8 million (107.5m). Corporate security represented 54% (56%) of all revenue, and consumer security 46% (44%) of all revenue.

Corporate security

Revenue from corporate security remained at the previous year's level, and was EUR 58.7 million (59.5m). Corporate product revenue increased by 3% whereas cyber security consulting decreased by 9%.

Consumer security

Revenue from consumer security remained at the previous year's level, and was EUR 49.2 million (48.0m). Operator channel revenue grew slightly while direct business remained at the previous year's level.

Gross margin

Gross margin remained at previous year's level, and was EUR 83.8 million (82.4m), or 78% of revenue (77%). Relative gross margin increased compared to the previous year as cyber security services' share of all revenue decreased.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment decreased by EUR 5.7 million to 67.6 million (73.3m) especially due to lower sales and marketing activity driven by the COVID-19 pandemic. Activity levels of business operations are expected to start normalizing in the coming quarters which will bring costs back to pre-pandemic levels.

Depreciation and amortization remained at the previous year's level and was 6.7 million (6.5m). PPA amortization from acquisition of MWR InfoSecurity was EUR 1.7 million. An impairment of goodwill EUR 6.0 million was booked during comparative period.

Profitability

Adjusted EBITDA was EUR 17.4 million and 16.2% of revenue (9.8m, 9.1%) and adjusted EBIT was EUR 10.9 million and 10.1% of revenue (3.1m, 2.9%). Profitability was improved due to cost savings as operating costs and cost of revenue decreased from the previous year.

EBITDA was EUR 17.8 million and 16.6% of revenue (18.9m, 17.6%). EBIT was EUR 9.6 million and 8.9% of revenue (3.9m, 3.6%) including EUR 1.7 million of PPA amortization.

Cash flow

Cash flow from operating activities before financial items and taxes improved significantly, and was EUR 21.0 million (6.6m). Group result excluding non-cash flow impacting items such as adjustments to PPA improved generating a more positive cash flow. In addition, changes in net working capital increased cash flow by 7.1 million. Cash flow from operations was EUR 19.0 million (8.3m).

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	4–6/2020	4–6/2019	Change %	1–6/2020	1–6/2019	Change %	1–12/2019
Cash and financial assets at fair value through P&L				39.8	25.5	56%	25.5
Interest bearing liabilities, non-current				29.6	34.2	-13%	29.5
Interest bearing liabilities, current				20.4	12.2	67%	11.9
Capital expenditure	7.1	5.6	26%	9.7	7.4	32%	12.8
Capitalized development expenses	1.5	2.2	-32%	3.1	3.4	-10%	6.2
ROI, %	22.5%	11.9%		18.5%	7.7%		7.8%
Equity ratio, %				46.3%	44.3%		49.0%
Gearing, %				14.3%	30.0%		20.8%

Financial position remained solid. Bank loan repayment of EUR 3.0 million was made according to the agreement at the end of Q2. The company has liquid assets of EUR 39.8 million (25.5m) and interest bearing bank debt of EUR 38.0 million (34.0m) out of which remaining repayment in 2020 is due at the year-end (3.0m). F-Secure has EUR 23.0 million committed revolving credit facility out of which EUR 10.0 million was withdrawn during the second quarter to decrease short-term liquidity risk under pandemic. Revolving credit facility is presented in current interest bearing liabilities.

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

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,713 employees, which shows a net increase of 17 employees (1%) since the beginning of the year (1,696 on 31 December 2019), and an increase of 3 employees (0%) compared with end of June in 2019 (1,710).

Leadership team

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

Samu Konttinen (CEO), Antti Hovila (Strategy, Brand & Communications), Kristian Järnefelt (Consumer Security), Juha Kivikoski (Business Security), Ian Shaw (Cyber Security Consulting), Tim Orchard (Managed Detection & Response) Jari Still (Information & Business Services), Jyrki Tulokas (Security Research & Technologies), Eriikka Söderström (CFO), and Eva Tuominen (People Operations & Culture).

SHARES, SHAREHOLDERS' EQUITY, OWN SHARES

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

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

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

RISKS AND UNCERTAINTIES

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

COVID-19 pandemic

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

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

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

Endpoint protection market disruption

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

Market consolidation

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

Risks relating to launch of new technologies

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

Attracting and retaining talent

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

Geopolitical risks

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

Currency fluctuations

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

MARKET OVERVIEW

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

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

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

F-SECURE PRODUCTS AND SERVICES

Corporate security

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

Detection & Response solutions (EDR & MDR)

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

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

Prevention solutions

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

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

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

Prediction solutions

F-Secure Radar – Vulnerability scanning and management platform

phishd – Anti-phishing behavior management platform

Cyber security services

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

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



Consumer security

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

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

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

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

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

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



ANNUAL GENERAL MEETING

The Annual General Meeting of F-Secure Corporation was held on 12 May 2020. The Meeting confirmed the financial statements for the financial year 2019. The members of the Board and the President and CEO were discharged from liability.

The following current Board members were re-elected: Tuomas Syrjänen, Pertti Ervi, Bruce Oreck, Päivi Rekonen and Risto Siilasmaa. Keith Bannister and Robert Bearsby, 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. The Board nominated Siilasmaa as the Chairman of the Personnel Committee and Bruce Oreck and Päivi Rekonen as members of the Personnel Committee. Pertti Ervi was nominated as the Chairman of the Audit Committee and Tuomas Syrjänen, Keith Bannister and Robert Bearsby were nominated as members of the Audit Committee.

The Annual General Meeting decided to distribute no dividend for fiscal year 2019.

The AGM approved all proposals made by the Board of Directors as described in the Notice of the AGM published on April 14, 2020. The resolutions of the AGM can be found in the Company's stock exchange release of May 12, 2020.

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 2020, F-Secure Corporation will publish financial information as follows:

- Interim report January–September 2020, October 29, 2020

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KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Revenue	53.0	54.1	107.8	107.5	217.3
Consumer security	24.8	24.0	49.2	48.0	94.8
Corporate security	28.2	30.1	58.7	59.5	122.5
Products	18.5	18.0	37.0	35.8	72.5
Consulting	9.7	12.1	21.6	23.7	50.0
Gross margin	41.4	41.6	83.8	82.4	166.8
Gross margin, % of revenue	78.2%	76.9%	77.7%	76.7%	76.7%
Operating expenses	-36.2	-47.8	-75.5	-88.3	-173.7
Operating expenses for adjusted EBITDA	-31.9	-37.3	-67.6	-73.3	-145.1
Adjustment to other income		9.1		9.1	12.5
Adjusted EBITDA	10.2	4.8	17.4	9.8	23.2
Adjusted EBITDA, % of revenue	19.3%	8.9%	16.2%	9.1%	10.7%
EBITDA	10.2	13.9	17.8	18.9	31.1
EBITDA, % of revenue	19.3%	25.7%	16.6%	17.6%	14.3%
Adjusted EBIT	6.9	1.4	10.9	3.1	9.6
Adjusted EBIT, % of revenue	12.9%	2.5%	10.1%	2.9%	4.4%
EBIT	6.0	3.3	9.6	3.9	7.2
EBIT, % of revenue	11.4%	6.1%	8.9%	3.6%	3.3%
ROI, %	22.5%	11.9%	18.5%	7.7%	7.8%
ROE, %	17.5%	19.8%	14.0%	5.9%	4.7%
CAPITAL STRUCTURE					
Equity ratio, %			46.3%	44.3%	49.0%
Gearing, %			14.3%	30.0%	20.8%
Interest bearing liabilities			50.0	46.5	41.3
Cash and financial assets at FVTPL			39.8	25.5	25.5
SHARE RELATED					
Earnings per share, basic and diluted	0.02	0.02	0.03	0.01	0.02
Shareholders' equity per share, EUR			0.45	0.44	0.48
OTHER					
Capitalized expenditure, MEUR excl. acquisition	7.1	5.6	9.7	7.4	12.8
Capitalized development expenses, MEUR	1.5	2.2	3.1	3.4	6.2
Depreciation and amortization excl. PPA amortization, MEUR	-3.3	-3.4	-6.5	-6.7	-13.6
Depreciation and amortization	-4.2	-10.6	-8.2	-15.0	-24.0
Personnel, average	1,688	1,697	1,685	1,681	1,701
Personnel, period end			1,713	1,710	1,696

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

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

INCOME STATEMENT

	4–6/2020	4–6/2019	Change %	1–6/2020	1–6/2019	Change %	1–12/2019
Revenue	53.0	54.1	–2%	107.8	107.5	0%	217.3
Cost of revenue	–11.6	–12.5	–8%	–24.0	–25.1	–4%	–50.5
Gross margin	41.4	41.6	0%	83.8	82.4	2%	166.8
Other operating income ¹⁾	0.8	9.6	–92%	1.3	9.8	–87%	14.0
Sales and marketing	–21.7	–28.1	–23%	–47.0	–53.8	–13%	–106.0
Research and development	–10.2	–9.4	9%	–20.5	–19.6	5%	–39.5
Administration ²⁾	–4.2	–10.3	–60%	–7.9	–14.9	–47%	–28.1
EBIT	6.0	3.3	83%	9.6	3.9	148%	7.2
Financial net	–0.7	0.1		–2.0	–1.4	44%	–2.9
Result before taxes	5.3	3.4	54%	7.6	2.5	208%	4.2
Income taxes	–2.2	0.0		–2.4	–0.4	448%	–0.9
Result for the period total	3.1	3.4	–10%	5.2	2.0	156%	3.4
Other comprehensive income							
Exchange differences on translating foreign operations	–1.3	–3.0		–10.2	0.7		5.1
Total comprehensive income (parent company owners)	1.8	0.4	317%	–5.0	2.7	–284%	8.5
Earnings per share							
Earnings per share, basic and diluted, EUR	0.02	0.02	–10%	0.03	0.01	155%	0.02

¹⁾ Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 12.5m during 2019 (Q2: EUR 9.1m, Q4: EUR 3.4m) and EUR 6m impairment of goodwill was booked during Q2/2019.

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

BALANCE SHEET

Assets	30 Jun 2020	30 Jun 2019	31 Dec 2019
Tangible assets	17.1	17.7	15.6
Intangible assets	34.3	37.1	36.5
Goodwill ¹⁾	79.3	85.2	88.4
Deferred tax assets	3.0	3.9	3.1
Other receivables	0.6	0.6	0.6
Total non-current assets	134.3	144.5	144.2
Inventories	0.1	0.3	0.1
Accrued income	3.0	3.1	3.5
Trade and other receivables ²⁾	46.1	52.3	53.9
Income tax receivables	3.2	2.6	2.3
Financial asset at fair value through profit and loss	0.1	0.1	0.1
Cash and bank accounts	39.7	25.5	25.4
Total current assets	92.2	83.9	85.2
Total assets	226.5	228.4	229.4
Shareholders' equity and liabilities	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity	71.5	69.8	76.2
Interest bearing liabilities, non-current	29.6	34.2	29.5
Deferred tax liability	2.4	4.1	2.5
Deferred revenue, non-current	19.1	18.2	17.6
Other non-current liabilities	1.3	1.0	1.9
Obligatory provisions			3.0
Total non-current liabilities	52.4	57.5	54.4
Interest bearing liabilities, current	20.4	12.2	11.9
Trade and other payables	25.7	34.0	29.0
Income tax liabilities	3.3	2.1	1.5
Deferred revenue, current	53.2	52.8	56.4
Total current liabilities	102.6	101.1	98.8
Total liabilities and equity	226.5	228.4	229.4

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

²⁾ Management has assessed potential impact on trade receivables under pandemic situation and adjusted IFRS9 bad debt provision during first half.

CASH FLOW STATEMENT

	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Cash flow from operations					
Result for the financial year	3.1	3.4	5.2	2.0	3.4
Adjustments	6.9	2.0	13.1	8.9	22.2
Cash flow from operations before change in working capital	10.0	5.5	18.2	10.9	25.6
Change in net working capital	1.4	1.5	2.7	-4.4	-6.6
Cash flow from operating activities before financial items and taxes	11.4	6.9	21.0	6.6	19.0
Net financial items and taxes	-0.8	2.7	-2.0	1.7	-0.5
Cash flows from operating activities	10.6	9.6	19.0	8.3	18.5
Cash flow from investments					
Net investments in tangible and intangible assets	-2.2	-3.0	-4.8	-4.7	-8.5
Acquisition of subsidiaries, net of cash acquired			-3.7		
Cash flow from investments	-2.2	-3.0	-8.5	-4.7	-8.5
Cash flow from financing activities					
Change of interest bearing liabilities	5.3	-4.6	3.9	-6.1	-12.5
Own shares		0.1		0.1	
Cash flow from financing activities	5.3	-4.5	3.9	-6.0	-12.5
Change in cash	13.7	2.2	14.4	-2.4	-2.5
Cash and bank at the beginning of the period	26.2	23.4	25.4	27.8	27.8
Effect of exchange rate changes on cash	-0.2	-0.1	-0.1	0.1	0.1
Cash and bank at period end	39.7	25.5	39.7	25.5	25.4

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2018	1.6	0.2	6.1	-2.8	63.1	-1.8	66.3
Total comprehensive income for the year					2.0	0.7	2.7
Cost of share based payments			0.1	0.6	0.0		0.7
Equity 30 Jun 2019	1.6	0.2	6.2	-2.1	65.1	-1.1	69.7
	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

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

One Euro is	Average rates			End rates		
	1-6/2020	1-6/2019	1-12/2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
USD	1.1039	1.1151	1.1195	1.1198	1.1380	1.1234
GBP	0.8670	0.8869	0.8759	0.9124	0.8966	0.8508
JPY	119.29	121.27	121.96	120.66	122.60	121.59

Changes in exchange rates on profit before taxes

+/-10% FX rate change	1-6/2020	1-12/2019
USD	-0.3/+0.4	+/-0.3
GBP	-0.2/+0.3	+/-0.1
JPY	+/-0.3	+/-0.1

2 SEGMENT INFORMATION

The Group has only one segment (security).

	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Revenue	53.0	54.1	107.8	107.5	217.3
Cost of revenue	-11.6	-12.5	-24.0	-25.1	-50.5
Gross margin	41.4	41.6	83.8	82.4	166.8
Other operating income	0.8	9.6	1.3	9.8	14.0
Sales and marketing	-21.7	-28.1	-47.0	-53.8	-106.0
Research and development	-10.2	-9.4	-20.5	-19.6	-39.5
Administration	-4.2	-10.3	-7.9	-14.9	-28.1
EBIT	6.0	3.3	9.6	3.9	7.2
Financial net	-0.7	0.1	-2.0	-1.4	-2.9
Result before taxes	5.3	3.4	7.6	2.5	4.2

Disaggregation of revenue

By sales channels	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Consumer security	24.8	24.0	49.2	48.0	94.8
Corporate security	28.2	30.1	58.7	59.5	122.5
Products	18.5	18.0	37.0	35.8	72.5
Consulting	9.7	12.1	21.6	23.7	50.0
Total revenue	53.0	54.1	107.8	107.5	217.3

By geographical area	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Nordic countries	17.6	18.6	34.9	37.1	72.5
Europe excl. Nordics	22.9	23.7	47.9	47.2	96.2
North America	6.1	4.9	11.7	9.3	19.7
Rest of the world	6.4	6.9	13.3	13.8	28.9
Total revenue	53.0	54.1	107.8	107.5	217.3

3 INTANGIBLE AND TANGIBLE ASSETS

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Book value at the beginning of the period	140.6	134.2	134.2
Right-of-use assets at the beginning of the period		12.8	12.8
Additions	9.7	7.4	12.8
Disposals	-0.3	-0.1	-0.2
Depreciation and amortization	-8.1	-9.0	-18.0
Impairment		-6.0	-6.6
Translation differences	-11.2	0.6	5.4
Book value at the end of the period	130.7	140.1	140.6

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

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

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

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

	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Adjusted EBITDA	10.2	4.8	17.4	9.8	23.2
Adjustments to EBITDA					
Change in fair value of contingent consideration		9.1		9.1	12.5
Costs related to restructuring			0.4		-4.6
EBITDA	10.2	13.9	17.8	18.9	31.1
Depreciation, amortization and impairment losses	-4.2	-10.6	-8.2	-15.0	-24.0
EBIT	6.0	3.3	9.6	3.9	7.2
	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Adjusted EBIT	6.9	1.4	10.9	3.1	9.6
Adjustments to EBIT					
Change in fair value of contingent consideration		9.1		9.1	12.5
PPA amortization	-0.8	-1.1	-1.7	-2.3	-4.1
Impairment of goodwill		-6.0		-6.0	-6.3
Costs related to restructuring			0.4		-4.6
EBIT	6.0	3.3	9.6	3.9	7.2

Classification of adjusted costs in operating expenses

	Operating Expenses 4–6/2020	Items affecting comparability	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 4–6/2020
Sales and marketing	-21.7		-21.7	1.6		-20.1
Research and development	-10.2		-10.2	1.6		-8.7
Administration	-4.2		-4.2	0.2	0.8	-3.1
Operating expenses	-36.1		-36.1	3.3	0.8	-31.9
	Operating Expenses 1–6/2020	Costs relating to restructuring	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–6/2020
Sales and marketing	-47.0		-47.0	3.1		-43.8
Research and development	-20.5		-20.5	3.0		-17.5
Administration	-7.9	-0.4	-8.3	0.4	1.7	-6.2
Operating expenses	-75.4	-0.4	-75.8	6.5	1.7	-67.6

6 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY

	4–6/2020	1–3/2020	10–12/2019	7–9/2019	4–6/2019
Revenue	53.0	54.8	56.1	53.8	54.1
Cost of revenue	-11.6	-12.4	-12.9	-12.6	-12.5
Gross margin	41.4	42.4	43.2	41.2	41.6
Other operating income	0.8	0.5	3.9	0.4	9.6
Sales and marketing	-21.7	-25.3	-27.2	-25.0	-28.1
Research and development	-10.2	-10.3	-10.3	-9.7	-9.4
Administration	-4.2	-3.7	-8.9	-4.4	-10.3
EBIT	6.0	3.6	0.8	2.5	3.3
Financial net	-0.7	-1.3	-0.3	-1.1	0.1
Result before taxes	5.3	2.3	0.4	1.4	3.4
Income taxes	-2.2	-0.2	0.1	-0.5	0.0
Result for the period total	3.1	2.1	0.5	0.8	3.4

EARNINGS PER SHARE QUARTERLY

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

KEY FIGURES

Gross margin, % of revenue	78.2%	77.3%	77.0%	76.6%	76.9%
Adjusted EBITDA	10.2	7.2	6.6	6.8	4.8
Adjusted EBITDA, % of revenue	19.3%	13.2%	11.8%	12.7%	8.9%
Adjusted EBIT	6.9	4.0	3.1	3.4	1.4
Adjusted EBIT, % of revenue	12.9%	7.4%	5.6%	6.3%	2.5%
ROI, %	22.5%	15.9%	4.3%	10.6%	11.9%
ROE, %	17.5%	11.4%	2.7%	4.8%	19.8%
Equity ratio, % (YTD)	46.3%	49.2%	49.0%	45.9%	44.3%
Gearing, % (YTD)	14.3%	19.5%	20.8%	28.3%	30.0%
Interest bearing liabilities	50.0	39.9	41.3	45.0	46.5
Cash and financial assets at FVTPL	39.8	26.3	25.5	24.9	25.5
Capitalized expenditure, MEUR excl. acquisition	7.1	2.7	3.3	2.0	5.6
Capitalized development expenses, MEUR	1.5	1.6	1.5	1.4	2.2
Depreciation and amortization excl. PPA amortization, MEUR	-3.3	-3.2	-3.2	-3.5	-3.4
Depreciation and amortization, MEUR	-4.2	-4.1	-4.7	-4.3	-10.6
Personnel, period end	1,713	1,688	1,696	1,727	1,710

CALCULATION OF KEY FIGURES

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

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