F-SECURE HALF YEAR REPORT 1 JANUARY – 30 JUNE 2019

ALL BUSINESSES CONTINUED TO GROW – REVENUE UP BY 25% IN Q2

F-Secure

HIGHLIGHTS OF APRIL–JUNE (Q2)

- Revenue increased by 25% to EUR 54.1 million (43.4m)
- Revenue from corporate security increased by 50% to EUR 30.1 million (20.0m)
- Revenue from consumer security increased by 3% to EUR 24.0 million (23.4m)
- Deferred revenue increased by 6% to EUR 71.0 million (66.7m)
- Adjusted EBITDA was EUR 4.8 million (2.7m), 8.9% of revenue (6.3%) [1)]
- Earnings per share (EPS) was EUR 0.02 (EUR –0.00)
- Cash flow from operating activities before financial items and taxes was EUR 6.9 million (3.2m) [1)]
- EBIT includes positive net impact of EUR 3.1 million related to MWR InfoSecurity acquisition valuation revision

HIGHLIGHTS OF JANUARY–JUNE (H1)

- Revenue increased by 24% to EUR 107.5 million (86.5m)
- Revenue from corporate security increased by 51% to EUR 59.5 million (39.4m)
- Revenue from consumer security increased by 2% to EUR 48.0 million (47.1m)
- Deferred revenue increased by 6% to EUR 71.0 million (66.7m)
- Adjusted EBITDA was EUR 9.8 million (6.6m), 9.1% of revenue (7.6%) [1)]
- Earnings per share (EPS) was EUR 0.01 (EUR 0.00)
- Cash flow from operating activities before financial items and taxes was EUR 6.6 million (4.3m) [1)]

[1)] F-Secure has adopted the new Leases standard (IFRS 16) on 1 January 2019 using the modified approach. Comparative information has not been restated. The impact of IFRS 16 on adjusted EBITDA is EUR +1.7 million for the second quarter and EUR +3.2 million for the first half. Impact on operative cash flow is EUR +1.5 million for the second quarter and EUR 3.0 million for the first half. For the full year 2019, the impact on adjusted EBITDA is estimated to be around EUR +6.7 million.

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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

Outlook for 2019 unchanged

The company's outlook for 2019 is unchanged:

- Revenue from corporate security is expected to grow by over 30% compared to 2018
- Revenue from consumer security is expected to stay approximately at the same level as in 2018
- Adjusted EBITDA is expected to be above EUR 21 million including the impact of IFRS 16

Outlook for the strategy period 2018–2021 is unchanged

The demand for cyber security products and services is expected to continue in strong growth and F-Secure aims to grow faster than the market. Revenue from corporate security is expected to grow above 15% annually during our strategy period 2018–2021.

Driven by the anticipated revenue growth and scalable business model, profitability is expected to improve significantly in the long-term. The management continuously seeks to balance the growth investments and profitability to optimize long-term growth and value creation for the shareholders.

CEO SAMU KONTTINEN

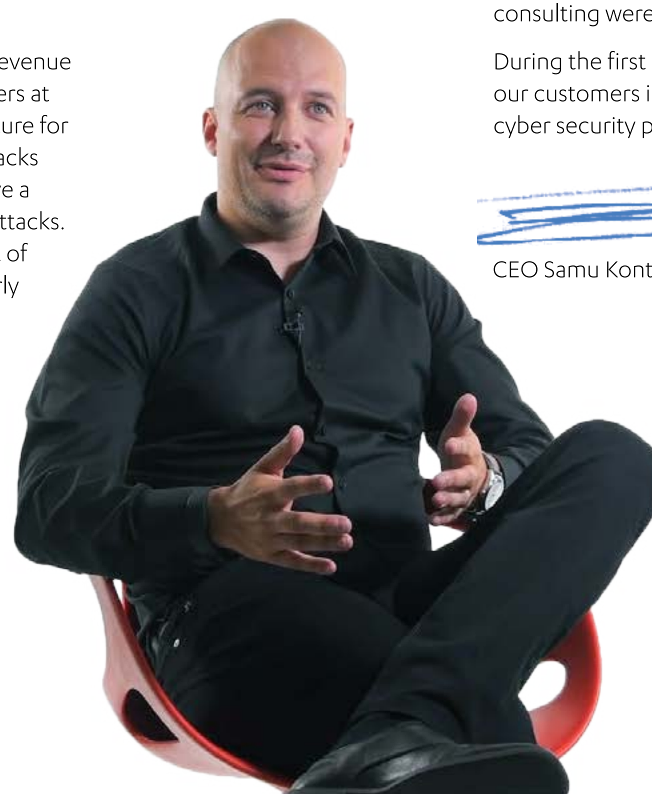
F-Secure's revenue growth continued in all businesses during the second quarter. The total revenue increased by 25% to EUR 54.1 million, with revenue from corporate security increasing by 50% driven by both the contribution from the acquired MWR InfoSecurity as well as continuing organic growth. Consumer revenue grew by 3%. The profitability was according to our expectations.

Our endpoint security business continued to perform well. Renewal rates remained high and new sales improved from the previous year, supported by a large deal with a significant service provider who replaced a competing solution with our cloud based end point security. On the EDR front, our solution is still in its early days since entering the market late Q4 last year. We have made good progress in onboarding partners and expect EDR to play an important role in our portfolio as customers are increasingly looking for endpoint solutions where both preventive and detection capabilities are included.

Managed Detection and Response (MDR) solutions had good revenue growth in Q2. I find it encouraging that we are winning customers at very demanding verticals such as finance and critical infrastructure for both of our MDR solutions, Countercept and RDS. Targeted attacks are a major risk for increasing amount of businesses and we have a very strong offering for response and detecting stealth mode attacks. The market potential remains very attractive, while there is a lot of competition. Due to long sales cycles, we expect to see quarterly fluctuation in closing of new deals.

Cyber security consulting continued strong growth. I was particularly pleased with the performance in our largest markets, UK and Nordics. Many customers chose us for critical incident response assignments which is a great testimony to our know-how and reputation in this field. During the second half of the year, we will further integrate the consulting units of F-Secure and MWR to fully leverage the combined capabilities.

"REVENUE GROWTH CONTINUED IN ALL BUSINESSES."



F-Secure's consumer security business continued on a growth track. During the second quarter our unique operator channel performed well. One of the highlights was a new operator deal in North America as the customer selected F-Secure SENSE for their router security and also replaced competitor's endpoint offering with F-Secure SAFE. Our latest consumer product announcement, Identity Protection, has been well perceived by the market, and we believe it complements our existing suite of consumer security solutions.

The MWR acquisition has proven to be the right strategic step for F-Secure. It complements our strategy with powerful detection and response technologies, gives us global reach in consulting practice, and has driven growth and scale across those strategic initiatives. In Q2 we reduced 10 million GBP from the maximum purchase price as the very ambitious earn-out milestones related to cyber security consulting were not reached.

During the first half, all of our businesses grew. We strive to support our customers in the fight against the most advanced attacks with our cyber security products and services.

CEO Samu Konttinen

FINANCIAL PERFORMANCE

EUR m	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Revenue	54.1	43.4	25%	107.5	86.5	24%	190.7
Consumer security	24.0	23.4	3%	48.0	47.1	2%	94.9
Corporate security	30.1	20.0	50%	59.5	39.4	51%	95.9
Products	18.0	15.1	19%	35.8	29.9	20%	63.8
Consulting	12.1	4.9	146%	23.7	9.5	148%	32.0
Cost of revenue	−12.5	−7.8	59%	−25.1	−15.1	66%	−39.4
Gross Margin	41.6	35.6	17%	82.4	71.4	15%	151.4
Other operating income [1]	0.5	0.5	−2%	0.7	1.4	−49%	2.3
Operating expenses [1]	−37.3	−33.4	12%	−73.3	−66.1	11%	−136.2
Sales & Marketing	−26.5	−23.2	14%	−50.6	−43.3	17%	−90.7
Research & Development	−7.8	−7.7	1%	−16.5	−16.7	−1%	−33.5
Administration	−3.0	−2.5	20%	−6.2	−6.0	3%	−11.9
Adjusted EBITDA [2]	4.8[4]	2.7	94%	9.8[4]	6.6	52%	17.4
of revenue, %	8.9%	6.3%		9.1%	7.6%		9.1%
Adjustment to operating income	9.1			9.1			
M&A expenses		−0.6			−0.6		−3.6
EBITDA	13.9[4]	2.1	574%	18.9[4]	6.0	213%	13.8
of revenue, %	25.7%	4.9%		17.6%	6.9%		7.2%
Depreciation & amortization	−3.4[4]	−1.5	131%	−6.7[4]	−3.0	125%	−6.8
Impairment	−6.0			−6.0			
PPA amortization	−1.1	−0.1		−2.3	−0.2		−2.5
EBIT	3.3[4]	0.5	564%	3.9[4]	2.7	41%	4.6
of revenue, %	6.1%	1.1%		3.6%	3.2%		2.4%
Adjusted EBIT [2]	1.4[4]	1.1	21%	3.1[4]	3.6	−13%	10.6
of revenue, %	2.5%	2.6%		2.9%	4.2%		5.6%
Earnings per share, (EUR) [3]	0.02	−0.00		0.01	0.00		0.01
Deferred revenue				71.0	66.7	6%	72.9
Cash flow from operations before financial items and taxes	6.9[4]	3.2	118%	6.6[4]	4.3	52%	13.8
Cash and financial assets at fair value through P&L				25.5	79.8	−68%	27.8
ROI, %	7.5%	0.6%		4.5%	10.3%		7.9%
Equity ratio, %				44.3%	70.0%		42.7%
Gearing, %				30.0%	−112.7%		13.9%
Personnel, end of period				1,710	1,201	42%	1,666

[1] Excluding M&A related items, depreciation and amortization

[2] Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses and other items affecting comparability. Reconciliation and a breakdown of adjusted costs is in note 7 of the Table Section of this report.

[3] Based on the weighted average number of outstanding shares during the period 157,650,239 (1–6/2019).

[4] IFRS 16 increased Adjusted EBITDA and EBITDA by EUR 1.7 million during Q2 and EUR 3.2 million during first half. Impact on adjusted EBIT and EBIT was EUR 0.1 million during Q2 and EUR 0.1 million during first half. Depreciation and amortization increased by EUR 1.6 million during Q2 and by EUR 3.1 million during first half. Positive impact on cash flow from operations before financial items and taxes was EUR 1.5 million during second quarter and EUR 3.0 million during first half.

Second quarter (Q2)

Total revenue in April–June increased by 25% to EUR 54.1 million (43.4 m), driven by corporate security. The share of corporate security of total revenue was 56% (44%).

Corporate security

Revenue from corporate security increased by 50% year-on-year to EUR 30.1 million (20.0m), driven by both the contribution from the acquired MWR InfoSecurity as well as continuing organic growth.

Products

Revenue from corporate security products increased by 19% to EUR 18.0 million (15.1m).

Revenue from endpoint protection (EPP) solutions increased from the previous year's level. New customer acquisition improved supported by a large deal with significant service provider. Renewal rates with existing EPP installations remained at a high level. On the EDR front, we have continued onboarding partners. Delivery of the EDR version which is compatible with our on-premise endpoint solution was started in Q2, but EDR's revenue impact was still small during April–June.

Revenue from Managed Detection and Response (MDR) solutions (Countercept & RDS) increased well. During Q2 we closed several new deals in both MDR solutions in customer verticals such as finance, technology and critical infrastructure. These deals were won in several countries such as UK, Germany, Finland and France. New customer acquisition is expected to show variation between quarters.

Cyber security consulting

Revenue from cyber security consulting increased by 146% to EUR 12.1 million (4.9m).

Cyber security consulting grew strongly especially in our largest markets, UK and Nordics, and also business in Singapore developed well. Growth arises from customer expansions and successful new customer acquisition. Furthermore, F-Secure won numerous new deals in Incident Response, one of the most demanding cyber security practices. Overall, we see strong demand in the cyber security consulting market.

Consumer security

Revenue from consumer security increased by 3% to EUR 24.0 million (23.4m) driven by good performance in the operator channel.

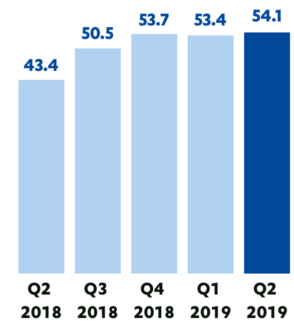
Operators

Revenue from the operator channel continued to grow. Solid performance is driven by device activations and subscriber volume. One of the highlights was a new operator deal in North America as the customer selected F-Secure SENSE for their router security and also replaced competitor's endpoint offering with F-Secure SAFE. In May, F-Secure introduced new addition to consumer product portfolio, Identity Protection. The product has already been well perceived by the market.

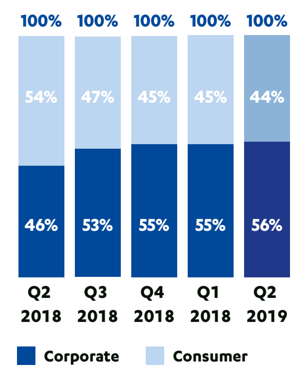
Direct sales

Direct sales revenue was at previous year's level and renewal performance remained good. Strategic shift from retail to ecommerce is succeeding in several key countries such as UK and Germany. Average revenue per customer continues to grow as consumers are increasingly seeking to buy bundled solutions in order to secure their digital lives, which is driving sales of F-Secure TOTAL.

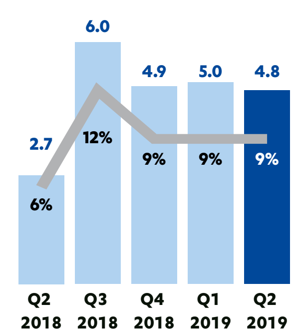
Revenue, MEUR



Revenue per business, % of revenue



Adjusted EBITDA, MEUR and % of revenue



Deferred revenue

Deferred revenue increased by 6% (year-on-year) to EUR 71.0 million (66.7m), driven by the inclusion of MWR InfoSecurity. In corporate product business we have shortened the average contract duration and renewed discount policy to maximize customer lifetime value. In addition, customers are increasingly opting for SaaS. There is also less deferred revenue from corporate endpoint security business due to slower growth in order intake during the past year.

Gross margin

Gross margin increased by EUR 6.0 million to 41.6 million (35.6m) and was 77% of revenue (82%). Relative gross margin decreased compared to previous year as the share of cyber security consultancy business increased due to the acquisition of MWR InfoSecurity. In comparison to previous quarter gross margin remained stable.

Acquisition related items affecting comparability

During Q2 contingent consideration from MWR InfoSecurity acquisition was decreased due to acquired consulting business not reaching all agreed business milestones. Impact in second quarter financials is EUR 9.1 million increase in other operating income due to reduced liability. The remaining liability for the contingent consideration is EUR 6.2 million.

Accordingly, goodwill generated in the acquisition was tested for impairment based on latest forecasts. Test shows an impairment of EUR 6.0 million which was booked during second quarter. The remaining goodwill from the acquisition is EUR 75 million.

The net impact in EBIT related to this valuation revision was positive EUR 3.1 million.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment increased by EUR 3.9 million to 37.3 million (33.4m) due to the inclusion of MWR InfoSecurity in the company's financials.

Depreciation and amortization increased by EUR 3.0 million to 4.6 million (1.6m), where IFRS 16 impact was EUR 1.6 million and PPA amortization from acquisition of MWR InfoSecurity was EUR 1.1 million. In addition, impairment of goodwill was EUR 6.0 million.

Profitability

Adjusted EBITDA was EUR 4.8 million and 8.9% of revenue (2.7m, 6.3%) and adjusted EBIT was EUR 1.4 million and 2.5% of revenue (1.1m, 2.6%). IFRS 16 had a positive impact of EUR 1.7 million to adjusted EBITDA and EUR 0.1 million to adjusted EBIT.

EBITDA was EUR 13.9 million and 25.7% of revenue (2.1m, 4.9%). EBIT was EUR 3.3 million and 6.1% of revenue (0.5m, 1.1%) including EUR 1.1 million of PPA amortization and EUR 6.0 million of goodwill impairment. Decrease in contingent consideration from MWR InfoSecurity acquisition had EUR 9.1 million positive impact on EBITDA and EBIT.

Cash flow

Cash flow from operating activities before financial items and taxes was EUR 6.9 million (3.2m). Changes in net working capital increased cash flow by EUR 1.4 million and IFRS 16 by EUR 1.5 million. Cash flow from operations was EUR 9.6 million (1.3m). Tax refunds from previous year during Q2 had positive impact on operative cash flow.

January–June (H1)

In January–June, total revenue increased by 24% year-on-year to EUR 107.5 million (86.5 m), driven by corporate security. Corporate security represented 55% (46%) of all revenue, and consumer security 45% (54%) of all revenue.

Corporate security

Revenue from corporate security increased by 51% year-on-year to EUR 59.5 million (39.4m), driven by both the contribution from the acquired MWR InfoSecurity as well as continuing organic growth.

Consumer security

Revenue from consumer security increased by 2% year-on-year to 48.0 million (47.1m). Operator channel revenue grew well while direct business remained at previous year's level.

Deferred revenue

Deferred revenue increased by 6% (year-on-year) to EUR 71.0 million (66.7m), driven by the inclusion of MWR InfoSecurity.

Gross margin

Gross margin increased by EUR 11.0 million to EUR 82.4 million (71.4m), or 77% of revenue (82%). Relative gross margin decreased compared to previous year as the share of cyber security consultancy business increased due to the acquisition of MWR InfoSecurity.

Operating expenses

Operating expenses excluding depreciation, amortization and impairment increased by EUR 7.2 million to 73.3 million (66.1m) due to the inclusion of MWR InfoSecurity in the company's financials.

Depreciation and amortization increased by EUR 5.8 million to 9.0 million (3.2m), where IFRS 16 impact was EUR 3.1 million and PPA amortization from acquisition of MWR InfoSecurity was EUR 2.3 million. In addition, impairment of goodwill was EUR 6.0 million.

Profitability

Adjusted EBITDA was EUR 9.8 million and 9.1% of revenue (6.6m, 7.6%) and adjusted EBIT was EUR 3.1 million and 2.9% of revenue (3.6m, 4.2%). IFRS 16 had a positive impact of EUR 3.2 million to adjusted EBITDA and EUR 0.1 million to adjusted EBIT.

EBITDA was EUR 18.9 million and 17.6% of revenue (6.0m, 6.9%). EBIT was EUR 3.9 million and 3.6% of revenue (2.7m, 3.2%) including EUR 2.3 million of PPA amortization and EUR 6.0 million impairment of goodwill. Decrease in contingent consideration from MWR InfoSecurity acquisition had EUR 9.1 million positive impact on EBITDA and EBIT.

Cash flow

Cash flow from operating activities before financial items and taxes was EUR 6.6 million (4.3m). Cash flow from operations was EUR 8.3 million (1.0m). IFRS 16 had EUR 3.0 million positive impact on operative cash flow. In addition, the Group received tax refunds during Q2 whereas tax advances were paid in comparison period.

FINANCING, CAPITAL STRUCTURE AND CAPITAL EXPENDITURE

EUR m	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Cash and financial assets at fair value through P&L				25.5	79.8	−68%	27.8
Interest bearing liabilities, non-current				34.2			31.0
Interest bearing liabilities, current				12.2			6.1
Capital expenditure [1)]	5.6	2.3	140%	7.4	3.3	123%	99.8
Capital expenditure, excl. acquisitions [1)]	5.6	2.3	140%	7.4	3.3	123%	7.5
Capitalized development expenses	2.2	1.5	46%	3.4	2.0	69%	4.7
ROI, %	7.5%	0.6%		4.5%	10.3%		7.9%
Equity ratio, %				44.3%	70.0%		42.7%
Gearing, %				30.0%	−112.7%		13.9%

[1)] Including IFRS16 related additions in 2019.

Financial position remained solid. First repayment of company's bank loan (EUR 3.0 million) was made at the end of second quarter.

Increase in interest bearing liabilities compared to previous year-end is due to adoption of IFRS 16 Leases -standard. At quarter end the amount of non-current lease liabilities is EUR 6.2 million and current lease liabilities is EUR 6.2 million. Recognition of lease liabilities also had an impact on F-Secure's equity ratio and gearing. Excluding IFRS 16 impact equity ratio is 48.1% and gearing 12.2%.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,710 employees, which shows a net increase of 44 employees (3%) since the beginning of the year (1,666 on 31 December 2018), and an increase of 509 employees (42%) compared with end of June in 2018 (1,201). The acquisition of MWR InfoSecurity (July 2018) was the main reason behind the significant growth in personnel from the previous year, but F-Secure also continued recruitment in corporate security.

Leadership team

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

Samu Konttinen (CEO), Antti Hovila (Strategy & Corporate Development, as of March 25, 2019), Kristian Järnefelt (Consumer Cyber Security), Juha Kivikoski (Enterprise & Channel Sales), Jyrki Rosenberg (Marketing & Communications), Ian Shaw (Cyber Security), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Eriikka Söderström (CFO), Jyrki Tulokas (Cyber Security Products & Services) and Eva Tuominen (People Operations & Culture, as of March 12, 2019).

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 currently holds 1,011,744 of its own shares.

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-based long-term share-based incentive programs for key employees and a matching share plan for all employees

RISKS AND UNCERTAINTIES

Risks are defined as uncertainties which can impact the achievement of the Company's short and long term objectives. Risks are assessed as a combination of probability and impact.

The most significant risks are:

- Endpoint protection market disruption
- Market consolidation and failure to successfully complete acquisitions or divestments: in particular the integration of MWR InfoSecurity
- Failure to innovate and launch new technologies
- Failure to attract and retain talent

Other risks that affect the F-Secure business include but are not limited to:

- Increased exposure outside the Eurozone carries increased risk related to currency fluctuations
- Credit risk due to regional political or financial climate and regulation
- Tax risk relating to changing laws and regulations and interpretations of said regulations by the relevant authorities
- Interest rate risk exposure through increased borrowing
- Risk exposure from contractual liability requirements
- Potential security threats related to F-Secure's products and services
- Impact of a potential BREXIT to F-Secure's business

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 telecommunications 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.

STRATEGY 2018–2021

The world is becoming digitalized and connected. Due to this, cyber-attacks and cyber-crime continue to be among the most critical challenges the world is facing. While the complexity and magnitude of problems increases, expertise is concentrating into a limited number of specialized security companies.

For three decades, F-Secure has driven innovations in cyber security, defending tens of thousands of companies and millions of people. We have transformed from an endpoint protection company to a cyber security leader with a broader set of products and services.

F-Secure's competitiveness is based on extensive experience in cyber security, and a unique combination of man and machine. Our extensive experience, knowledge and insight in cyber security, combined with our global intelligence network, smart software and cutting edge artificial intelligence makes us the perfect trusted cyber security partner for companies of all sizes as well as individuals. We are the proud cyber security advisor to many of the world's largest and most demanding organizations e.g. in the banking, automotive and airline industries as well as the military and law enforcement sector. Our expertise is continuously developed, as we take on the toughest of assignments.

As F-Secure seeks to accelerate growth, we continue to focus growth investments in corporate security. We provide best-in-class services and solutions to the mid-market, especially for customers seeking to buy prevention, detection and response. We foresee the market moving towards managed endpoint security, and see especially strong growth in detection and response solutions. As we expand our product and service offering, we are also making it more integrated in order to offer efficient and comprehensive turn-key solutions to our customers and partners.

F-Secure's corporate security products and services are sold through the channel. Our growing network of thousands of partners are key to our strategic expansion. F-Secure's products are designed to be delivered from the cloud, and to support partners as they develop managed service provider business models. Ease of use both for end-customers as well as partners is critical aspect of all product design.

F-Secure also provides a comprehensive set of security and privacy solutions to consumers, protecting their information, identities, devices, smart homes and families. F-Secure is the world's leading provider of consumer security solutions through telecommunications operators. Together, we protect tens of millions of consumers and their digital lives. In consumer security, F-Secure continues with its existing sales channels aiming at profitable growth.

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.

Prediction solutions

F-Secure Radar – Vulnerability scanning and management platform

phishd – Anti-phishing behavior management platform

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

Detection & Response solutions (EDR & MDR)

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

MDR: F-Secure Rapid Detection & Response Service – Managed detection and response service providing 24/7 monitoring, alerts within minutes, and gives clear guidance on how to respond

MDR: Countercept – Advanced threat hunting and continuous response capabilities against targeted attacks delivered as a managed service

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 router. The required router is sold separately or provided by the operator.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of F-Secure Corporation was held on March 19, 2019. The Meeting confirmed the financial statements and consolidated financial statements for the financial year 2018. The members of the Board and the President and CEO were discharged from liability.

The following Board members were re-elected: Pertti Ervi, Bruce Oreck, Päivi Rekonen and Risto Siilasmaa. Tuomas Syrjänen and Matti Aksela, who belongs to the personnel of F-Secure Corporation, were elected as new members of the Board of Directors. The Board elected in its organizational meeting Risto Siilasmaa as the Chairman of the Board.

The Board decided to establish two committees: Personnel Committee (compensation and nomination matters) and Audit Committee.

- Personnel Committee: Risto Siilasmaa (Chairman), Bruce Oreck and Päivi Rekonen
- Audit Committee: Pertti Ervi (Chairman), Päivi Rekonen, Matti Aksela and Tuomas Syrjänen

The Annual General Meeting decided exceptionally to distribute no dividend for year 2018.

The AGM approved all proposals made by the Board of Directors as described in the Notice to the AGM published on February 25, 2019. The resolutions of the AGM can be found in the Company's stock exchange release of March 19, 2019.

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

Contact information

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Financial calendar

F-Secure Corporation will publish its interim reports during 2019 as follows:

- Q3/2019: 30 October 2019

KEY RATIOS AND OTHER KEY FIGURES

PROFITABILITY	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Revenue	54.1	43.4	107.5	86.5	190.7
Consumer security	24.0	23.4	48.0	47.1	94.9
Corporate security	30.1	20.0	59.5	39.4	95.9
Products	18.0	15.1	35.8	29.9	63.8
Consulting	12.1	4.9	23.7	9.5	32.0
Gross margin	41.6	35.6	82.4	71.4	151.4
Gross margin, % of revenue	76.9%	81.9%	76.7%	82.5%	79.4%
Operating expenses	−47.8	−35.6	−88.3	−70.0	−149.1
Operating expenses for adjusted EBITDA	−37.3	−33.4	−73.3	−66.0	−136.2
Adjustment to other income	9.1		9.1		
Adjusted EBITDA	4.8 [1]	2.7	9.8 [1]	6.6	17.4
Adjusted EBITDA, % of revenue	8.9%	6.3%	9.1%	7.6%	9.1%
EBITDA	13.9 [1]	2.1	18.9 [1]	6.0	13.8
EBITDA, % of revenue	25.7%	4.9%	17.6%	6.9%	7.2%
Adjusted EBIT	1.4 [1]	1.2	3.1 [1]	3.6	10.6
Adjusted EBIT, % of revenue	2.5%	2.6%	2.9%	4.2%	5.6%
EBIT	3.3 [1]	0.5	3.9 [1]	2.7	4.5
EBIT, % of revenue	6.1%	1.1%	3.6%	3.2%	2.4%
ROI, %	7.5%	0.6%	4.5%	10.3%	7.9%
ROE, %	19.8%	−0.9%	5.9%	1.2%	1.2%
CAPITAL STRUCTURE					
Equity ratio, %			44.3% [1]	70.0%	42.7%
Gearing, %			30.0% [1]	−112.7%	13.9%
Interest bearing liabilities			46.5 [1]		37.1
Cash and financial assets at FVTPL			25.5	79.8	27.8
SHARE RELATED					
Earnings per share, basic and diluted	0.02	−0.00	0.01	0.00	0.01
Shareholders' equity per share, EUR			0.44	0.45	0.42
OTHER					
Capitalized expenditure, MEUR excl. acquisition	5.6 [1]	2.3	7.4 [1]	3.3	7.5
Capitalized development expenses, MEUR	2.2	1.5	3.4	2.0	4.7
Depreciation and amortization excl. PPA amortization and impairment, MEUR	−3.4 [1]	−1.5	−6.7 [1]	−3.0	−6.8
Depreciation and amortization	−10.6 [1]	−1.6	−15.0 [1]	−3.2	−9.3
Personnel, average	1,697	1,183	1,681	1,157	1,364
Personnel, period end			1,710	1,201	1,666

[1] IFRS 16 impacts the figure in 2019

CHANGES IN THE ACCOUNTING PRINCIPLES

The Group has adopted following new and amended standards and interpretations as of 1 January 2019:

IFRS 16 Leases

F-Secure adopted IFRS 16 Leases standard using modified approach on 1 January 2019. Comparative information has not been restated. Under IFRS 16 almost all leases are recognized on the balance sheet as the distinction between operating and finance leases was removed. Right-of-use assets (leased item) and corresponding lease liability was recognized according to the standard in opening balance sheet on 1 January 2019.

IFRS 16 changes the definition of a lease to mainly relate to the concept of control. Leases and service contracts are distinguished on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified assets; and
- The right to direct the use of that asset.

F-Secure's right-of-use assets comprise of rented office premises and leased cars. Under IAS 17 these were classified as operating leases. Based on the analysis carried out in the implementation project lease definition under IFRS 16 is met by most of the rented office premises and leased cars. Short-term contracts (remaining contract period less than 12 months) and low value assets are excluded from leases and lease expense is recognized on a straightline basis as permitted by IFRS 16.

On initial application of IFRS 16 F-Secure has:

- Recognized right-of-use assets and lease liabilities in the consolidated statement of financial position measured at the present value of the future lease payments;
- Recognized depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit and loss; and
- Separated the total amount of cash paid into principal portion and interest in the consolidated cash flow statement. Principal payment is presented in financing activities and interest in operating activities.

Impact of IFRS 16 in opening balance as at 1 January 2019 is EUR 12.8 million increase in tangible assets (right-of-use assets) and interest bearing liabilities. Short-term portion of interest bearing liabilities of right-of-use assets on 1 January 2019 is EUR 5.7 million.

Right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of assets.

IFRIC 23 Uncertainty over income tax treatment

F-Secure has adopted IFRIC 23 interpretation on 1 January 2019. The interpretation clarifies the application of IAS 12 Income taxes when there is uncertainty related to the tax treatment. The new interpretation did not have material impact on Group's income tax treatment.

The Interim Report has been prepared in accordance with IAS 34 standard Interim Financial Reporting. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the annual report 2018.

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

INCOME STATEMENT

	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Revenue	54.1	43.4	25%	107.5	86.5	24%	190.7
Cost of revenue	−12.5	−7.8	59%	−25.1	−15.1	66%	−39.4
Gross margin	**41.6**	**35.6**	**17%**	**82.4**	**71.4**	**15%**	**151.4**
Other operating income [1)]	9.6	0.5		9.8	1.4		2.3
Sales and marketing	−28.1	−23.9	18%	−53.8	−44.9	20%	−95.0
Research and development	−9.4	−8.2	14%	−19.6	−17.8	10%	−35.7
Administration [1)]	−10.3	−3.4	205%	−14.9	−7.2	106%	−18.3
EBIT	**3.3**	**0.5**	**564%**	**3.9**	**2.7**	**41%**	**4.5**
Financial net	0.1	−0.7	−119%	−1.4	−1.6	−14%	−2.8
Result before taxes	**3.4**	**−0.2**		**2.5**	**1.1**	**123%**	**1.7**
Income taxes	0.0	0.0	−130%	−0.4	−0.7	−35%	−0.9
Result for the period total	**3.4**	**−0.2**		**2.0**	**0.4**	**377%**	**0.8**
Other comprehensive income							
Exchange differences on translating foreign operations	−3.0	0.2		0.7	0.2		−1.3
Deferred costs of hedging		−0.5			−0.5		
Income tax relating to components of other comprehensive income		0.1			0.1		
Total comprehensive income (parent company owners)	**0.4**	**−0.3**	**−236%**	**2.7**	**0.3**		**−0.4**

Earnings per share	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Earnings per share, basic and diluted, EUR	0.02	−0.00		0.01	0.00		0.01

[1)] Contingent consideration liability from MWR InfoSecurity acquisition was decreased by EUR 9.1m and EUR 6.0m impairment of goodwill was booked during Q2/19.

BALANCE SHEET

Assets	30 Jun 2019	30 Jun 2018	31 Dec 2018
Tangible assets [1]	17.7	3.5	5.2
Intangible assets	37.1	14.4	38.4
Goodwill	85.2	10.1	90.7
Deferred tax assets	3.9	3.6	4.0
Other receivables	0.6	0.8	0.5
Total non-current assets	**144.5**	**32.4**	**138.7**
Inventories	0.3	0.8	0.6
Accrued income	3.1	0.0	1.3
Trade and other receivables	52.3	47.8	55.3
Income tax receivables	2.6	3.1	4.2
Financial asset at fair value through profit and loss	0.1	0.0	0.1
Cash and bank accounts	25.5	79.8	27.8
Total current assets	**83.9**	**131.5**	**89.4**
Total assets	**228.4**	**163.8**	**228.0**

Shareholders' equity and liabilities	30 Jun 2019	30 Jun 2018	31 Dec 2018
Equity	**69.8**	**66.8**	**66.3**
Interest bearing liabilities, non-current [1]	34.2		31.0
Deferred tax liability	4.1	1.1	4.1
Deferred revenue, non-current	18.2	20.0	17.6
Other non-current liabilities	1.0	1.6	16.2
Obligatory provisions [2]		1.2	1.2
Total non-current liabilities	**57.5**	**23.9**	**70.0**
Interest bearing liabilities, current [1]	12.2		6.1
Trade and other payables	34.0	25.3	29.5
Income tax liabilities	2.1	1.1	0.8
Deferred revenue, current	52.8	46.8	55.3
Total current liabilities	**101.1**	**73.2**	**91.7**
Total liabilities and equity	**228.4**	**163.8**	**228.0**

[1] IFRS 16 impact in 2019, see note 5
[2] Provision related to a claim in France was paid during second quarter of 2019.

CASH FLOW STATEMENT

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Cash flow from operations					
Result for the financial year	3.4	−0.2	2.0	0.4	0.8
Adjustments	2.0	3.3	8.9	7.9	15.1
Cash flow from operations before change in working capital	**5.5**	**3.1**	**10.9**	**8.4**	**16.0**
Change in net working capital	1.5	0.1	−4.4	−4.0	−2.2
Cash flow from operating activities before financial items and taxes	**6.9**	**3.2**	**6.6**	**4.3**	**13.8**
Net financial items and taxes	2.7	−1.9	1.7	−3.3	−7.0
Cash flows from operating activities	**9.6**	**1.3**	**8.3**	**1.0**	**6.8**
Cash flow from investments					
Net investments in tangible and intangible assets	−3.0	−2.2	−4.7	−3.1	−7.1
Acquisition of subsidiaries, net of cash acquired		−1.0		−1.0	−91.9
Other investments, net	0.0	53.8	0.0	53.5	53.5
Cash flow from investments	**−3.0**	**50.6**	**−4.7**	**49.4**	**−45.6**
Cash flow from financing activities					
Repayments of interest-bearing liabilities [1)]	−4.6		−6.1		−0.5
Increase in interest-bearing liabilities					37.0
Own shares	0.1	−0.1	0.1	−0.1	−0.1
Dividends paid		−6.3		−6.3	−6.3
Cash flow from financing activities	**−4.5**	**−6.4**	**−6.0**	**−6.4**	**30.1**
Change in cash	**2.2**	**45.6**	**−2.4**	**44.0**	**−8.7**
Cash and bank at the beginning of the period	23.4	34.6	27.8	36.3	36.3
Effect of exchange rate changes on cash	−0.1	−0.4	0.1	−0.6	0.2
Cash and bank at period end	25.5	79.8	25.5	79.8	27.8

[1)] IFRS 16 lease liability repayments in 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2017	**1.6**	**0.2**	**5.4**	**−4.6**	**66.5**	**1.0**	**−0.6**	**69.5**
Impact of IFRS 15 restatement					1.1			1.1
Impact of IFRS 9 restatement					1.1	−1.0		0.2
Equity 1 Jan 2018 (restated)	**1.6**	**0.2**	**5.4**	**−4.6**	**68.8**	**0.0**	**−0.6**	**70.8**
Total comprehensive income for the year					0.4	−0.4	0.2	0.3
Dividend					−6.3			−6.3
Cost of share based payments			0.7	1.8	−0.4			2.1
Equity 30 Jun 2018	**1.6**	**0.2**	**6.1**	**−2.8**	**62.5**	**−0.4**	**−0.3**	**66.8**

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2018	**1.6**	**0.2**	**6.1**	**−2.8**	**63.1**	**0.0**	**−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**	**0.0**	**−1.1**	**69.7**

1 SIGNIFICANT EXCHANGE RATES AND SENSITIVITY TO EXCHANGE RATE CHANGES

	Average rates			End rates		
One Euro is	1–6/2019	1–6/2018	1–12/2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
USD	1.1151	1.2127	1.1838	1.1380	1.1658	1.1450
GBP	0.8869	0.8803	0.8853	0.8966	0.8861	0.8945
JPY	121.27	131.99	130.77	122.60	129.04	125.85

Changes in exchange rates on profit before taxes

+/–10% FX rate change	1–6/2019	1–12/2018
USD	+/–0.7	+/–1.2
GBP	+/–0.0	+/–2.4
JPY	+/–0.5	+/–0.4

2 SEGMENT INFORMATION

The Group has one segment (security).

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Revenue	54.1	43.4	107.5	86.5	190.7
Cost of revenue	−12.5	−7.8	−25.1	−15.1	−39.4
Gross margin	**41.6**	**35.6**	**82.4**	**71.4**	**151.4**
Other operating income	9.6	0.5	9.8	1.4	2.3
Sales and marketing	−28.1	−23.9	−53.8	−44.9	−95.0
Research and development	−9.4	−8.2	−19.6	−17.8	−35.7
Administration	−10.3	−3.4	−14.9	−7.2	−18.3
EBIT	**3.3**	**0.5**	**3.9**	**2.7**	**4.5**
Financial net	0.1	−0.7	−1.4	−1.6	−2.8
Result before taxes	**3.4**	**−0.2**	**2.5**	**1.1**	**1.7**

Disaggregation of revenue

By sales channels	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Consumer security	24.0	23.4	48.0	47.1	94.9
Corporate security	30.1	20.0	59.5	39.4	95.9
Products	18.0	15.1	35.8	29.9	63.8
Consulting	12.1	4.9	23.7	9.5	32.0
Total revenue	**54.1**	**43.4**	**107.5**	**86.5**	**190.7**

By geographical area	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Nordic countries	18.6	16.7	37.1	33.1	67.0
Rest of Europe	23.7	18.7	47.2	37.3	84.6
North America	4.9	3.6	9.3	7.7	17.2
Rest of the world	6.9	4.4	13.8	8.5	21.9
Total revenue	**54.1**	**43.4**	**107.5**	**86.5**	**190.7**

3 ACQUISITIONS

Prior period

On 2 July 2018 F-Secure acquired 100% of the share capital of MWR InfoSecurity Ltd, a privately held cyber security company operating globally from its main offices in the UK, the US, South Africa and Singapore. Details of this acquisition were disclosed in note 11 of the Group's annual financial statements for the year ended 31 December 2018.

Update to contingent consideration

During Q2/2019 the estimation of the fair value of contingent consideration from MWR InfoSecurity acquisition was decreased by EUR 9.1 million due to not achieving certain agreed business milestones.

4 INTANGIBLE AND TANGIBLE ASSETS

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Book value at the beginning of the period	**134.2**	**28.0**	**28.0**
Right-of-use assets at the beginning of the period	**12.9**		
Acquisitions and divestments			108.3
Additions	7.4[1]	3.3	7.5
Disposals	−0.1	−0.2	−0.4
Depreciation and amortization	−9.0	−3.2	−9.1
Impairment	−6.0		
Translation differences	0.6	0.0	0.0
Book value at the end of the period	**140.1**	**28.0**	**134.2**

[1] Including IFRS 16 additions.

Goodwill from MWR InfoSecurity acquisition was tested for impairment during Q2/19. As a result an impairment of EUR 6.0 million was booked.

5 RIGHT-OF-USE ASSETS AND ADOPTION OF IFRS 16

Adoption of IFRS 16

On adoption of IFRS 16 the Group recognized lease liabilities in relation to leases which had under IAS 17 been classified as operating leases. Lease liabilities are presented as part of interest bearing liabilities in the Group's balance sheet. These liabilities were measured at the present value of the remaining lease payments on 1 January, 2019. The incremental borrowing rate applied in discounting the lease liabilities is 2.45–9.15% depending on the geographical location of the leased asset.

In applying IFRS 16 the Group has used following judgments and expedients:

- property leases with lease term of less than 12 months are excluded from right-of-use assets and lease liabilities as short-term leases
- in the adoption of IFRS 16 all car leases were included in right-of-use assets and lease liabilities even with remaining lease term of less than 12 months as it is probable that an ending lease contract will be replaced by a new contract
- low value assets are excluded from right-of-use assets and lease liabilities

Lease contracts for the Group's office premises are typically made for fixed periods of 3 to 6 years and they may contain extension options. Each office lease contract is negotiated individually and the contracts may contain wide range of different terms and conditions. Some of Group's office premises are leased with on-going contracts where the ending date is not defined. The management has assessed the probable duration for these contracts case-by-case and the lease liability is calculated accordingly. Estimated duration for on-going contracts vary between 3 to 5 years and the total liability from on-going contracts is EUR 4.6 million.

In measuring the present value of the liabilities arising from leases any service related fees were excluded from the lease payment. The Group's lease contracts do not contain residual value guarantees or purchase options.

Adjustments made in adoption of IFRS 16

	1 Jan 2019
Operating lease commitments disclosed on 31 December 2018	13.8
Less short-term leases recognized on a straight-line basis as expense	−0.3
Less service portion in reported lease commitments	−1.9
Add IT contracts recognized as leases according to IFRS 16	0.3
Adjustments as a result of assumptions in contract durations	0.8
Lease liability recognized on 1 Jan 2019	**12.8**
Of which	
Current lease liabilities	5.7
Non-current lease liabilities	7.1

The recognized right-of-use assets are presented as part of tangible assets in the Group balance sheet. The right-of-use assets relate to following types of assets:

	30 Jun 2019	1 Jan 2019
Properties	10.4	10.3
Cars	1.8	2.1
Machinery and equipment	0.2	0.3
Total right-of-use assets	**12.4**	**12.8**

Impacts of IFRS 16 to the Group's income statement for 1–6/2019 are as follows:

	1–6/2019
Decrease in Cost of Revenue	0.1
Decrease in operating expenses (lease expenses)	3.1
Increase in right-of-use asset depreciation	−3.1
Increase in EBIT	0.1
Increase in financial expenses	−0.2
Profit / Loss for the period	**0.0**

6 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		25.5		**25.5**	25.5			**25.5**
Trade and other receivables		52.3		**52.3**	52.3			**52.3**
Financial assets at FVTPL	0.1			**0.1**		0.1		**0.1**
Bank loans			34.0	**34.0**		34.0		**34.0**
Lease liabilities			12.5	**12.5**		12.5		**12.5**
Trade payables			4.9	**4.9**		4.9		**4.9**
Contingent considerations [1)]			6.2	**6.2**			6.7	**6.7**

[1)] Contingent consideration from MWR InfoSecurity acquisition was decreased by EUR 9.1 million during Q2/19.

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	6.0	6.0	10.0	**34.0**	34.0
Lease liabilities	6.2	4.2	1.5	0.3	0.2	**12.5**	12.5
Contingent considerations	6.7					**6.7**	6.2
Total financial liabilities	**18.9**	**10.2**	**7.5**	**6.3**	**10.2**	**53.2**	**52.7**

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

7 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.

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Adjusted EBITDA	**4.8**	**2.7**	**9.8**	**6.6**	**17.4**
Adjustments to EBITDA					
Change in fair value of contingent consideration	9.1		9.1		
Costs related to business acquisitions		−0.6		−0.6	−2.6
Costs related to integration					−1.0
EBITDA	**13.9**	**2.1**	**18.9**	**6.0**	**13.8**
Depreciation, amortization and impairment losses	−10.6	−1.6	−15.0	−3.2	−9.3
EBIT	**3.3**	**0.5**	**3.9**	**2.7**	**4.5**

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Adjusted EBIT	**1.4**	**1.2**	**3.1**	**3.6**	**10.6**
Adjustments to EBIT					
Change in fair value of contingent consideration	9.1		9.1		
Costs related to business acquisitions		−0.6		−0.6	−2.6
Costs related to integration					−1.0
PPA amortization	−1.1	−0.1	−2.3	−0.2	−2.5
Impairment of goodwill	−6.0		−6.0		
EBIT	**3.3**	**0.5**	**3.9**	**2.7**	**4.5**

Classification of adjusted costs in operating expenses

	Operating Expenses 4–6/2019	Expenses for adjusted EBIT	Depreciation	Impairment	IFRS 16 depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 4–6/2019
Sales and marketing	−28.1	−28.1	0.5		1.2		−26.5
Research and development	−9.4	−9.4	1.2		0.4		−7.8
Administration [1]	−10.3	−10.3	0.1	6.0	0.1	1.1	−3.0
Operating expenses	**−47.8**	**−47.8**	**1.8**	**6.0**	**1.6**	**1.1**	**−37.3**

	Operating Expenses 1–6/2019	Expenses for adjusted EBIT	Depreciation	Impairment	IFRS 16 depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–6/2019
Sales and marketing	−53.8	−53.8	1.0		2.2		−50.6
Research and development	−19.6	−19.6	2.4		0.7		−16.5
Administration [1]	−14.9	−14.9	0.2	6.0	0.1	2.3	−6.2
Operating expenses	**−88.3**	**−88.3**	**3.6**	**6.0**	**3.1**	**2.3**	**−73.3**

[1] Goodwill from MWR InfoSecurity acquisition was tested for impairment during Q2/19. As a result an impairment of EUR 6.0 million was booked.

8 QUARTERLY FIGURES

INCOME STATEMENT QUARTERLY	4–6/2019	1–3/2019	10–12/2018	7–9/2018	4–6/2018
Revenue	54.1	53.4	53.7	50.5	43.4
Cost of revenue	−12.5	−12.6	−12.5	−11.7	−7.8
Gross margin	**41.6**	**40.8**	**41.3**	**38.7**	**35.6**
Other operating income	9.6	0.2	0.6	0.3	0.5
Sales and marketing	−28.1	−25.7	−26.2	−24.0	−23.9
Research and development	−9.4	−10.2	−9.7	−8.2	−8.2
Administration	−10.3	−4.6	−4.6	−6.5	−3.4
EBIT	**3.3**	**0.6**	**1.4**	**0.4**	**0.5**
Financial net	0.1	−1.5	−0.9	−0.3	−0.7
Result before taxes	**3.4**	**−1.0**	**0.5**	0.1	−0.2
Income taxes	0.0	−0.4	−0.9	0.7	0.0
Result for the period total	**3.4**	**−1.4**	**−0.4**	**0.8**	**−0.2**

EARNINGS PER SHARE QUARTERLY					
Earnings per share, basic and diluted, EUR	0.02	−0.01	0.00	0.01	−0.00

KEY FIGURES					
Gross margin, % of revenue	76.9%	76.5%	76.8%	76.8%	81.9%
Adjusted EBITDA [1)]	4.8	5.0	4.9	6.0	2.7
Adjusted EBITDA, % of revenue [1)]	8.9%	9.4%	9.0%	11.9%	6.3%
Adjusted EBIT [1)]	1.4	1.7	2.8	4.2	1.2
Adjusted EBIT, % of revenue [1)]	2.5%	3.3%	5.3%	8.3%	2.6%
ROI, %	7.5%	1.6%	6.2%	7.7%	0.6%
ROE, %	19.8%	−8.3%	−2.2%	4.7%	−0.9%
Equity ratio, % (YTD) [1)]	44.3%	41.3%	42.7%	43.7%	70.0%
Gearing, % (YTD) [1)]	30.0%	36.5%	13.9%	23.4%	−112.7%
Interest bearing liabilities [1)]	46.5	48.6	37.1	37.2	
Cash and financial assets at FVTPL	25.5	23.4	27.9	21.5	79.8
Capitalized expenditure, MEUR excl. acquisition [1)]	5.6	1.8	2.3	1.8	2.3
Capitalized development expenses, MEUR	2.2	1.2	1.3	1.4	1.5
Depreciation and amortization excl. PPA amortization and impairment, MEUR [1)]	−3.4	−3.3	−2.0	−1.8	−1.5
Depreciation and amortization, MEUR [1)]	−10.6	−4.4	−3.2	−2.9	−1.6
Personnel, period end	1,710	1,680	1,666	1,636	1,201

[1)] IFRS 16 impacts the key figure in 2019.

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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