FINANCIAL STATEMENT RELEASE 1 JANUARY – 31 DECEMBER 2018

BUSINESS IN STRATEGIC GROWTH AREAS PERFORMED WELL
CORPORATE SECURITY UP BY 48% IN Q4

F-Secure

HIGHLIGHTS OF OCTOBER-DECEMBER(Q4)

- Revenue increased by 21% to EUR 53.7 million (44.4m)
- Revenue from corporate security increased by 48% to EUR 29.8 million (20.1m)
- Revenue from consumer security was at previous year's level and was EUR 24.0 million (24.3m)
- Deferred revenue increased by 11% to EUR 72.9 million (65.7m)
- Adjusted EBITDA was EUR 4.9 million (5.4m), 9.0% of revenue (12.2%)
- Earnings per share (EPS) was EUR 0.00 (EUR 0.02)
- Cash flow from operating activities before financials items and taxes was EUR 10.5 million (13.1m)

HIGHLIGHTS OF THE FULL YEAR 2018

- On 2 July, F-Secure completed the significant acquisition of MWR InfoSecurity Ltd.
- Revenue increased by 12% to EUR 190.7 million (169.8m)
- Revenue from corporate security increased by 33% to EUR 95.9 million (72.2m)
- Revenue from consumer security decreased by –3% to EUR 94.9 million (97.5m)
- Adjusted EBITDA was EUR 17.4 million (18.2m), 9.1% of revenue (10.7%)
- Earnings per share (EPS) was EUR 0.01 (EUR 0.07)
- Cash flow from operating activities before financial items and taxes was EUR 13.8 million (29.5m)
- The Board of Directors is exceptionally proposing to the AGM that the company will not pay a dividend for 2018

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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

The company's outlook for 2019 is:

- Revenue from corporate security is expected to grow by over 30% compared to 2018
- Revenue from consumer security is expected to stay at approximately the same level as in 2018
- Adjusted EBITDA is expected to be above EUR 15 million excluding 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 increased by 21% to EUR 53.7 million in the fourth quarter, and progress was made with our strategic growth areas. Revenue from corporate security grew by 48%, and consumer security was at previous year's level. Profitability was at the higher end of our expectations.

I was particularly pleased with the number of deals we signed in several countries with our managed detection and response (MDR) solutions. Our customers choose us because of F-Secure's AI-powered Broad Context Detection technology, unique threat hunting capabilities, and our ability to respond to attacks in real-time. This enables our customers to react to attacks faster and enables swifter recovery from them. As a result, customer satisfaction and renewal rates with existing installations have been very high. We continue to win new customers in demanding verticals such as finance and defense.

Our consulting business in the UK recovered swiftly to an all-time high level from the temporary slowdown experienced during the third quarter caused by integration activities. Overall, I was very happy with our consulting business' performance, and our global presence in cyber security consulting is a real strength when serving international customers.

In endpoint security, our new sales improved slightly from the previous quarter, and renewal rates remained high. Additionally, following the November launch, F-Secure's first EDR deals were signed in eight countries, and the solution was well-received by the market. The new EDR solution supplements our endpoint protection (EPP) solutions with detection and response capabilities. Our partners appreciate our partner-centric solution design and the unique "elevate to F-Secure" functionality, which allows them to work directly with F-Secure's cyber security response teams in more demanding incidents.

"WE MADE PROGRESS WITH OUR STRATEGIC GROWTH AREAS."

F-Secure's consumer security business developed as expected. Our unique operator channel is the back bone of our consumer business, and as consumers are increasingly aware of new security and privacy challenges, our global network of partners provides us with a platform to protect their not just their PCs and smart phones, but their whole digital homes. We continue to focus on pushing the sales of the company's broad consumer portfolio to provide more comprehensive protection and to increase average revenue per customer.

Overall, F-Secure made good progress during 2018 in the implementation of our growth strategy. The acquisition of MWR InfoSecurity in July bolstered our detection and response capabilities further and expanded the reach and expertise of our consulting business. The integration is progressing well. Overall, the high demand for cyber security products and services continues to provide us with tailwind.

CEO Samu Konttinen

KEY FIGURES

EUR m	10–12/2018	10–12/2017[4)]	Change	1–12/2018	1–12/2017[4)]	Change
Revenue	53.7	44.4	21%	190.7	169.8	12%
of which corporate security	29.8	20.1	48%	95.9	72.2	33%
of which consumer security	24.0	24.3	−1%	94.9	97.5	−3%
Adjusted EBITDA [1)]	4.9	5.4	−11%	17.4	18.2	−4%
of revenue, %	9.0	12.2		9.1	10.7	
EBITDA	4.5	5.4	−16%	13.8	17.8	−22%
of revenue, %	8.5	12.2		7.2	10.5	
Adjusted EBIT [1)]	2.8	3.8	−25%	10.6	12.3	−14%
of revenue, %	5.3	8.5		5.6	7.3	
EBIT	1.4	3.7	−62%	4.5	11.5	−61%
% of revenue	2.6	8.3		2.4	6.8	
Earnings per share, (EUR) [2) 3)]	0.00	0.02	−112%	0.01	0.07	−92%
Deferred revenue				72.9	65.7	11%
Cash flow from operations	8.3	11.4	−27%	6.8	26.0	−74%
Cash and financial assets at fair value through P&L				27.9	90.2	−69%
ROI, %	6.2	27.7		7.9	20.0	
Equity ratio, %				42.7	61.9	
Gearing, %				13.9	−127.8	
Personnel, end of period				1,666	1,104	51%

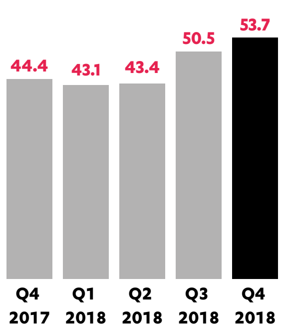
1) Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses and other items affecting comparability.
2) Based on the weighted average number of outstanding shares during the period 157,224,137 (1–12/2018).
3) Earnings per share (EPS) excluding returned withholding taxes was EUR 0.05 for 1–12/2017.
4) As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition, IFRS 15, and revised the allocation of costs between Cost of Revenue and Operating expenses, and therefore restated 2017 financials.

FINANCIAL PERFORMANCE

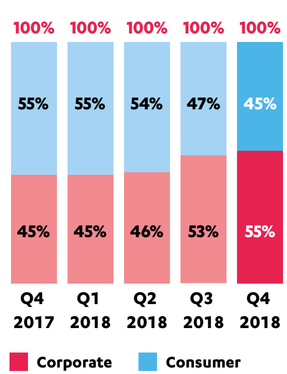
EUR m	10–12/2018	10–12/2017[4]	Change	1–12/2018	1–12/2017[4]	Change
Revenue	53.7	44.4	21%	190.7	169.8	12%
of which corporate security	29.8	20.1	48%	95.9	72.2	33%
of which consumer security	24.0	24.3	−1%	94.9	97.5	−3%
Cost of revenue [1]	−12.5	−7.4	69%	−39.4	−25.0	57%
Gross Margin	41.3	37.0	12%	151.4	144.8	5%
Other operating income	0.6	0.3	92%	2.3	1.9	19%
Operating expenses [1] [2]	−37.0	−31.9	16%	−136.2	−128.4	6%
of which Sales & Marketing	−24.9	−20.9	19%	−90.7	−82.7	10%
of which Research & Development	−9.0	−7.9	14%	−33.6	−32.5	3%
of which Administration	−3.0	−3.1	−2%	−11.9	−13.2	−10%
Adjusted EBITDA[3]	4.9	5.4	−11%	17.4	18.2	−4%
M&A expenses	−0.3			−3.6	−0.4	
EBITDA	4.5	5.4	−16%	13.8	17.8	−22%
Depreciation & amortization	−2.0	−1.6	22%	−6.8	−5.9	15%
PPA amortization	−1.2	−0.1		−2.5	−0.4	
EBIT	1.4	3.7	−62%	4.5	11.5	−61%

[1] As of 1 January 2018, F-Secure has revised the allocation of costs between Cost of Revenue (CoR) and Operating Expenses (OPEX). For more information, see Table section, Changes in Accounting Principles – Revision of Cost of Revenue or the separate restatement of 2017 financials (3 May 2018).
[2] Excluding M&A related expenses, depreciation and amortization
[3] 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 3 of the Table Section of this report.
[4] As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition, IFRS 15, and revised the allocation of costs between Cost of Revenue and Operating expenses, and therefore restated 2017 financials.

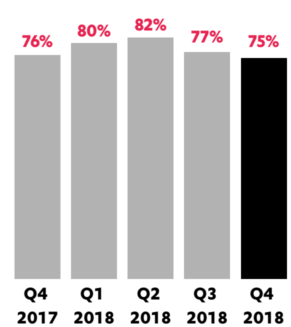
Revenue,
MEUR



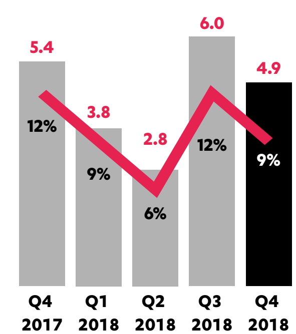
Revenue per business,
% of revenue



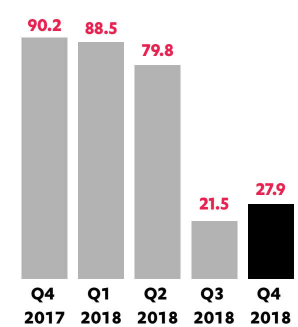
Operating expenses,
% of revenue



Adjusted EBITDA,
MEUR and % of revenue



Cash and financial assets,
MEUR



Fourth quarter

Total revenue in October-December increased by 21% to EUR 53.7 million (44.4m), driven by corporate security. The share of corporate security out of all revenue increased to 55% (45%).

Corporate security

Revenue from corporate security increased by 48% year-on-year to EUR 29.8 million (20.1m). Growth was driven by increased contribution from the acquired MWR InfoSecurity as well as continued organic growth. The revenue contribution from MWR InfoSecurity was EUR 8.7 million during the fourth quarter.

Reported revenue growth in corporate security during the fourth quarter was impacted by a one-off revenue reversal of EUR 0.7 million related to a fraud case in India. An internal investigation is currently being finalized, and the company has reported the case to the authorities. Fraudulent orders impacted revenue mainly during Q4/2017-Q3/2018, for which a cumulative correction has been booked in Q4/2018.

Products

Order intake [1)] for F-Secure's managed detection and response (MDR) solutions (RDS, Countercept) was in strong growth compared to the previous year, and increased significantly from the previous quarter. A large number of deals for MDR solutions was signed in October-December in several countries, and customer satisfaction and renewal rates with existing installations remained very high. Overall, the sales pipeline continued to develop positively supported by strong demand in the detection and response market. The quarterly order intake is expected to continue to reflect significant seasonality typical to new solutions, and sales cycles are expected to remain long.

[1)] Order intake is recognized as revenue according to IFRS 15. See table section, Changes in accounting principles.

Order intake from endpoint protection (EPP) solutions was at the previous year's level. Renewal rates with existing EPP installations were high. New customer acquisition improved slightly from the previous quarter, but was below previous year's level. Overall, the EPP market continues to be in transition with customers increasingly seeking to supplement their existing EPP solutions with new endpoint detection and response (EDR) capabilities. In November, F-Secure's new EDR solution (Rapid Detection & Response) was successfully launched. While EDR sales have only just begun, the solution has been well-received by resellers and customers, with first deals closed in eight countries.

Cyber security consulting

Order intake from cyber security consulting increased significantly from the previous year, driven by the increased contribution from the acquired MWR InfoSecurity. Consultancy order intake in the UK bounced back to an all-time high as the short-term impact from integration activities started to wear off. In the US, South Africa and Singapore order intake was in rapid growth. Order intake in the Nordics was lower than during the previous year, which included a large project order. Overall, F-Secure continued to see strong demand in the cyber security services market, and successfully recruited new consultants to meet this.

Consumer security

Revenue from consumer security remained at the previous year's level, and was EUR 24.0 million (24.3m) during the quarter.

Operators

Order intake from the operator channel was at the previous year's level. Overall, business developed as expected, and the company continued to work closely with its broad global network of partners to increase product activation. F-Secure signed new or extended operator contracts in Europe, the United States and Latin America. In October, F-Secure signed its first F-Secure SENSE-as-software deals with Elisa (Finland) as well as with Zyxel and Actiontec, leading global router manufacturers. During the quarter, negotiations with several operators and router manufacturers to include F-Secure SENSE's capabilities in their router offering continued.

Direct sales

Order intake in direct sales to consumers was at the previous year's level, and renewals remained at a good level. Consumers are increasingly seeking to buy bundled solutions in order to secure their digital lives. Similarly, F-Secure continued to focus on pushing the sales of the company's broad consumer portfolio to increase average revenue per customer.

Deferred revenue

Deferred revenue increased by 11% (year-on-year) to EUR 72.9 million (65.7m), driven by the inclusion of MWR InfoSecurity and increasing order intake from corporate security products and services with long-term contracts.

Gross margin

Gross margin increased by EUR 4.3 million to 41.3 million (37.0m) and was 77% of revenue (83%). Relative gross margin decreased as the share of cyber security consultancy business increased due to the acquisition of MWR InfoSecurity.

Operating expenses

Operating expenses increased by EUR 6.8 million to 40.4 million (33.6m) due to the inclusion of MWR InfoSecurity in the company's financials. Acquisition and integration related costs in operating expenses totaled EUR 1.5 million.

Profitability

Adjusted EBITDA was EUR 4.9 million and 9.0% of revenue (5.4m, 12.2%) and adjusted EBIT was EUR 2.8 million and 5.3% of revenue (3.8m, 8.5%).

EBIT was EUR 1.4 million and 2.6% of revenue (3.7m, 8.3%) including EUR 0.3 million of costs related to integration, EUR 1.2 million of amortization of intangible assets from business combinations.

Cash flow

Cash flow from operating activities before financial items and taxes was strong in the fourth quarter and was EUR 10.5 million (13.1m). Compared to the previous year, cash flow decreased due to changes in net working capital. Cash flow from operations was EUR 8.3 million (11.4m).

January–December

In January-December total revenue increased by 12% year-on-year to EUR 190.7 million (169.8m), driven by corporate security. Corporate security represented 50% (43%) of total revenue and consumer security 50% (57%) of total revenue.

Corporate security

Revenue from corporate security increased by 33% year-on-year to EUR 95.9 million (72.2m). The growth was driven by the increased contribution from the acquired MWR InfoSecurity and continued organic growth. The revenue contribution from MWR InfoSecurity was EUR 16.8 million during the second half of 2018.

Consumer security

Revenue from consumer security decreased by 3% year-on-year to 94.9 million (97.5m). The direct consumer sales was in slight growth, while sales through the operator channel decreased. Operator revenue decreased because the comparison period's figures included revenue related to an operator customer in Latin America lost in Q3/2017.

Gross margin

Gross margin increased by EUR 6.6 million to EUR 151.4 million (144.8m), and was 79% of revenue (85%). Relative gross margin decreased as the share of cyber security consultancy business increased due to the acquisition of MWR InfoSecurity.

Operating expenses

Operating expenses increased by EUR 14.0 million (year-on-year) to EUR 149.1 million (135.1m) due to the inclusion of MWR InfoSecurity in the company's financials. Operating expenses include EUR 3.6 million of acquisition and integration related costs and EUR 2.5 million of amortization of intangible assets from business combinations (PPA, purchase price allocation, related amortizations).

Profitability

Adjusted EBITDA was EUR 17.4 million and 9.1% of revenue (18.2m, 10.7%), excluding EUR 3.6 million of acquisition and integration related costs. Adjusted EBIT was EUR 10.6 million and 5.6% of revenue (12.3m, 7.3%), excluding acquisition and integration related costs, and PPA related amortizations.

EBIT was EUR 4.5 million and 2.4% of revenue (11.5m, 6.8%).

Cash flow

Cash flow from operating activities before financial items and taxes was EUR 13.8 million (29.5m). Cash flow decrease from previous year was due to decline in EBIT and change in net working capital, especially in non-interest bearing liabilities. Acquisition and integration related costs also impacted cash flow negatively.

Cash flow from operations was EUR 6.8 million (26.0m). Acquisition increased the amount of financial expenses, and income taxes had negative impact on cash flow in the first half with advances being paid whereas refunds were received during comparison period. Also, a long-term incentive plan related cash-settlement (–2.3m) during the first quarter impacted cash flow negatively.

Restatement of comparative financials

As of 1 January 2018, F-Secure adopted the new guidance on revenue recognition, IFRS 15, and therefore restated 2017 financials. Together with analyzing the IFRS 15 impact F-Secure also revised the allocation of costs between Cost of Revenue (CoR) and Operating Expenses (OPEX). All comparative figures in this report have been adjusted according to the restatement.

Additionally, the terminology used in financial statements has been revised to describe the items more accurately. Net sales is called Revenue, and Materials & Services is called Cost of Revenue. Changes in the content of the item Cost of Revenue has been described in the Table section. The content of Revenue remains the same.

Alternative performance measures

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.

Reconciliations are presented in note 3 on the Table section.

FINANCING AND CAPITAL STRUCTURE

EUR m	10–12/2018	10–12/2017[1)]	Change	1–12/2018	1–12/2017[1)]	Change
Cash and financial assets at fair value through P&L				27.9	90.2	−69%
Interest bearing liabilities, non-current				31.0		
Interest bearing liabilities, current				6.1		
Capital expenditure	2.3	2.1	11%	99.8	9.3	
Capital expenditure, excl. acquisitions	2.3	2.1	11%	7.5	7.1	5%
Capitalized development expenses	1.3	1.1	21%	4.7	3.9	21%
ROI, %	6.2%	27.7%		7.9%	20.0%	
Equity ratio, %				42.7%	61.9%	
Gearing, %				13.9%	−127.8%	

1) As of 1 January 2018 F-Secure has adopted the new guidance on revenue recognition, IFRS 15, and revised the allocation of costs between Cost of Revenue and Operating expenses, and therefore restated 2017 financials.

Financing arrangements

To finance the acquisition of MWR InfoSecurity, F-Secure entered into a bilateral EUR 60.0 million five-year financing agreement with Nordea Bank. In July the company withdrew a term loan of EUR 37.0 million, for which repayments will start in June 2019. A revolving credit limit of EUR 23.0 million is currently unused.

The financing agreement includes conventional loan covenants related to ratio of net debt to EBITDA and equity ratio. F-Secure complied with the covenant throughout the reporting period.

Capital expenditure and acquisitions

Capital expenditure including acquisitions totaled EUR 99.8 million (9.3m) during the period from January to December. The impact of the acquisition of MWR InfoSecurity net of acquired cash was EUR 91.3 million.

ORGANIZATION AND LEADERSHIP

Personnel

At the end of the quarter, F-Secure had 1,666 employees, which shows a net increase of 562 employees (51%) since the beginning of the year (1,104 on 31 December 2018), and an increase of 30 employees (2%) compared with end of September in 2018 (1,636). 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), 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, and acting HR & Offices services as of 1 October) and Jyrki Tulokas (Cyber Security Products & Services).

In March 2019, Eva Tuominen will join the company as Executive Vice President for People Operations and Culture, and Antti Hovila as the Executive Vice President for Strategy and Corporate Development.

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 1,308,444 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. Additionally, F-Secure has established a matching share plan available for all employees (Stock exchange release 15 December 2017). The matching share plan was extended in November 2018 to cover people whose employment has started after the first retention period had ended (7 November 2018) .

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 lending
- Risk exposure from contractual liability requirements
- Potential security threats related to F-Secure's products and services
- Impact of a potential BREXIT on 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.

EVENTS AFTER PERIOD-END

Dividend and proposals to the Annual General Meeting

The company's dividend policy is to pay approximately half of its profits as dividends. Subject to circumstances, the company may deviate from this policy.

During the year 2018, the company completed the acquisition of MWR InfoSecurity, which was financed partially with an external loan. In addition to the costs related to the acquisition and integration, the company's profitability was impacted by the continued growth investments in corporate security. Considering these aspects, the Board of Directors has exceptionally decided to propose no dividend to be paid for year 2018.

Court decision related to claim in France

In February 2019, F-Secure received a French appeal court decision related to the claim which was related to a contract regarding the purchasing of services, and which was originally disclosed in the Annual Report for 2017. F-Secure is assessing whether grounds for an appeal to supreme court exist. However, the decision will be implemented and F-Secure's subsidiary is required to pay approximately EUR 1.3 million, for which a similar provision has been booked earlier.

F-SECURE PRODUCTS AND SERVICES

Corporate security

In corporate security F-Secure provides a broad range of cyber security products, managed detection and response services 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

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

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

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

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.

ADDITIONAL INFORMATION

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Financial calendar

F-Secure Corporation will publish its interim reports during 2018 as follows:

- Q1/2019: 8 May 2019
- Q2/2019: 19 July 2019
- Q3/2019: 30 October2019

Annual General Meeting

- The Annual General Meeting (AGM) is scheduled to be held on 19 March 2019
- The Annual Report for 2018 will be published on the Company's website latest on 26 February 2019

More information is available at www.f-secure.com/agm.

CHANGES IN THE ACCOUNTING PRINCIPLES

The Group has adopted following new and amended standards and interpretations as of 1 January 2018:

IFRS 15 Revenue from Customer Contracts

F-Secure has applied full retrospective method in transition to IFRS 15 which means that the cumulative effect of all the modifications that occurred before 1 January 2017 have been recognized in opening balance of retained earnings as of 1 January 2017.

The new standard has an impact on how revenue from customer contracts is recognized. Mainly customer contracts with upfront revenue recognition were impacted. The impact is considered immaterial due to the fact that for majority of the customer contracts revenue recognition has already been deferred over time prior to application of IFRS 15 and due to the offsetting effect of the historical recognized revenue and deferral of the new sales.

Together with recognized revenue also deferred revenue and growth rate of deferred revenue were impacted by the adoption of IFRS 15. The recognition of incremental costs of obtaining contracts with customers (sales commissions) has also been deferred. The impact on sales commissions is immaterial due to the offsetting effect of historical costs and deferral of the new costs.

Impact of the new standard to retained earnings in opening balance as at 1 January 2017 is EUR 0.8 million. Deferring revenue and sales commissions in 2017 financials increased net result by EUR 0.3 million divided between increase in result before taxes of EUR 0.4 million and increase in income taxes of EUR 0.1 million. Impact to retained earnings in opening balance as at 1 January 2018 is EUR 1.1 million. Impact on deferred income in opening balance as at January 1 2017 is EUR 4.7 million and in opening balance as at 1 January 2018 EUR 4.6 million.

Impacts of IFRS 15 adoption to 2017 financials have been presented in detail in a separate document "Restated Information on 2017 Financials as a Result of Adoption of New IFRS 15 Accounting Standard and Revision of Cost of Revenue" published on 3 May 2018. All comparative information in this interim report has been adjusted according to the restatement.

IFRS 9 Financial Instruments and subsequent amendments

F-Secure has adopted the new standard IFRS 9 on the required effective date 1 January 2018. The cumulative effect from the transition has been recognized in opening balance as at 1 January 2018. The new standard has impact on classification and valuation of financial assets and includes a new model for estimating impairment of financial assets, which is based on expected credit losses.

F-Secure had significant investment in fixed income funds which were classified as available-for-sale under IAS 39. Under IFRS 9 these investments are classified as fair value through profit and loss increasing the volatility of the net result increases. Due to the nature of these investments the impact on Group's income statement is immaterial. In opening balance 1 January 2018 fair value fund (1.0m) was reclassified to retained earnings.

F-Secure has renewed the model for recognizing impairment provisions based on expected credit losses. Transition to new standard had EUR 0.2 million impact on trade receivables and retained earnings in opening balance 1 January 2018.

The changes do not influence Group's cash flow. Impacts on profit for the period are expected to be immaterial.

Amendment to IFRS 2 Share-based payments

The amendments to IFRS 2 are intended to eliminate diversity in the measurement and classification of cash-settled share-based payment transactions and accounting when share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments have no effect on the Group's on-going incentive plans. The new standard has been applied to the new incentive plan launched during first quarter of 2018.

Revision of Cost of Revenue (CoR)

F-Secure has revised the allocation of costs between Cost of Revenue (CoR) and Operating Expenses (OPEX). Prior year financials have been restated according to the new accounting principle to maintain the comparability. Impacts of the revision to 2017 financials have been presented in detail together with IFRS 15 impacts in a separate document "Restated Information on 2017 Financials as a Result of Adoption of New IFRS 15 Accounting Standard and Revision of Cost of Revenue" published on 3 May 2018. All comparative information in this interim report has been adjusted according to the restatement.

In previous reporting, F-Secure's Cost of Revenue included mainly Royalties, Freights and Material. The revised Gross Margin captures in addition costs of providing cloud-based services to customers, customer support and cyber security services related direct expenses.

The impact for comparative 2017 financial statements is a decrease of Gross Margin from 96% to 85%. Net result was not impacted. The revision aimed at identifying costs directly linked to the delivery of F-Secure's software products and services and reporting a Gross Margin that is more comparable in content with other similar companies in the industry and worldwide.

REVISED ACCOUNTING PRINCIPLES

Financial liabilities

F-Secure classifies loans from financial institutions, trade payables and other payables as other financial liabilities which are measured at amortized cost. Transaction costs, such as arrangement fees, are deferred over the maturity of the liability.

Contingent considerations arising from acquisitions are classified as financial liabilities measured at fair value and changes in fair value are accounted through profit and loss. Contingent considerations are measured at fair value at the end of each reporting period.

Financial liabilities are classified as current unless F-Secure has unconditional right to postpone their repayment by at least 12 months from the end date of the reporting period.

ADOPTION OF FUTURE IFRS STANDARDS

IFRS 16 Leases (effective for financial year beginning on or after 1 January 2019)

IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. Initial application for the new standard for the Group is 1 January 2019. F-Secure has chosen the modified approach to IFRS 16 and comparatives will not be restated. Under IAS 17 F-Secure has had only operating leases, which consist mainly of rented office premises and leased cars.

As part of the implementation project F-Secure has materially carried out the analysis of recognizing right-to-use assets. Lease definition under IFRS 16 is met by most of the rented office premises and leased cars. A contract will be excluded from leases if the contract period is less than 12 months or the value of an asset is not material.

As at the reporting date, the group has non-cancellable operating lease commitments of EUR 14.1 million. A preliminary assessment indicates that EUR 13.5 million of these arrangements relate to leases other than short term leases and leases of low value assets, of which the Group will recognize a right of use asset and a corresponding lease liability. The preliminary assessment indicates that EUR 0.6 million of these arrangements relate to short term leases and leases of low value assets.

In addition to having an impact on the Group’s balance sheet the new standard will slightly improve Group’s operating profit as part of the lease-related expense will be reported as financial costs.

This financial statement release is unaudited and prepared in accordance with IAS 34 standard Interim Financial Reporting. Apart from the changes in accounting principles, the accounting principles applied in the interim report are the same as in the annual report 2017.

All figures in the following tables are EUR million unless otherwise stated.

INCOME STATEMENT

	10–12/2018	Restated 10–12/2017	Change %	1–12/2018	Restated 1–12/2017	Change %
Revenue	53.7	44.4	21%	190.7	169.8	12%
Cost of revenue	–12.5	–7.4	69%	–39.4	–25.0	57%
Gross margin	**41.3**	**37.1**	**11%**	**151.4**	**144.8**	**5%**
Other operating income	0.6	0.3	92%	2.3	1.9	19%
Sales and marketing	–26.2	–21.9	19%	–95.0	–86.7	10%
Research and development	–9.7	–8.4	15%	–35.7	–34.1	5%
Administration	–4.6	–3.3	40%	–18.3	–14.3	28%
EBIT	**1.4**	**3.7**	**–62%**	**4.5**	**11.5**	**–61%**
Financial net	–0.9	–0.4	140%	–2.8	0.8	–439%
Result before taxes	**0.5**	**3.4**	**–85%**	**1.7**	**12.4**	**–86%**
Income taxes [1)]	–0.9	–0.9	2%	–0.9	–1.3	–33%
Result for the period total	**–0.4**	**2.5**	**–115%**	**0.8**	**11.1**	**–92%**
Other comprehensive income						
Exchange differences on translating foreign operations	–0.5	–0.1		–1.3	–0.8	
Available-for-sale financial assets					–0.1	
Total comprehensive income (parent company owners)	**–0.9**	**2.4**	–137%	**–0.4**	**10.1**	–104%

Earnings per share	10–12/2018	Restated 10–12/2017	Change %	1–12/2018	Restated 1–12/2017	Change %
Earnings per share, basic and diluted, EUR	0.00	0.02	–112%	0.01	0.07	–92%

[1)] During third quarter company received further information related to recoverability of tax losses in the US and a deferred tax asset of EUR 0.8 million was recognized.

BALANCE SHEET

Assets	31 Dec 2018	Restated 31 Dec 2017
Tangible assets	5.2	3.2
Intangible assets	38.4	14.7
Goodwill	90.7	10.1
Deferred tax assets	4.0	4.1
Other receivables	0.5	0.7
Total non-current assets	**138.7**	**32.8**
Inventories	0.6	0.6
Trade and other receivables	56.7	50.1
Income tax receivables	4.2	1.4
Financial asset at fair value through profit and loss	0.1	
Available-for-sale financial assets		53.9
Cash and bank accounts	27.8	36.3
Total current assets	**89.4**	**142.3**
Total assets	**228.0**	**175.1**

Shareholders’ equity and liabilities	31 Dec 2018	Restated 31 Dec 2017
Equity	**66.3**	**70.6**
Interest bearing liabilities, non-current	31.0	
Deferred tax liability	4.1	1.4
Deferred revenue, non-current	17.6	17.4
Other non-current liabilities	16.2	2.5
Provisions	1.2	1.2
Total non-current liabilities	**70.0**	**22.4**
Interest bearing liabilities, current	6.1	
Trade and other payables	29.5	31.8
Income tax liabilities	0.8	1.9
Deferred revenue, current	55.3	48.3
Total current liabilities	**91.7**	**82.1**
Total equity and liabilities	**228.0**	**175.1**

CASH FLOW STATEMENT

Restatement of 2017 financials had no impact on 2017 cash flow other than an immaterial transfer between *Result for the financial year and Change in net working capital.*

	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Cash flow from operations				
Result for the financial year	−0.4	2.5	0.8	11.1
Adjustments	4.9	2.8	15.1	8.6
Cash flow from operations before change in working capital [1)]	**4.6**	**5.3**	**16.0**	**19.7**
Change in net working capital [2)]	5.9	7.8	−2.2	9.8
Cash flow from operating activities before financial items and taxes	**10.5**	**13.1**	**13.8**	**29.5**
Net financial items and taxes	−2.2	−1.7	−7.0	−3.5
Cash flows from operating activities	**8.3**	**11.4**	**6.8**	**26.0**
Cash flow from investments				
Net investments in tangible and intangible assets	−2.3	−2.1	−7.1	−7.1
Acquisition of subsidiaries, net of cash acquired	0.4		−91.9	−2.2
Other investments, net			53.5	10.7
Cash flow from investments	**−1.9**	**−2.1**	**−45.6**	**1.4**
Cash flow from financing activities				
Repayments of interest-bearing liabilities	−0.1		−0.5	
Increase in interest-bearing liabilities			37.0	
Own shares			−0.1	
Dividends paid			−6.3	−18.8
Cash flow from financing activities	**−0.1**	**0.0**	**30.1**	**−18.8**
Change in cash	**6.3**	**9.3**	**−8.7**	**8.7**
Cash and bank at the beginning of the period	21.5	27.3	36.3	29.0
Effect of exchange rate changes on cash	0.0	−0.3	0.2	−1.4
Cash and bank at period end	27.8	36.3	27.8	36.3

[1)] Acquisition and integration related costs impacted cash flow negatively

[2)] F-Secure's long term incentive plan related cash-settlement had a EUR 2.3 million negative impact on change in net working capital.

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 2016	**1.6**	**0.2**	**5.2**	**–5.7**	**73.4**	**1.1**	**0.3**	**75.9**
Impact of IFRS 15 restatement					0.8		0.0	0.9
Equity 1 Jan 2017 (restated)	**1.6**	**0.2**	**5.2**	**–5.7**	**74.2**	**1.1**	**0.3**	**76.8**
Total comprehensive income for the year					11.1	–0.1	–0.8	10.2
Dividends					–18.8			–18.8
Cost of share based payments			0.2	1.2	1.1			2.5
Equity 31 Dec 2017 (restated)	**1.6**	**0.2**	**5.4**	**–4.6**	**67.7**	**1.0**	**–0.5**	**70.6**

	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**	**70.7**
Total comprehensive income for the year					0.8		–1.3	–0.4
Dividend					–6.3			–6.3
Cost of share based payments			0.7	1.8	–0.2			2.3
Equity 31 Dec 2018	**1.6**	**0.2**	**6.1**	**–2.8**	**63.1**	**0.0**	**–1.8**	**66.3**

1 SEGMENT INFORMATION

The Group has one segment (security).

	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Revenue	53.7	44.4	190.7	169.8
Cost of revenue	–12.5	–7.4	–39.4	–25.0
Gross margin	**41.3**	**37.1**	**151.4**	**144.8**
Other operating income	0.6	0.3	2.3	1.9
Sales and marketing	–26.2	–21.9	–95.0	–86.7
Research and development	–9.7	–8.4	–35.7	–34.1
Administration	–4.6	–3.3	–18.3	–14.3
EBIT	**1.4**	**3.7**	**4.5**	**11.5**
Financial net	–0.9	–0.4	–2.8	0.8
Result before taxes	**0.5**	**3.4**	**1.7**	**12.4**

Disaggregation of revenue

By sales channels	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Consumer security	24.0	24.3	94.9	97.5
Corporate security	29.8	20.1	95.9	72.2
Total revenue	**53.7**	**44.4**	**190.7**	**169.8**

By geographical area	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Nordic countries	18.0	17.4	67.0	63.0
Rest of Europe	24.1	18.4	84.6	69.4
North America	4.8	4.4	17.2	16.4
Rest of the world	6.8	4.2	21.9	21.0
Total revenue	**53.7**	**44.4**	**190.7**	**169.8**

2 ACQUISITIONS

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. The acquisition is a significant milestone in the execution of F-Secure's growth strategy, and makes it the largest European single source of cyber security services and detection and response solutions. With close to 400 employees, MWR InfoSecurity is among the largest cyber security service providers serving enterprises globally, and their threat hunting platform (Countercept) is one of the most advanced in the market and an excellent complement to F-Secure's existing technologies.

Purchase consideration

The purchase consideration comprises of cash payment of EUR 93.8 million and a contingent consideration subject to the achievement of agreed business targets for the period from 2 July 2018 until 31 December 2019. The maximum level of contingent consideration is EUR 28.0 million. At acquisition the management estimated that the fair value of contingent consideration is EUR 14.2 million.

Preliminary consideration	
Paid in cash	93.8
Fair value of contingent consideration	14.2
Provisional estimate of the fair value of the purchase consideration	**108.0**

Preliminary cash flow from the acquisition	
Consideration paid in cash	–93.8
Cash and cash equivalents of the acquired company	2.4
Total cash flow from the acquisition	**–91.5**

Provisional fair values of the assets and liabilities arising from the acquisition

Tangible assets	1.9
Intangible assets	25.9
Deferred tax assets	0.5
Trade and other receivables	8.3
Cash and cash equivalents	2.4
Total assets	**38.9**
Other non-current liabilities	0.0
Interest bearing liabilities, current	0.6
Trade and other payables	7.0
Deferred tax liabilities	5.2
Total liabilities	**12.8**
Total net assets	**26.1**
Preliminary goodwill	**81.9**

The preliminary goodwill of EUR 81.9 million reflects the value of expertise in cyber security and strong R&D know-how obtained in the acquisition as well as synergies available for combining operations in providing corporate cyber security services.

Provisional fair values of acquired identifiable intangible assets at the date of acquisition	
Technology and trademarks	20.2
Customer relations	5.7

Amortization of the intangible assets during the period are EUR 2.0 million.

Expenses related to the acquisition	
Other expenses	2.6

Impact on F-Secure's comprehensive income statement

The acquired business contributed revenues of EUR 16.8 million and EBIT of EUR –2.5 million to F-Secure for the period from 2 July to 31 December 2018.

Had the acquisition occurred on 1 January 2018, management estimates that consolidated revenue would have been EUR 206.0 million and consolidated EBIT would have been EUR 0.7 million including amortization of acquired intangible assets (EUR –4.1 million). Fair values of acquired net assets are assumed to have been the same on 1 January 2018 as at acquisition on 2 July 2018 when determining these amounts.

3 RECONCILIATION BETWEEN ADJUSTED EBITDA, EBITDA, ADJUSTED EBIT AND EBIT

	10–12/2018	Restated 10–12/2017	1–12/2018	Restated 1–12/2017
Adjusted EBITDA	**4.9**	**5.4**	**17.4**	**18.2**
Adjustments to EBITDA				
Costs related to business acquisitions			−2.6	−0.4
Costs related to integration	−0.3		−1.0	
Gains and losses from sales of businesses				
Other items affecting comparability				
EBITDA	**4.5**	**5.4**	**13.8**	**17.8**
Depreciation, amortization and impairment losses	−3.2	−1.8	−9.3	−6.3
EBIT	**1.4**	**3.7**	**4.5**	**11.5**

	10–12/2018	Restated 10–12/2017	1–12/2018	Restated 1–12/2017
Adjusted EBIT	**2.8**	**3.8**	**10.6**	**12.3**
Adjustments to EBIT				
Costs related to business acquisitions			−2.6	−0.4
Costs related to integration	−0.3		−1.0	
PPA amortization	−1.2	−0.1	−2.5	−0.4
Gains and losses from sales of businesses				
Other items affecting comparability				
EBIT	**1.4**	**3.7**	**4.5**	**11.5**

Classification of adjusted costs in operating expenses

	Operating Expenses 10–12/2018	M&A expenses	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 10–12/2018
Sales and marketing	−26.2	0.1	−26.1	1.1		−24.9
Research and development	−9.7		−9.7	0.6		−9.0
Administration	−4.6	0.2	−4.4	0.2	1.2	−3.0
Operating expenses	**−40.4**	**0.3**	**−40.1**	**2.0**	**1.2**	**−37.0**

	Operating Expenses 1–12/2018	M&A expenses	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1–12/2018
Sales and marketing	−95.0	0.5	−94.5	3.9		−90.7
Research and development	−35.7	0.0	−35.7	2.1		−33.6
Administration	−18.3	3.1	−15.2	0.8	2.5	−11.9
Operating expenses	**−149.1**	**3.6**	**−145.5**	**6.8**	**2.5**	**−136.2**

	Operating Expenses 10–12/2017	M&A expenses 10–12/2017	Expenses for adjusted EBIT 10–12/2017	Depreciation 10–12/2017	PPA amortization 10–12/2017	Operating Expenses for Adjusted EBITDA 10–12/2017
Sales and marketing	−21.9		−21.9	1.1		−20.9
Research and development	−8.4		−8.4	0.5		−7.9
Administration	−3.3		−3.3	0.1	0.1	−3.1
Operating expenses	**−33.6**		**−33.6**	**1.6**	**0.1**	**−31.9**

	Operating Expenses 1–12/2017	M&A expenses 1–12/2017	Expenses for adjusted EBIT 1–12/2017	Depreciation 1–12/2017	PPA amortization 1–12/2017	Operating Expenses for Adjusted EBITDA 1–12/2017
Sales and marketing	−86.7		−86.7	4.0		−82.7
Research and development	−34.1		−34.1	1.6		−32.5
Administration	−14.3	0.4	−13.9	0.3	0.4	−13.2
Operating expenses	**−135.1**	**0.4**	**−134.7**	**5.9**	**0.4**	**−128.4**

4 CLASSIFICATION OF FINANCIAL ASSETS UNDER IFRS 9

On 1 January 2018 the Group has reclassified financial assets into appropriate IFRS 9 categories. Reclassification was made according to managements' assessment about which IFRS 9 business models apply to the financial assets held by the Group.

As a result the Group reclassified its available-for-sale investments to be presented at fair value through profit and loss. The impacts of this reclassification remained immaterial as the Group sold the assets during June 2018 to finance the acquisition of MWR InfoSecurity.

Financial assets on 1 Jan 2018	Fair value through profit and loss (FVPL)	Fair value through OCI (Available-for-sale 201[7])
Closing balance 31 Dec 2017 – IAS 39		1.0
Reclassify investments from available-for-sale to FVPL	1.0	–1.0
Opening balance 1 Jan 2018 – IFRS 9	1.0	0.0

Model for measuring credit losses has also been revised according to IFRS 9. To measure the expected credit losses, trade receivables have been grouped based on characteristics that depict the credit risk of receivables (eg. geographical area and days past due). Different expected loss rates which have been determined using historical information and management judgment, have been applied to grouped trade receivables. Impacts of credit loss model change in opening balance 1 Jan 2018 are as follows:

Trade receivables on 1 Jan 2018	Trade receivables
Closing balance 31 Dec 2017 – IAS 39	50.1
Amounts restated through opening retained earnings	0.2
Opening balance 1 Jan 2018 – IFRS 9	50.2

5 FINANCIAL LIABILITIES

In July the Group entered into a bilateral EUR 60.0 million five-year financing agreement with Nordea Bank facility to finance the acquisition of MWR InfoSecurity Ltd. The financing arrangement comprises of a term loan of EUR 37.0 million which was withdrawn on 2 July 2018 and a revolving credit limit of EUR 23.0 million. On the reporting day the revolving facility was not in use.

Contractual maturities of financial liabilities	Fair value hierarchy level	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
Interest bearing financial liabilities	2	6.1	6.0	6.0	6.0	13.0	37.1	37.1
Contingent considerations	3		16.8				16.8	14.8
Total financial liabilities		**6.1**	**22.8**	**6.0**	**6.0**	**13.0**	**53.8**	**51.9**

Fair value hierarchies

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.

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

6 KEY RATIOS AND OTHER KEY FIGURES

	10–12/2018	Restated 10–12/2017	1–12/2018	Restated 1–12/2017
Adjusted EBITDA, % of revenue	9.0	12.2	9.1	10.7
EBITDA, % of revenue	8.5	12.2	7.2	10.5
Adjusted EBIT, % of revenue	5.3	8.5	5.6	7.3
EBIT, % of revenue	2.6	8.3	2.4	6.8
ROI, %	6.2	27.7	7.9	20.0
ROE, %	−2.2	14.2	1.2	15.0
Equity ratio, %			42.7	61.9
Gearing, %			13.9	−127.8
Earnings per share, basic and diluted	0.00	0.02	0.01	0.07
Shareholders' equity per share, EUR			0.42	0.45
P/E ratio			431.4	55.2
Capitalized expenditure, MEUR	2.3	2.1	99.8	9.3
Capitalized expenditure, MEUR excl. acquisition	2.3	2.1	7.5	7.1
Contingent liabilities, MEUR			14.1	13.8
Depreciation and amortization, MEUR	−3.2	−1.8	−9.3	−6.3
Personnel, average	1,659	1,084	1,364	1,067
Personnel, period end			1,666	1,104

7 CALCULATION OF KEY FIGURES

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

CYBER SECURITY LIVES HERE

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