Annual Report 2012

Protecting the irreplaceable

F-Secure.

F-Secure has been protecting the digital lives of consumers and businesses for 25 years. Our Internet security and content cloud services are available through reseller partners, through over 200 operators in more than 40 countries and directly to consumers.

In 2012, the company's revenues were EUR 157 million and it has over 900 employees in more than 20 offices worldwide. F-Secure Corporation is listed on the NASDAQ OMX Helsinki.

Sarogini, Quality Engineer, Labs

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Key figures 2012

Revenues MEUR **157.2**

Operating Profit MEUR **20.3**

Earnings per share EUR **0.09**

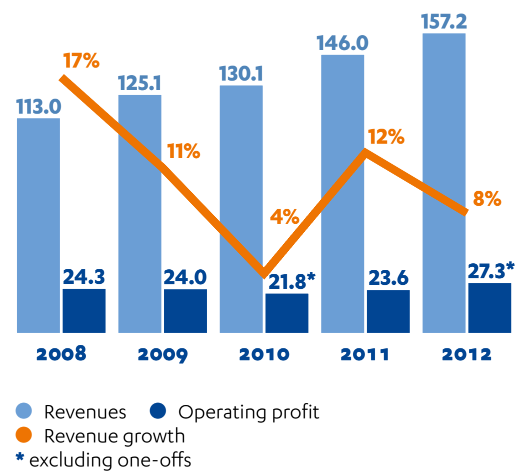
Dividend per share EUR **0.06**

R&D investments **31%** of revenues

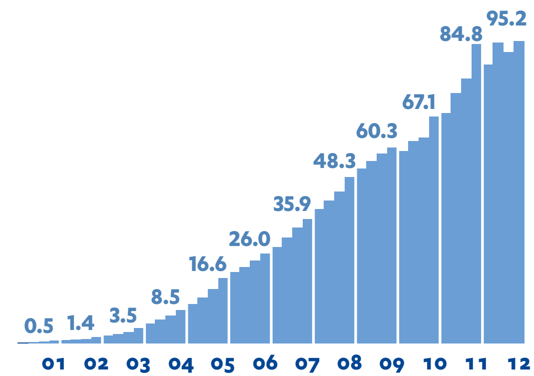
Equity ratio **73%**

Personnel **931**

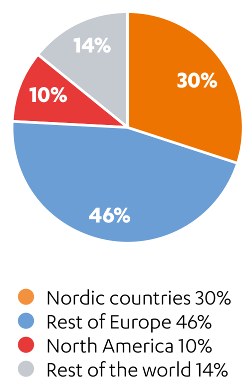
Revenues and operating profit 2008–2012, MEUR



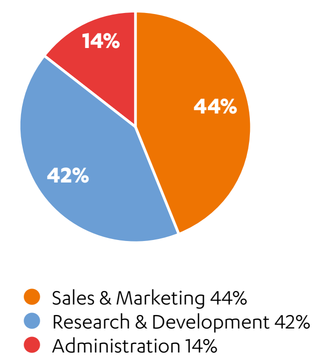
Revenues by the operator business 2001–2012, MEUR



Regional revenue split 2012, %



Personnel by function 2012, %



F-Secure in brief

Protecting the Irreplaceable

F-Secure's promise 'Protecting the irreplaceable' captures the essence of what we do. We protect people's valuable digital content and their online interactions. As our customers' on-the-go digital lives flow between smartphones, tablets, and PCs, they can be confident that their content is backed up and secure and their devices and data are protected from digital threats. So what's personal stays personal and safe, anywhere. People are going online for business, leisure, and everything in between. Our job at F-Secure is to make all of this safe and secure – to protect people's lives online.

Strategy

F-Secure's first priority is to seek growth and market expansion. We will increasingly promote our converged security and content cloud portfolio, services which meet today's needs for protection and privacy of devices, content and personal data.

Simultaneously we will continue to bring innovative new products to the market, products whose development is being determined by key trends such as soaring mobile adoption, takeoff of personal cloud services, and ubiquitous consumerization. By addressing these trends we will remain competitive, meeting the needs of the mass market.

F-Secure has been protecting the digital lives of consumers and businesses for 25 years. Two very strong assets give us a solid foundation for our future success: our award-winning, competitive technology and our channels. We sell through operators, broadband and mobile providers, work together with resellers as well as sell directly to consumers through our eStore, app stores and selected retail partners.

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Market Trends

The role of security and privacy is increasing exponentially. This means F-Secure has a growing role to play in people's lives. Most of us know that we need to protect our computers. But as we use more and more devices to go online, we face the same security threats on our other devices too. All devices and their precious user generated content need to be protected.

Security software revenues in 2012 are estimated to be $19.2 billion, a growth of 8.4% from the previous year (Gartner, August 2012). The forecasted growth for the overall global security software market remains solid at around 8.2% until 2016 (CAGR). The growth of the security market is mostly organic and is derived from emerging markets, such as APAC, China and Latin America (Gartner, August 2012).

Users create and share content constantly. The volume of user-generated digital content is expected to continue to increase rapidly in the coming years, driven by digital photos, videos and music. 89% of people (F-Secure Broadband Consumer Survey, 2012) want all their content to be available on all their devices and look for services to share, store and control their personal data. Parks Associates forecasts that operators providing security, storage and sharing value-added services have a revenue opportunity of $1.03 billion in 2012, increasing to $4.82 billion in 2015.

Customers

People and companies are online 24/7, storing data in multiple systems and locations. There is a growing need and challenge to protect the truly irreplaceable for people in work and private life: identity and reputation, digital memories, IPR and privacy. F-Secure protects tens of millions of customers' irreplaceable digital content and online interactions. Anytime, anywhere, on any device.

Behind our over 200 operator partners in more than 40 countries there are currently more than 250 million broadband and mobile end users. We also serve consumers directly through our e-Store and retailers in select markets, and corporate customers through our global network of resellers. Our services help customers enjoy a digital lifestyle to the fullest, whether it's surfing, sharing content, social networking or at work.

Products and services

F-Secure's long history of expertise in online security and portfolio of award-winning security products are complemented by its innovation in cloud services.

Being constantly connected brings its own risks, and today's sophisticated malware requires advanced protection. F-Secure Internet Security and Mobile Security provide complete protection for computers, smartphones and tablets.

F-Secure's personal content cloud product enables consumers to store, sync, access and share their photos, videos, documents and other files safely anywhere, from any device. Users' content stays 100 percent private, safe and under their control as content is scanned only for malware, not for marketing analytics or profiling.

Unique business model

CONSUMERS

We have the best protection in the world and we securely store PETABYTES of content for millions of customers.

BUSINESSES

We have the best corporate security strategy.

PARTNERS

We are the leader with over 200 operator partnerships in over 40 countries.

CEO letter

Christian Fredrikson, President and CEO

Your Security – Our Pride

My first year as CEO at F-Secure was very inspiring. Now, after one year and after meeting hundreds of F-Secure employees and many customers in various different countries I am more convinced than ever that this company has great assets to become a truly meaningful global player. In my opinion we have vast opportunities in the security and content cloud businesses to clearly change these areas as an innovator and thought leader.

Over the past year we have made good operative progress. We have renewed our Leadership Team and organizational structure and have started to change our way of working to improve our productivity and operational efficiency as well as time-to-market and customer-centricity. We wanted to better focus our resources on areas important for our future and eliminate work which was not moving us towards our goals. The changes were successful; we now get more important development done with less costs. Our main goal is to seek revenue growth while gradually improving our profitability. We have now taken positive steps in this direction.

Our journey to more growth and profitability will be accompanied by a few key trends. It's hardly news that mobile adoption is soaring and creating a growing awareness and need for mobile security. And while the personal cloud is finally taking off as users start seeing the advantage of having content accessible from anywhere at any time, ubiquitous consumerization will change the dynamics of the industry. We are responding to and evolving with all three of these trends.

Internet Security portfolio continues to evolve with success

Over the year we launched several new Internet security products for consumers and corporate users for both PC and mobile environments. We introduced a unique Banking Protection feature for our flagship consumer PC product, F-Secure Internet Security 2013, and are now able to support all major mobile operating systems with F-Secure Mobile Security. The new version of F-Secure Protection Service for Business lifted the product to the next level of best-of-breed business security solutions. We are proud of our solutions, and independent test organizations proved that we provide state-of-the-art products. Our corporate security strategy was recognized as top-ranked in The Forrester Wave, Endpoint Security report. In January 2013, we received the award from AV-TEST for Best Protection in the Home User category – just to name the highlight among many other awards our flagship consumer product has received.

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The growth in mobile device usage is opening new opportunities and our mobile security sales are picking up. At the same time the slower growth of PC shipments is causing challenges in one of our traditionally strongest business areas. Nonetheless, last year our Internet security business performed very well especially through our main channel, operators and Internet service providers, and again achieved double-digit subscriber and revenue growth overall. During the year we launched several new partnerships. Our latest entry into the Latin American continent contributed to a strong performance. Traditional channels, corporate and direct to consumer, were doing better than expected at the beginning of the year, showing once again the competiveness of our products.

Breakthrough in our new content cloud

A competitive portfolio is also needed in the content cloud business. It's a fast moving, highly competitive market that sees many start-up and mature companies driving innovations. Tens of millions of cloud subscribers are needed to build up a sustainable business and be established as a big player. A lot of companies have difficulties monetizing their content cloud offerings and in the end many won't make it. While content cloud business models are still evolving we are pleased with our progress in that area. We securely store billions of photos, videos, documents, and other files for millions of consumers globally. Located in five data centers on three continents, F-Secure's ever-increasing cloud content has grown to make up several petabytes of data. What makes our personal content cloud so different from many other products? The answer is simple: security. With F-Secure, consumers' content stays 100 percent private, safe and under their control. Content is scanned only for malware, not for marketing analytics and profiling as with some other companies.

Our new productized content cloud solution is highly scalable, enables a much faster time to market and strengthens our competitive position in the emerging content cloud business. Our latest launch at BT – one of the major European operators – once again proves the excellence of our products and our ability to deliver on time. AT&T, one of the world's largest operators, launched their content cloud service last autumn and it is progressing well. These launches, together with growing interest among service providers, fuel our excitement for our next-generation content cloud offering.

Consumerization is changing the game

We live in exciting times. People have become multi-screeners who use smartphones, tablets, computers, even TVs or gaming consoles to get online. Over 65% of people have more than one device. Many activities are performed either sequentially or in parallel on various devices, which defines new requirements for software. We have and we will continue to create new products to address the rising need for safety and protecting the most private content in an environment where the importance of PCs is diminishing, and mobile or other devices connected to the Internet are on the rise.

However, we see one mega-trend: consumerization. BYOD (Bring Your Own Device) and BYOA (Bring Your Own App) are part of this trend and offer individuals and companies new opportunities to increase productivity and reduce IT infrastructure costs. At the same time this trend generates new challenges for protecting content, privacy, reputation and intellectual property. For us, consumerization will significantly impact the development of our products, go-to-market strategies and last but not least our way of working. We see ourselves well placed for this shift, with our strong focus on providing security and content cloud products for people – whether in a business or leisure context. We have a great asset to build on: we serve both businesses and consumers. Working with each group increases our insight and expertise and benefits the other. The consumer-led change of how people use the internet is at our fingertips and we know that in the future it will be the user's behavior – not the device, not the app – that drives technology development.

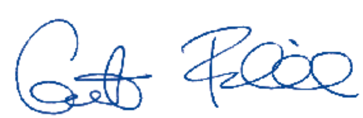
We are investing in growth

The mentioned industry trends such as mobility and the need for mobile security, the growth of the personal content cloud, and consumerization are determining our product development. By addressing these trends we are preserving our product competitiveness and will be able to introduce innovative products designed to meet the needs of the mass market. Simultaneously, we will increasingly promote our converged security and content cloud portfolio. We are also seeking further growth by expanding our geographical reach, especially in Latin America and Asia Pacific.

To succeed in our efforts we will employ one of our greatest assets: our channel with more than 200 operators, service providers and cable operators worldwide. F-Secure is the global leader in providing security as a service through operators addressing a customer base of more than 250 million subscribers. Additionally, we now aim to grow through our two other solid channels, direct consumer and resellers.

We are building further success on solid ground. This year marks the 25th anniversary of F-Secure with a great track record in the security business. F-Secure has been protecting the digital lives of consumers and businesses since late 80's. Today we provide Internet security and content cloud services in more than 40 countries around the world. We are the trusted partner in data protection for millions of homes and businesses.

As the story continues, I wish to thank our personnel for their great contribution, and our customers and partners for their excellent cooperation last year. I would also like to extend my warmest thanks to our shareholders for their continued trust in F-Secure.



Christian Fredrikson
President & CEO

Board of Directors' Report 2012

In 2012, F-Secure's overall performance was solid. The Company continued its profitable growth while the revenue growth has been below the target level. During the year, the Company made organizational changes to improve its operational efficiency, time-to-market capabilities and market-centricity. These changes combined with an award-winning Internet Security portfolio and Content Cloud products are expected to support the Company's aim back to high growth in the coming years.

Financial performance and key figures

Total revenues in 2012 were 157.2 million, representing a growth of 8% (146m). Revenue growth through the operator channel remained solid, with a growth of 12% from the previous year and reaching revenues of 95.2 million (84.8m). Revenues through the other channels grew over 1%, totaling 61.9 million (61.2m). EBIT was 20.3 million (23.6m), representing 13% of revenues (16%). EBIT excluding one-offs due to restructuring in the French subsidiary were 27.3 million, representing 17% of revenues.

Earnings per share were EUR 0.09 (EUR 0.11). Cash flow from operations was 25.6 million positive (20.8m positive). Deferred revenues were 37.7 million at the end of December (38.3m).

Total fixed costs were 131.2 million (115.9m), 13% higher than in the previous year. The increases in operational costs were allocated to geographic expansion in Latin America and to R&D to improve the competitiveness of the products.

The cost level was impacted by increased depreciations from past capitalized R&D-expenses and other investments (R&D activations, software, and hardware); 7.9 million (6.5m) in total. F-Secure capitalized less development costs than in the previous year, 4.9 million (7.8m) in total. The one-offs due to restructuring of the French subsidiary were approximately 7 million. These were based on redundancies of 41 employees and related costs, 2.5 million (final costs were a bit higher than the 2.1m estimated in October) and write-offs of 4.5 million from the related technology and customer assets. The negotiations related to restructuring at F-Secure SDC (France) were concluded in November.

In addition, there was a write-off of 0.8 million from obsolete Content Cloud development, booked in Q4, and a write-off of 0.8 million from an obsolete sales tool, booked in Q2. All one-off costs during the year, including restructuring costs and all write-offs, amounted to 8.6 million in

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total. The total fixed costs excluding these one-offs were 122.6 million (114.9m), 7% higher than in the previous year.

In the beginning of the year 2012, F-Secure gave guidance for company revenues and profitability, which was further defined in connection with the publication of interim reports. The company's revenues and profitability were in accordance with the given guidance (latest guidance: revenue growth 5–10% from previous year; EBIT around 15% excluding one-offs in France).

At the end of the year, the geographical breakdown of revenues was as follows: Finland and Scandinavia 31% (32%), rest of Europe 45% (45%), North America 10% (11%) and rest of the world 14% (12%).

Further information on the key financial data is presented in note 29 to the financial statements.

Operator channel

The Operator channel, which includes Internet service providers, mobile operators and cable operators, is the main channel through which F-Secure services are delivered. F-Secure has more than 200 partners in over 40 countries, with an addressable market of over 250 million fixed and mobile broadband customers. The total number of F-Secure's operator partners is significantly larger than that of any other security service vendor. Through operators, F-Secure provides easy and intuitive to use Internet security and Content Cloud products for computers and mobile devices.

F-Secure securely stores billions of photos, videos, documents, and other files for millions of consumers globally. Located in five data centers on three continents, F-Secure's ever-increasing cloud content currently makes up several petabytes of data. F-Secure Cloud Services, online backup and sync & share, are trusted by many of the world's largest telecom companies and serve more than 100 operators around the world.

The Company has developed a new productized, highly-scalable Content Cloud offering and streamlined its project delivery to provide a shorter time to market. This new product strengthens the competitive position in the emerging Content Cloud business. The development of the previous version of the Content Cloud product has been stopped in France and this will improve the Company's financial performance.

One of Europe's major operators, BT, is now taking the final steps to the launch of its Content Cloud service, and is planning to make it publicly available during Q1 2013. Powered by F-Secure's latest Content Cloud technology, the operator's consumer customers will now get more out of their digital content while safely accessing and sharing it from virtually anywhere.

The Company's co-operation with AT&T is also progressing well. F-Secure has delivered the digital content and cloud storage platform for AT&T's mobile device users to let them synchronize and share data in one safe, convenient location. AT&T launched their Content Cloud service in Q3 2012 and has invested in various marketing campaigns to push the service in the market.

In 2012, F-Secure entered into partnerships with several new operators. In Europe these operator partners were e.g. VOO (Belgium) and Primacom (Germany). In Latin America F-Secure entered into partnership with Telefonica Movistar operators in Chile, Mexico and Panama. In addition, some partners expanded their offering to support both PC and mobile Internet security. These operators include MTS (India), KPN net (Netherlands), Vectra (Poland), Play (Poland), TDC (Denmark) and PCCW (Hong Kong). This demonstrates that the competitiveness of our comprehensive Internet Security offering is meeting the requirements of converging online life.

In Latin America, F-Secure is also opening two new sales offices, Chile and Colombia, to take advantage of the rapidly growing business opportunity in the area and to support the partnership with Telefonica outside Brazil.

Annual revenues by the operator channel showed growth of 12% and totaled 95.2 million (84.8m), representing 61% (58%) of the Company's total revenues.

Corporate and Direct to Consumer channels

Corporate and Direct to Consumer channels mainly provide new license and renewal sales for a wide range of Internet security and Content Cloud services for PC and mobile devices. The Corporate channel serves customers globally mainly through the reseller and Managed Services Partner network. The Consumer channel works globally through the eStore, AppStores and retailers in selected markets.

F-Secure's corporate products received the highest score in strategy among top endpoint security vendors in an independent study (The Forrester Wave™; January 2013). Forrester Research acknowledged F-Secure's service-enabling business approach as it is well aligned with the great shift in the software industry towards services. Additionally, F-Secure's score was among the highest in the antimalware category,once again demonstrating the strength of the Company's protection features.

Sales in traditional channels continued slightly better than anticipated. Customer satisfaction in security services remained high, which was visible in healthy license and renewal sales.The new version of the Company's flagship consumer product, Internet Security 2013, sold very well. Annual revenues showed growth of over 1% and totaled 61.9 million (61.2m), and 39% (42%) of the Company's total revenues.

Product announcements

F-Secure develops and sells Internet Security and Content Cloud products that support personal computers, servers and an increasing set of major smartphone, tablet and other mobile device operating systems. Services include a wide range of Internet Security products like anti-virus, anti-theft, browsing protection and parental control as well as Content Cloud products like online backup, synchronization and sharing.

In 2012 the key product announcements were as follows:

- In November, F-Secure introduced Banking Protection, a new feature for F-Secure's Internet Security 2013 product. Banking Protection is designed especially to protect consumers' online banking sessions from malicious attacks and to protect online banking sessions against trojans by adding an extra layer of security. It works unobtrusively

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without interrupting the banking session, while still allowing access to sites that are verified as safe by F-Secure.

- In October, F-Secure introduced patch management as a business security feature. The debut of Software Updater breaks new ground for small and medium-sized businesses as proactive patch management software that is part of a comprehensive SMB security solution. Software Updater ensures that an organization's operating systems and third-party applications are up-to-date. It proactively scans computers for missing security updates and patches and deploys them automatically, displaying the results.
- In September, F-Secure launched the newest version of its flagship PC product, F-Secure Internet Security 2013, which gives consumers the best protection for their computers and online identity when browsing the web. Among key improvements, F-Secure Internet Security 2013 now supports all popular browsers, including Google Chrome. A redesigned firewall comes with additional filters and works seamlessly in home and public networks. F-Secure Internet Security users will also receive automatic updates for new beneficial features throughout the year, such as the Banking Protection feature that was launched in November. F-Secure Internet Security 2013 also supports the Windows 8 operating system.
- Also in September, F-Secure released a new version of F-Secure Mobile Security, which features universal support for all Android devices including smartphones, TVs and set-top boxes. The new version also comes with a completely revamped user experience and a renewed commitment to family protection measures. The release arrived as Android threats were intensifying. F-Secure Mobile Security is available through F-Secure's eStore, global mobile operators and channel partners, and is also distributed via Google Play .
- In May, F-Secure released an updated version of its security-as-a-service solution, F-Secure Protection Service for Business, which now includes protection for smartphones and tablets.The release is a solution for today's workplace, where mobile devices are increasingly used to access e-mail and other business-sensitive information. F-Secure's Protection Service for Business provides protection against malware specifically designed for smartphones, for example billing scams or spy-tools that steal contacts for spam lists. F-Secure protection can also track lost devices, giving businesses the power to remotely lock the device or delete all confidential information.
- In March, F-Secure introduced Safe Infinity, which is offered through operator partners. F-Secure Safe Infinity safeguards irreplaceable content while enabling a secure online life. The solution covers all the functionalities available from F-Secure's Internet security service such as anti-virus, firewall, spam protection and parental control as well as backup and restore functionality via the cloud.
- In March, F-Secure also launched Safe Anywhere, a unique offering which allows consumers to obtain full protection for their computers, smartphones and tablets in a single service through their local operators. The solution includes F-Secure's protection from viruses, spam, phishing and other kinds of malware and cyber attacks. F-Secure Safe Anywhere combines F-Secure Protection Service for Consumers and F-Secure Mobile Security, and it supports PCs, Macs and mobile devices running on Android, Blackberry, iOS and Symbian operating systems.
- In February, F-Secure introduced its entry into the Content Cloud space: F-Secure Content Anywhere. F-Secure Content Anywhere synchronizes a user's content in the cloud, making it accessible on any device, including PCs, smartphones, tablets and connected digital TVs, anywhere and anytime. Consumers' ease of use is paramount when accessing their content from more than one device and therefore the user interface will be uniform across all connected devices. Operators will be able to offer a safe personal cloud to their customers to save, synchronize and share their digital content.

Risks and uncertainties

Uncertainty in the economic environment may impact the growth of broadband connections, operators' willingness to invest in new services and may create pricing pressure. These may have a negative impact on F-Secure's security and Content Cloud sales.

F-Secure's risks and uncertainties are related to, among other things, the competitiveness of F-Secure's product portfolio, competitive dynamics in the industry, pricing models (e.g. free services, cost of Content Cloud services), impact of changes in technology, timely and successful commercialization of complex technologies and new products and solutions, the ability to protect intellectual property (IPR) in F-Secure's solutions as well as the use of third party technologies on reasonable commercial terms, subcontracting relationships, regional development in new growth markets, sustainability of partner relationships, compromising stored personal data, service quality related penalties, risk exposure from increasing contractual liability requirements and forming of the new business areas.

The completion schedules during the early stages of projects in the Content Cloud and storage business are more prone to changes than the schedules in the traditional security services business. This may result in delivery delay penalties and variation in revenue forecasts.

Events after period-end

No material changes regarding the Company's business or financial position have materialized after the end of December 2012.

Personnel and organization

F-Secure's personnel totaled 931 at the end of December (942). The number of personnel has decreased, especially in the R&D function, due to reductions of 41 employees in the French subsidiary.

F-Secure revised its organizational structure as of July 1, 2012. With this organizational change, F-Secure aims to improve its operational efficiency as well as time-to-market and

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market-centricity. The main sales channels are the operator channel with Internet Security and Content Cloud services, and other channels with traditional license sales to businesses and consumers.

Pirkka Palomäki acted as an interim CEO of the Company between November 1, 2011 - January 15, 2012. Christian Fredrikson started as President and CEO as of January 16, 2012. Mr. Fredrikson joined F-Secure from Nokia Siemens Networks, where he worked in several international executive positions from 1994. In the recruiting process, the Board especially valued Mr.Fredrikson's strong experience in the operator business as well as his international experience.

Currently, the Leadership Team consists of the following persons: **Christian Fredrikson** (President and CEO), **Ari Alakiuttu** (Human Resources & Facilities), **Samu Konttinen** (Customer and Market Operations), **Timo Laaksonen** (Content Cloud Business), **Maria Nordgren** (Consumer Security Business), **Pirkka Palomäki** (Chief Strategy Office), **Jari Still** (R&D Operations), **Pekka Usva** (Corporate Security Business) and **Taneli Virtanen** (Chief Financial Officer).

Finance and capital structure

Cash flow from operations in 2012 was 25.6 million positive (20.8m positive). The net financial income was slightly negative at 0.3 million (negative 0.1m), impacted by low interest income and exchange rates losses.

The Company's cash position has developed according to the longer term efficient capital management objectives. The market value of F-Secure's liquid assets on December 31, 2012 was 33.1 million (28.1m). Dividends of 9.3m were paid in April. Changes in exchange rates had a slight positive impact on profitability.

F-Secure's capital expenditure in 2012 was 10.3 million (18.7m), consisting mainly of IT hardware and software as well as capitalization of development expenses amounting to 4.9 million (7.8m).

F-Secure's financial position remained solid. F-Secure's equity ratio at the end of December was 73% (68%) and the gearing ratio was 51% negative (47% negative).

The objective of F-Secure's capital management is to achieve an efficient capital structure that ensures the functioning of business operations and promotes the increase of shareholder value.

Shares, shareholders' equity, own shares and option programs

The total number of Company shares is currently 158,798,739. The corresponding number of shares diluted is 159,115,294. The Company's registered shareholders' equity is EUR 1,551,311.18. The total number of own shares held at the end of December 2012 was 3,732,390 shares, corresponding to approximately 2.4% of the Company's shares and voting rights. Own shares will be purchased to be used in the incentive compensation plans, to improve the Company's financial structure, to be used for making acquisitions or implementing other arrangements related to the Company's business, or otherwise assigning or cancelling the shares.

The subscription period of F-Secure shares with F-Secure 2005 warrant program ended on November 30, 2012. Currently, the Company does not have any warrant program.

In November 2012, the Board of Directors established a new synthetic option-based incentive program, earning period 2012–2014, for its key employees excluding the management. The purpose of the program is to increase the value of the company and to commit the key employees to the company.

In January 2013, the company assigned a total of 316,555 shares to 19 participants of the F-Secure share-based incentive program as a reward payment based on the 2009 earning period (share-based incentive program 2008–13). After the transfer, F-Secure Corporation holds a total of 3,415,835 of its own shares.

Corporate Governance

F-Secure complies with the Corporate Governance recommendations for public listed companies published by the Securities Market Association, a body established by the Confederation of Finnish Industries EK, the Central Chamber of Commerce and NASDAQ OMX Helsinki Ltd., as explained on F-Secure's web pages. F-Secure will publish its corporate governance statement for 2012 in the Annual Report and on the Company website in March 2013.

Annual General Meeting

The Annual General Meeting of F-Secure Corporation was held on April 3, 2012. The Meeting confirmed the financial statements for the financial year 2011. The members of the Board and the President and CEO were granted a discharge from liability. The Annual General Meeting decided to distribute a dividend of EUR 0.06 per share, which was paid to those shareholders that on the record date of April 10, 2012 were registered in the Register of Shareholders held by Euroclear Finland Ltd. The dividend was paid on April 17, 2012.

The Annual General Meeting decided that the annual compensation remain on the previous year's level; for the chairman it is EUR 55,000, for the chairmen of Executive and Audit Committee EUR 40,000 and for members EUR 30,000. Approximately 40% of the annual remuneration will be paid as company shares.

It was decided that the number of Board members would be six. The following members were re-elected: Jussi Arovaara, Sari Baldauf, Pertti Ervi, Juho Malmberg, Anu Nissinen and Risto Siilasmaa. The Board elected in the first meeting Mr. Siilasmaa as the Chairman of the Board. The Board nominated Ms. Baldauf as the Chairman of the Executive Committee and Mr. Siilasmaa and Ms.Nissinen as members of the Executive Committee. Mr. Ervi was nominated as the Chairman of the Audit Committee and Mr. Arovaara and Mr. Malmberg were nominated as members of the Audit Committee.

It was decided that the auditors fee will be paid against an approved invoice. Ernst & Young Oy was elected as the Groups auditors. APA, Mr. Erkka Talvinko is acting as the responsible partner.

It was decided that the Board of Directors may pass a resolution to purchase a maximum of 10,000,000 shares of the Company. The amount represents approximately 6.3% of all the shares issued by the Company. The authorization would be valid for one year. The authorization covers the purchase of

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shares through public trading on the NASDAQ OMX Helsinki Ltd. in accordance with its rules or through a public tender offer made to the shareholders of the Company. The consideration payable for the shares shall be based on the market price.

In purchasing of the Company's own shares derivative, share lending and other contracts customary to the capital markets may be concluded pursuant to law and applicable legal provisions. The authorization entitles the Board of Directors to pass a resolution to purchase the shares by deviating from the shareholders' pre-emptive rights (directed purchase) subject to the provisions of the applicable law. Own shares will be purchased to be used for making acquisitions or implementing other arrangements related to the Company's business, to improve the Company's financial structure, to be used as part of the incentive compensation plan or for the purpose of otherwise assigning or cancelling the shares. The Board of Directors shall have the right to decide on other matters related to the purchase of the Company's own shares.

The Annual General Meeting authorized the Board of Directors to decide on a transfer of a maximum of 13,732,390 own shares of the Company either against consideration or without payment. The authorization would be valid for one year. The Board of Directors is authorized to transfer the shares in deviation from the shareholders' pre-emptive rights (directed transfer) subject to the provisions of the applicable law. The shares may be transferred as a consideration to finance acquisitions or in other arrangements and used as part of the equity-based incentive plans of the Company as decided by the Board of Directors. The Board of Directors shall also have the right to sell the shares through public trading on the NASDAQ OMX Helsinki Oy. The Board of Directors shall have the right to decide on other matters related to the transfer of own shares.

It was decided by the Annual General Meeting that the Board of Directors is authorized to decide on the issuance of shares. The amount of shares to be issued based on this authorization shall not exceed 40,000,000 shares. The Board of Directors decides on all the conditions of the issuance of shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is valid for 18 months. In connection with registering this authorization, the authorization by the AGM 2011 for a directed share issue was reversed.

Market view

The long-term market opportunities are attractive for F-Secure. Malware threats and targeted attacks to private users and businesses in both PC and mobile operating environments are still evolving. Every day, F-Secure's Labs automation handles and makes decisions on hundreds of thousands of executables and handles many millions of queries to the backend about URLs and binaries.

The security software revenues in 2012 are estimated to be $19.2 billion, growing 8.4% from the previous year (Gartner, August 2012). The forecasted growth for the overall global security software market remains solid at around 8.2% until 2016 (Gartner). The growth of the security market is mostly organic and is derived from emerging markets, such as APAC, China and Latin America (Gartner, August 2012).

At the same time as threats are emerging, the number of Internet users is growing and is close to 2.5 billion, reaching a global Internet penetration of close to 35%; in Asia close to 30%, in Europe over 60%, and in North America close to 80% (Internet World Stats, U.S. Census Bureau, estimated in June 2012). The growth of smartphones and other Internet connected devices is expected to accelerate to tens of billions during next ten years (gigaom/Ericson). By 2016, the total installed base of mobile devices will grow threefold to 3.7 billion, whereas desktops and notebooks will see a drastic slowdown growing only 30% from 1.5 billion to 2 billion devices (Gartner, October 2012).

People have become multi-screeners who use smartphones, tablets, computers or even TVs to get online. According to F-Secure's Consumer Broadband Survey 2012 (6,400 broadband subscribers from France, the UK, Germany, Sweden, Finland, Italy, Spain, the Netherlands, Belgium, USA, Canada, Brazil, India and Japan) 65% of people have more than one device. The choice of device depends on the place, context and time people have on their hands. Many activities are performed either sequentially or in parallel on various devices which defines new requirements for software.

Users create and share content 24/7. The volume of user-generated digital content is expected to continue to increase rapidly during coming years, driven by digital photos, videos and music. According to F-Secure Broadband Consumer Survey, 2012 89% of people want access all their content on all their devices and look for services to share, store and control their personal data. Parks Associates forecasts that operators providing security, storage and sharing value-added services have a revenue opportunity of $1.03 billion in 2012, increasing to $4.82 billion by 2015.

The majority of people do not trust the safety of cloud services according to F-Secure's Broadband Consumer Survey. However, the need for Internet security and different kinds of safe content cloud services is increasing. It opens new opportunities for security and safe content cloud service providers who have built trust over years and have a solid track record.

New players in the Internet security area are entering the market, especially focused on mobile operating systems. There are a lot of new vendors in the emerging Content Cloud business. However, during the last quarter there were no significant changes in the competitive landscape or pricing levels for Internet Security. F-Secure's competitive position in general and especially in the Operator channel has remained strong based on innovative products with a great user experience and award-winning technical performance.

Based on several industry analyst estimates, the Software as a Service (SaaS) business model is expected to continue to grow strongly and to gain more market share over traditional license sales. For Operators, the Software as a Service model is a natural expansion to their other service offerings. The SaaS business offers operators an opportunity to replace revenues lost from the provision of commoditized services and to increase loyalty in the face of competitive threats from over-the-counter providers and third parties.

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Long-term objectives and strategy summary for 2012–2014

The Board approved F-Secure's long-term objectives and strategy for 2012 - 2014. F-Secure's first priority is to drive growth and market expansion. Based on the Company's strong technology assets in security products, cloud computing and Content Cloud services, F-Secure continues to create new innovative offerings to augment traditional security services, especially in the Content Cloud space.

The Company sells its products globally through three channels; Direct to Consumer channel (eStore, App Stores, retail), Corporate channel (reseller network) and Operator channel (SaaS).

Operators, including Internet service providers, mobile operators and cable operators, are the main channel for F-Secure services. F-Secure provides, through operators, award-winning security and Content Cloud services and utilizes the local presence and brand of operators to reach millions of consumers in a cost-efficient and scalable way.

F-Secure's competitive advantage derives from existing operator network and relationships built over the years. Key assets include security research, scalable products optimized for the mass-market, experience in service provisioning in the operator network environment and the growing user base of operators. F-Secure stands out in its ability to combine security with safe Content Cloud services for both computers and mobile devices and its understanding of the Operator channel as a whole.

During the strategy period, the Company is aiming for double-digit revenue growth, driven by the Operator channel and supported by the Corporate and Direct to Consumer channels. The growth is expected to come from the western hemisphere and some emerging markets like Latin America and APAC.

The Company will continue its investments in new services around the Content Cloud and Internet security products with emphasis on end-customer focus. These investments ensure the scalability and competiveness of the services and drive F-Secure service ramp-up, both PC and mobile, for a wide subscriber base. Profitability is targeted to develop towards the 25% level at the end of the strategy period. F-Secure's longer-term profitability level continues to be driven by revenue growth and scalable operations.

Outlook for 2013

The long-term business opportunity with Internet Security and Content Cloud products for multiple devices and platforms is attractive. The Company is looking for ways to increase its revenue growth and to improve its profit margin.

The Operator channel is expected to continue to drive the revenue growth powered by Internet security sales and supported by a productized, highly-scalable Content Cloud service. However, the short-term revenue growth remains at a lower level due to contractual changes and decreased Content Cloud project revenues as the project sizes are smaller. The Company also estimates good progress from the Corporate and Direct to Consumer channels. To meet the evolving threat level and to open new business opportunities for Internet Security services, F-Secure will continuously launch new security features with a shorter time to market over the upcoming quarters.

The actual operational cost increase is fairly limited, and is targeted at driving product portfolio competitiveness and supporting geographical expansion.

Management's estimation for the year: the annual revenue growth is estimated to be over 5% compared to 2012. The annual profitability is estimated to be over 15% of revenues. The revenue estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts as well as current exchange rates. The Company continues to prioritize growth over short-term profitability and plans to invest the majority of the improved earnings in growth opportunities in its core business, while aiming to improve profitability.

Proposal for dividend distribution

The Board of Directors is proposing to the Annual General Meeting 2012, to be held on Wednesday, April 3, 2013, that a dividend of EUR 0.06 per share is to be paid from the distributable shareholders' equity. The suggested dividend record date is April 8, 2013 and the payment date April 16, 2013. The dividend payout ratio is 66%.

On December 31, 2012, the parent company distributable equity totaled EUR 43,9 million. No material changes have taken place in the company's financial position after the balance sheet date and the proposed dividend does not compromise the company's financial standing.

Helsinki, February 14, 2013

F-Secure Corporation
Board of Directors

Risto Siilasmaa
Jussi Arovaara
Sari Baldauf
Pertti Ervi
Juho Malmberg
Anu Nissinen

President and CEO
Christian Fredrikson

Edward, Marketing Manager, Operator Activities

Statement of comprehensive income Jan 1–Dec 31, 2012

EUR 1,000	Note	Consolidated, IFRS 2012	Consolidated, IFRS 2011
NET SALES	(1)	157,172	146,028
Material and service		−7,438	−7,955
GROSS MARGIN		149,734	138,073
Other operating income	(2)	1,756	1,417
Sales and marketing	(3, 4)	−70,936	−64,674
Research and development	(3, 4)	−49,311	−39,319
Administration	(3, 4)	−10,973	−11,899
OPERATING RESULT		20,270	23,598
Financial income and expenses	(7)	−327	−130
Share of profit of associate	(11)	−47	28
PROFIT (LOSS) BEFORE TAXES		19,896	23,496
Income taxes	(8)	−5,835	−7,125
RESULT FOR THE FINANCIAL YEAR		14,061	16,370
Other comprehensive income			
Exchange difference on translation of foreign operations		183	−21
Available-for-sale financial assets	(7)	104	120
Taxes related to components of other comprehensive income	(8)	−25	−31
COMPREHENSIVE INCOME FOR THE YEAR		14,323	16,438
Result of the financial year is attributable to:			
Equity holders of the parent		14,061	16,370
Comprehensive income for the year is attributable to:			
Equity holders of the parent		14,323	16,438
Earnings per share			
– basic	(9)	0.09	0.11
– diluted		0.09	0.10

Statement of financial position Dec 31, 2012

EUR 1,000	Note	Consolidated, IFRS 2012	Consolidated, IFRS 2011
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	(10)	9,767	9,072
Intangible assets	(10)	20,847	25,256
Goodwill	(12)	19,398	19,398
Investments in associated companies	(11)	94	155
Deferred tax assets	(13)	5,035	5,034
Other financial assets			308
Total non-current assets		55,141	59,223
CURRENT ASSETS			
Inventories	(14)	235	350
Trade and other receivables	(15)	36,008	36,741
Income tax receivables	(15)	2,688	1,160
Available-for-sale financial assets	(16)	16,793	15,993
Cash and bank accounts	(17)	16,480	12,205
Total current assets		72,204	66,450
TOTAL ASSETS		127,345	125,673

EUR 1,000	Note	Consolidated, IFRS 2012	Consolidated, IFRS 2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	(18)		
Share capital		1,551	1,551
Share premium		165	165
Treasury shares		−8,419	−9,002
Fair value reserve		195	116
Translation differences		14	−169
Reserve for invested unrestricted equity		5,051	5,051
Retained earnings		66,547	61,845
Equity attributable to equity holders of the parent		65,105	59,557
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(13)	446	1,617
Provisions	(20)	130	
Other non-current liabilities	(21)	8,497	8,442
Total non-current liabilities		9,073	10,059
CURRENT LIABILITIES	(21)		
Trade and other payables		23,289	25,484
Income tax liabilities		627	739
Other current liabilities		29,252	29,833
Total current liabilities		53,167	56,057
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		127,345	125,673

Statement of cash flows Dec 31, 2012

EUR 1,000	Note	Consolidated, IFRS 2012	Consolidated, IFRS 2011
Cash flow from operations			
Result for the financial year		14,061	16,370
Adjustments	(24)	19,867	16,491
Cash flow from operations before change in working capital		33,927	32,861
Change in net working capital			
Current receivables, increase (–), decrease (+)		658	–7,586
Inventories, increase (–), decrease (+)		115	43
Non-interest bearing debt, increase (+), decrease (–)		–399	2,389
Provisions, increase (+), decrease (–)		130	–1
Cash flow from operations before financial items and taxes		34,432	27,707
Interest expenses paid		–7	–8
Interest income received		15	42
Other financial income and expenses		–217	–69
Income taxes paid		–8,623	–6,874
Cash flow from operations		25,599	20,798

EUR 1,000	Note	Consolidated, IFRS 2012	Consolidated, IFRS 2011
Cash flow from investments			
Investments in intangible and tangible assets		–11,120	–16,686
Proceeds from sale of intangible and tangible assets			1
Proceeds from sale of other investments		1	5
Cash flow from investments		–11,120	–16,680
Cash flow from financing activities			
Increase in share capital			1,864
Treasury shares			–1,509
Dividends paid		–9,304	–9,254
Decrease in short term liabilities			–200
Cash flow from financing activities		–9,304	–9,099
Change in cash		5,176	–4,981
Cash and bank at the beginning of the period		28,051	32,831
Translation difference		–205	81
Change in net fair value of current available-for-sale assets		105	120
Cash and bank at period end		33,127	28,051

Statement of changes in equity Dec 31, 2012

Attributable to the equity holders of the parent

EUR 1,000	Share capital	Share premium fund	Treasury shares	Available for sale	Transl. diff.	Unrestricted equity reserve	Retained earnings	Total equity
Equity Dec 31, 2010	1,551	169	−7,493	27	−148	3,186	54,141	51,432
Available-for-sale financial assets, net				89				89
Translation difference					−21			−21
Result of the financial year							16,370	16,370
Total comprehensive income for the year				89	−21		16,370	16,438
Dividends							−9,254	−9,254
Acquisition of treasury shares			−1,509					−1,509
Exercise of options						1,864		1,864
Cost of share based payments							586	586
Equity Dec 31, 2011	1,551	169	−9,002	116	−169	5,050	61,843	59,557
Available-for-sale financial assets, net				80				80
Translation difference					184			184
Result of the financial year							14,061	14,061
Total comprehensive income for the year				80	184		14,061	14,324
Dividends							−9,304	−9,304
Cost of share based payments			583				−55	528
Equity Dec 31, 2012	1,551	169	−8,419	195	15	5,050	66,545	65,105

Notes to the financial statements

Group information

F-Secure produces software protection and Internet security services for consumers and businesses against computer viruses and other threats coming through the Internet or mobile networks, as well as online backup services preventing loss of valuable content and enabling sharing of important files.

The parent company of the Group is F-Secure Corporation incorporated in Finland and domiciled in Helsinki. Company's registrant address is Tammasaarenkatu 7, 00180 Helsinki. A copy of consolidated financial statement can be received on the Internet address www.f-secure.com or from the parent company's registrant address.

In their meeting on 14 February 2013 the Board of Directors of F-Secure Corporation has agreed to permit the publication of the consolidated financial statements of F-Secure Corporation for the year 2012. According to the Finnish Companies Act, the Annual General Meeting can confirm or reject the consolidated financial statement after publication. The General Annual Meeting can also decide to change the financial statement.

ACCOUNTING PRINCIPLES

Basis for presentation

The consolidated financial statements of F-Secure Corporation of 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS- and IFRS- standards as well as SIC- and IFRIC- interpretations valid 31st of December 2011 has been followed as adopted by the EU. The disclosures also conform to Finnish Accounting legislation.

The Group has adopted the following new or amended Standards and Interpretations during the year.

Amendments to IFRS 7 Financial Instruments: Disclosures–Transfers of Financial Assets: The amendments improve the transparency of presentation of the business transactions regarding the transfers of the financing instruments. The adoption of the standard had no affect on the Group's Financial Statement.

Revised IFRS 1 First Time Adoption of IFRS regarding a severe Hyperinflation and Removal of Fixed Dates for First-time Adopters: The adoption of the standard had no affect on the Group's Financial Statement.

Amendment to IAS 12 Deferred tax: Recovery of Underlying Assets: The amendment relates to the booking of deferred tax assets investments in real estates. The adoption of the standard had no affect on the Group's Financial Statement.

Management judgment on significant accounting principals and use of estimates and assumptions

The preparation of the consolidated financial statements requires the use of estimates and assumptions as well as use of judgment when applying accounting principles that affect the reported amount of assets and liabilities, and the reported amounts of revenues and expenses during reporting periods. It is possible that actual results may differ from these estimates.

The estimates are based on management's best knowledge at the reporting date. Estimates and assumptions are based upon past experience, as well as information available relating to the Group's expected development of the economic environment. Possible changes in estimates and assumptions are recognized in the period when they occur.

The key judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk a material adjustment are following:

- revenue recognition: service based project deliveries are recognized with the percentage of completion method, when the outcome is reliably estimated.
- assessment of assets: at each reporting date, the Group assesses whether there is any indication that an asset may be impaired.
- impairment of assets: the recoverable amount is determined based on value in use calculations. The key variables used in the calculations are profitability, growth rate and the discount rate.The key assumption used to determine the recoverable amount for goodwill, including sensitivity analysis, are further explained in note 12;
- deferred tax assets: the Group has assessed how much unused tax losses can be utilized in the future and has recognized these tax losses as deferred tax assets. Further details are disclosed in note 13;
- development expenditures carried forward: initial capitalization of cost is based on management's judgment on technological and economical feasibility. The Group has made assumptions regarding the expected future cash generation of the projects. Further details are disclosed in note 10.
- used arguments when recognizing share-based payment transactions: the cost of share-based payment transactions are based on to the fair value at the date at which they were granted. The cost of cash-settled transactions is measured by reference to the fair value at the date of balance sheet. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 19.

Principles of consolidation

Subsidiaries in which F-Secure Corporation's holding exceeds 50 percent are consolidated in the financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Company's holding in the associated companies is also consolidated. The Group's investment in its associate is accounted for under the equity method of accounting. The income statement reflects the share of the results of operations of the associate. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred or guaranteed obligations in respect of the associated company. The Group's share of profit or loss

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of an associate is shown as a separate line after the operating result.

All intra-group transactions and balances, including unrealized profits arising from intra-group transactions, have been eliminated on consolidation. Where necessary, the accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Segment reporting

The Group has one segment; data security. The segment is reported in a manner consistent with the internal reporting provided with the chief operating decision maker. The chief operating decision maker, who is responsible for the allocating resources and assessing performance, has been identified as the Executive Team that makes strategic decisions.

Foreign currency translation

The presentation currency of F-Secure Group is the euro, which is the measurement currency of the parent. For purposes of inclusion in the consolidated financial statements, the balance sheet of each foreign entity is translated into euros at the exchange rates prevailing at the balance sheet date. The income statement of each foreign entity is translated at the average exchange rates for the financial year. The resulting net translation difference is recorded in the shareholders' equity and the change in the other comprehensive income.

The Consolidated Statement of Cash Flows has been prepared by translating each subsidiary's individual cash flow statements at the average exchange rates for the financial year.

Foreign currencies are translated into the local currency using fixed monthly exchange rates. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Exchange rate gains and losses of financial transactions are recognized in the income statement under financial items.

INTANGIBLE ASSETS

Goodwill

Mutual ownership of shares has been accounted using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Goodwill represents the excess of purchase cost over the fair value of separately identifiable assets less liabilities of acquired companies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Research and development costs

Research costs are expensed as incurred. Development expenditures incurred on individual projects of totally new products or product versions with significant new features are carried forward when they are technically feasible and their future recoverability can reasonably be regarded as assured. Depreciation is recorded on a straight-line basis over the estimated useful life of an asset. The estimated useful life of these assets is 3 years.

Other intangible assets

Intangible assets recognized separately from goodwill in acquisitions consist of technology-based intangible assets and customer-based intangible assets. The fair value was measured by using Multi-Period Excess Earnings model. Depreciation is recorded on a straight-line basis over the estimated useful life of an asset. The estimated useful life of these assets is 8 years.

Other intangible assets include intangible rights and software licenses. Assets with finite useful life are recorded at historical cost less accumulated depreciation. Depreciation of intangible rights is recorded on a progressive basis over the estimated useful life of an asset. Depreciation of software licenses is recorded on straight-line basis over the estimated useful life of an asset. The estimated useful lives of other intangible assets are as follows:

Intangible rights	5 years
Other intangible assets	5–10 years

Tangible assets

Other tangible assets include renovation costs of rented office space. Tangible assets are recorded at historical cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of an asset. The estimated useful lives of tangible assets are as follows:

Machinery and equipment	3–8 years
Other tangible assets	5–10 years

Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the assets' carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard or performance of the existing asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. Gains or losses on de-recognition are shown in other operating income or expenses.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. These grants are recognized as other operating income in the income statement. Government grants related to an asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they relate to.

Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined by first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group has only operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

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Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment losses relating to Goodwill cannot be reversed in future periods.

Pensions

All of F-Secure Group's pension arrangements are in accordance with local statutory arrangements and defined contribution plans. Contributions to defined contribution plans are recognized in the income statement in the period to which the contributions relate. The Group recognizes disability commitment of Finnish TYEL pension plan when disability appears.

Share-based payment transactions

In the Company's industry it is common practice internationally that incentives are provided to employees in the form of equity-settled share-based instruments. Company has three kinds of incentive programs; warrant-based program, synthetic warrant-based program and a share-based program.

The Company's warrant programs cover key personnel. The warrant program reward is settled as equity-settled payment and synthetic warrant-based program as cash-settled payment. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of cash-settled transactions with employees is measured by reference to the fair value at the date of balance sheet. The fair value is determined by using the Binomial model. The cost of transactions is recognized, together with a corresponding entry in equity and liability, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). If the holder of the warrant leaves company before vesting the warrant is forfeited. The cumulative expense recognized for transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

The share-based incentive program has been established as part of the key employee incentive and retention system inside F-Secure Group. Reward will be settled in two phases so that one part is settled as equity-settled payment and one part as cash-settled payment. Cost of equity-settled transactions is measured by reference to the fair value by using market price of F-Secure Corporation share at the date on which they are granted and cost of cash-settled by using market price of F-Secure Corporation on the date of balance sheet. The cost is recognized over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the reward (end of lock-up period). The cost of equity-settle corresponding entry is recognized in equity and cost of cash-settle in liabilities. If relevant employee leaves company before fully entitled to the reward, the reward is forfeited. The cumulative expense recognized for share-based incentive program transactions at each reporting date is based on the best available estimate of the number of equity instruments that will ultimately fulfill.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income taxes

Direct current taxes are calculated on the results of all Group companies in accordance with the local tax and accounting rules in each country. Deferred taxes, resulting from temporary differences between the financial statement and the income tax basis of assets and liabilities, use the enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available.

Revenue recognition

Revenue is primarily derived from monthly software as a service sale, software license agreement sales and operator's system integration and maintenance sales. License agreements consist of initial license agreements and periodic maintenance agreements covering product updates and customer support. The revenue recognition policy of F-Secure Group recognizes the service revenue at the time of delivery, the license agreement's license fee revenues as the product is delivered, the license agreement's maintenance revenues are recognized over the maintenance period, and service based project deliveries are recognized with the percentage of completion method, when the outcome can be reliably estimated. The degree of completion is determined by relation of project costs incurred for work performed to date bear the estimated total project costs. If total project costs will exceed total project revenue, the expected loss is recognized as an expense immediately. Indirect taxes, discounts granted and exchange rate differences are excluded from net sales.

Other operating income

Other operating income includes profits from the sales of fixed assets, rental revenue, and government grants received for research and development projects.

Presentation of expenses

Classification of the functionally presented expenses has been made as follows: various types of expenses in different geographical locations have been allocated to the various functions by allocating to directly allocable expenses to the respective function, and other operating expenses have been allocated to functions on the basis of average headcount in each location.

Operating results

IAS 1 Presentation of Financial Statements standard does not define the concept of operating result. The Group has defined it as follows: operating result is the net amount, which

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consists of the net sales and other operating income less cost of purchase which is adjusted for changes in inventories, and reduced employee benefit costs, depreciation, possible impairment losses and other operating expenses.

Non-recurring items

One-off items include mainly income and expenses related to restructurings, non-current impairment of assets and other non-recurring items which are not based on the Group's normal activities and which distort the comparability of the groups underlying profitability.

Treasury shares

Parent company has acquired treasury shares. The cost of acquisition is recognized as a deduction in the shareholders' equity.

Financial assets

According to IAS 39 standard, financial assets have been classified into financial assets at fair value through profit or loss, held-to-maturity, loans and receivables originated by the enterprise and available-for-sale financial assets. The classification is dependent on the purpose for which the assets were acquired. Purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. The cost of purchase includes transaction costs. Financial assets are currently classified as loans and receivables and available-for-sale financial asset.

Loans and receivables originated by the enterprise are measured at amortized cost. Trade receivables are carried at the original invoice amount to customers less an estimate made for doubtful receivables. Outstanding receivables are reviewed periodically and bad debts are written off when identified.

Available-for-sale financial assets consist of interest-bearing debt securities and shares in mutual funds invested in similar instruments. For assets that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Assets, the fair value of which cannot be measured reliably, are recognized at cost less impairment. The fair value changes of available-for-sale financial assets are recognized in shareholders' equity under fair value reserve. When financial assets recognized as available-for-sale is sold, the accumulated fair value changes are released from equity and recognized in the income statement.

Cash and cash equivalents in the Consolidated Statement of Financial position comprise cash at bank and in hand and other highly liquid short-term investments.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently recognized at fair value. Any gains and losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Adoption of new and revised standards

The Group has not applied the following new or revised Standards and Interpretations that have been issued, but are not yet effective.

Amendment to IAS 1 Presentation of Items of Other Comprehensive Income: The Group expects that the revised standard will have impact on the Group's financial statements in the period of initial application. Amended standard becomes effective for financial years beginning on or after 1 July 2012. The standard is adopted by the EU.

Amendment to IFRS 7 Disclosures-Offsetting Financial Assets Financial Liabilities: The Group expects that the adoption of the revised standard might have an impact on the Group's financial statements in the period of initial adoption. The amended standard becomes effective for the financial years beginning on of after 1 January 2013. The standard is adopted by the EU.

Amendment to IAS 19 Employee Benefits: The Group expects that the adoption of the revised standard will have no impact on the Group's financial statements in the period of initial adoption. The amended standard becomes effective for the financial years beginning on or after 1 January 2013. The standard is adopted by the EU.

IFRS 9 Financial Instruments: The Group expects that adoption of the revised standard will have an impact on the disclosures of Group's financial statements in the period of initial application. Amended standard becomes effective for financial years beginning on or after 1 January 2015. The standard is not adopted by the EU.

IFRS 10 Consolidated Financial Statements: The Group expects that the adoption of the revised standard will have an impact on the Group's financial statements in the period of initial adoption. The amended standard becomes effective for financial years beginning on or after 1 January 2014. The standard is adopted by the EU.

IFRS 11 Joint Arrangements: The Group expects that the revised standard will not have an impact on the Group's financial statements in the period of initial application. The amended standard becomes effective for financial years beginning on or after 1 January 2014. The standard is adopted by the EU.

IFRS 12 Disclosures of Interests of Other Entities: The Group expects that the revised standard will have an impact on the Group's financial statements in the period of initial application. The amended standard becomes effective for financial years beginning on or after 1 January 2014. The standard is adopted by the EU.

IFRS 13 Fair Value Measurement: The Group expects that the revised standard will have impact on the Group's financial statements in the period of initial application. The amended standard becomes effective for financial years beginning on or after 1 January 2013. The standard is adopted by the EU.

IAS 27 Separate Financial Statements: The Group expects that the adoption of the revised standard will have no impact on the Group's financial statements in the period of initial adoption. The amended standard becomes effective for financial years beginning on or after 1 January 2014. The standard is adopted by the EU.

IAS 28 Investments in Associates and Joint Ventures: The Group expects that the revised standard will have an impact on the Group's financial statements in the period of initial application. The amended standard becomes effective for financial years beginning on or after 1 January 2014. The standard is adopted by the EU.

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Amendment IAS 32 Financing instruments: Presentation: The amendment will have no significant effect on the Group's financial statements. The amended standard becomes effective for financial years beginning on or after 1 January 2014. The standard is adopted by the EU.

Improvements to IFRSs 2009–2011, May 2012: The adoption of the improvements will have no significant effect on the Group's financial statements in the period of initial application. The amendments become effective for financial years beginning on or after 1 January 2013. The improvements have not been adopted by EU.

Amendment IFRS 1 Government Loans: The adoption of the amendment will have no effect on the Group's financial statements in the period of initial application. The amendments become effective for financial years beginning on or after 1 January 2013. The improvements have not been adopted by EU.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine: The interpretation will not have an effect on the Group's financial statements. The interpretation becomes effective for financial years beginning on or after 1 January 2013. The standard is adopted by the EU.

1. Segment information

The Group has one business segment; data and content security. The chief operating decision maker i.e. the leadership team gets financial information on a monthly basis of the revenue of the sales channels. The revenues of different geographical areas are presented by the location of the customers and the long-term assets by the location of the assets.

Sales channels

Consolidated Dec 31, 2012	Operator Channel	Other Channels	Group
Revenue from external customers	95,236	61,936	157,172

Consolidated Dec 31, 2011	Operator Channel	Other Channels	Group
Revenue from external customers	84,806	61,222	146,028

Geographical information

Consolidated Dec 31, 2012	Finland and Scandi-navia	Rest of Europe	North America	Rest of the world	Group
Revenue from external customers	47,930	71,225	15,855	22,161	157,172
Segment long-term assets	24,663	23,647	698	1,097	50,106

Consolidated Dec 31, 2011	Finland and Scandi-navia	Rest of Europe	North America	Rest of the world	Group
Revenue from external customers	47,291	65,111	16,413	17,213	146,028
Segment long-term assets	23,663	28,387	487	1,652	54,189

2. Other operating income

EUR 1,000	Consolidated 2012	Consolidated 2011
Rental revenue	156	144
Government grants	1,583	1,187
Other	18	86
Total	1,756	1,417

3. Depreciation and reduction in value

EUR 1,000	Consolidated 2012	Consolidated 2011
Depreciations from non-current assets		
Other capitalized expenditure	−2,903	−2,783
Capitalized development	−1,121	−503
Intangible assets	−4,024	−3,286
Machinery and equipment	−3,511	−2,884
Other tangible assets	−405	−339
Tangible assets	−3,916	−3,222
Total depreciation	−7,940	−6,508
Reduction in value from non-current assets		
Other cap. expenditure	−5,000	−154
Capitalized development		−810
Total reduction in value	−5,000	−964
Total depreciation and reduction in value	−12,940	−7,472
Depreciations and reduction in value by function		
Sales and marketing	−5,464	−2,370
Research and development	−6,996	−4,942
Administration	−480	−160
Total depreciation and reduction in value	−12,940	−7,472

4. Personnel expenses

EUR 1,000	Consolidated 2012	Consolidated 2011
Personnel expenses		
Wages and salaries	−56,079	−48,332
Pension expenses – defined contribution plan	−7,345	−6,681
Share-based payments	−745	−1,100
Other social expenses	−5,509	−4,951
Total	−69,678	−61,064

Employee benefits of Management are stated in disclosure 27. Related party transactions
Share-based payments are stated in disclosure 19. Share-based payment transactions

Average number of personnel	970	878
Personnel by function Dec 31		
Sales and marketing	409	410
Research and development	389	406
Administration	133	126
Total	931	942

5. Non-recurring items

EUR 1,000	Consolidated 2012	Consolidated 2011
Non-recurring items		
Reduction in value	−5,000	−964
Personnel expenses	−2,238	
Other operating expenses	−1,394	
Total	−8,632	−964
Non-recurring items by function		
Sales and marketing	−2,429	
Research and development	−5,538	−964
Administration	−666	
Total	−8,632	−964

6. Audit fees

EUR 1,000	Consolidated 2012	Consolidated 2011
Group auditor		
Audit fees	−124	−131
Tax consulting	−24	−32
Other consulting	−16	−102
Total	−163	−265
Others		
Audit fees	−21	−18
Tax consulting	−62	−11
Total	−83	−29

7. Financial income and expenses

EUR 1,000	Consolidated 2012	Consolidated 2011
Interest income	14	43
Interest expense	−5	−5
Other financial income	671	81
Exchange gains and losses	−883	−143
Other financial expenses	−124	−106
Total financial income and expenses	−328	−130
Financial income and expenses from loans and receivables		
Interest income	14	43
Interest expense	5	−5
Exchange gains and losses	−990	−108
Total	−971	−70
Financial income and expenses from Available-for-sale financial assets		
Other financial income	662	74
Total	662	74
Components of other comprehensive income		
available-for-sale financial assets		
Gains/(losses) arising during the year	361	172
Reclassification adjustements included in the income statement	−256	−52
Total	105	120

8. Income taxes

EUR 1,000	Consolidated 2012	Consolidated 2011
Income taxes of the business activity	−6,901	−7,261
Income taxes from previous years	−129	140
Deferred tax	1,194	−3
Total	−5,835	−7,125
Components of other comprehensive income		
Available-for-sale financial assests	−25	−31

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Groups' effective income tax rate for the years ended 31 December 2012 and 2011 is as follows:

Result before taxes	19,896	23,496
Income taxes at statutory rate of 24.5%/26%	−4,874	−6,109
Taxes on foreign subsidiaries' net income in excess of income taxes at statutory rates	−334	−1,727
The change in tax rates		85
Non-deductible expenses	−358	−581
Unrecognised tax losses	−93	958
Income taxes from previous years	−129	140
Other	−48	108
Total	−5,835	−7,126

9. Earnings per share

EUR 1,000	Consolidated 2012	Consolidated 2011

Basic earnings per share amounts are calculated by dividing net profit for the year attributable on ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options.

Net profit attributable to equity holders from continuing operations	14,061	16,370
Weighted average number of ordinary shares (1,000)	155,057	154,433
Adjusted weighted average number of ordinary shares for diluted earning per share	156,774	157,499
Basic earnings per share (EUR/share)	0.09	0.11
Diluted earnings per share (EUR/share)	0.09	0.10

The weighted average number of shares take into account the effect of change in treasury shares.

10. Non-current assets

Consolidated	INTANGIBLE ASSETS Other cap. expenditure	Capitalized development	Goodwill	Total	TANGIBLE ASSETS Machinery & equip.	Other Tangible	Total
Acquisition cost Jan 1, 2011	19,044	7,676	19,398	46,118	18,010	3,366	21,376
Translation difference	23			23	37	−6	31
Additions	5,736	7,827		13,563	4,660	302	4,962
Disposals	−446	−1,176		−1,622	−115		−115
Acquisition cost Dec 31, 2011	24,357	14,327	19,398	58,082	22,592	3,662	26,254
Translation difference	−36			−36	−28	7	−21
Additions	706	4,882		5,588	4,314	357	4,671
Disposals	−441	−828		−1,269	−169	−32	−201
Acquisition cost Dec 31, 2012	24,586	18,382	19,398	62,366	26,709	3,994	30,703
Acc. depreciations Jan 1, 2011	−7,583	−3,129		−10,712	−11,883	−2,028	−13,912
Translation difference	−22			−22	−29	2	−27
Depreciation of the financial year	−2,786	−503		−3,290	−2,850	−396	−3,246
Depreciation of decreases	383	1,177		1,560	3		3
Reduction in value	−154	−811		−965			
Acc. depreciations Dec 31, 2011	−10,163	−3,267		−13,428	−14,761	−2,422	−17,183
Translation difference	36			36	14	−8	6
Depreciation of the financial year	−2,901	−1,121		−4,022	−3,514	−386	−3,900
Depreciation of decreases	292			292	122	18	140
Reduction in value	−5,000			−5,000			
Acc. depreciations Dec 31, 2012	−17,735	−4,388		−22,122	−18,139	−2,797	−20,936
Book value as at Dec 31, 2011	14,194	11,061	19,398	44,654	7,831	1,240	9,071
Book value as at Dec 31, 2012	6,851	13,994	19,398	40,244	8,569	1,198	9,767

11. Investments in associate

EUR 1,000	Consolidated 2012	Consolidated 2011
Book value as at Jan 1	155	163
Share of associated companies' results	−61	−8
Book value as at Dec 31	94	155
Associate's balance sheet, revenue and profit		
Assets	449	768
Liabilities	179	324
Revenue	1,386	1,745
Profit	−134	81

Associated companies	Group (%)	Group (%)
Vineyard International Ltd, Helsinki Finland	34,83	34,83

12. Impairment testing of goodwill

In impairment testing the Group's assets are tested against the Group's total generated cash flow.

The cash flow estimates have been reviewed by the management and cover the next five years. The estimates are based on 2013 planning and after that revenue growth of 7% during 2013–2017, and after that terminal growth of 1%. The CAGR of 7% growth is based on Gartner's estimation of revenues for the consumer and enterprise antivirus business globally. (source: Gartner, 2012). The profitability is based on past years' profitability level, 2013 planning and longer term communicated profitability target level. The used discount rate is 13.8% before taxes. The impairment test, based on these assumptions, show no need to impair assets and/or goodwill.

Sensitivity to changes in assumptions

The main parameters in the calculations are profitability, growth rate and discount rate. If the revenue growth was as calculated and the profitability would decline below 8%, or if the profitability level remained the same, and the revenue would decline by 13% compared to previous year (year after year) in 2013–2017, the discounted amount would meet the book value. Test is not practically sensitive to discount rate.

13. Deferred tax

EUR 1,000	Consolidated 2012	Consolidated 2011
Deferred tax assets		
Other temporary differences	4,430	4,522
Losses carried forward	605	512
Total	5,035	5,034
Deferred tax assets, changes in year:		
Recognized in profit or loss	1	−451
Deferred tax liability		
Other temporary differencies	283	185
Fair value adjustments on acquisition	98	1,391
Change in fair value, available-for-sale	65	40
Total	446	1,617
Deferred tax liabilities, changes in year:		
Recognized in profit or loss	−1,196	−433
Recognized in other comprehensive income	25	27

At December 31, 2012 the Group had 6.4 million euro losses carried forward that are available indefinitely for offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have been recognized of 1.5 million losses as at the minimum that amount may be used to offset future taxable profits.

14. Inventories

EUR 1,000	Consolidated 2012	Consolidated 2011
Other inventories	235	350

No impairment was recognized from inventories in years 2012 and 2011.

15. Receivables

EUR 1,000	Consolidated 2012	Consolidated 2011
Current receivables		
Trade receivables	30,466	31,542
Loan receivables	18	16
Other receivables	1,157	1,357
Prepaid expenses and accrued income	4,366	4,135
Accrued income tax	2,688	1,160
Total	38,696	38,210

Trade receivables

As at 31 December 2012, trade receivables at nominal value of 1 135 thousand eur (2011: 628 thousand eur) were impaired and fully provided for.

Book value as at Jan 1	628	508
Charge for the year	700	270
Utilised	–193	–151
Book value as at Dec 31	1,135	628

Ageing analysis of trade receivables	total	not due	past due < 90 days	> 90 days
As at Dec 31, 2012	30,466	22,514	7,503	449
As at Dec 31, 2011	31,542	25,053	5,945	544

Material items included in prepaid expenses and accrued income		
Prepaid expenses	2,479	2,221
Prepaid expenses, royalty	1,887	1,914
Total	4,366	4,135

16. Available-for-sale financial assets

Available-for-sale financial assets consist of interest-bearing debt securities and shares in funds invested in similar instruments. For assets that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Assets, which fair value cannot be measured reliably, are recognized at cost less impairment. The fair value changes of available-for-sale financial assets are recognized in shareholders' equity under fair value reserve.

EUR 1,000	Consolidated 2012	Consolidated 2011
Fair value as at Jan 1	15,993	16,819
Additions/deductions, net	539	–981
Change in fair value	260	155
Fair value as at Dec 31	16,792	15,993
Shares – unlisted	145	146
Maturity date less than 3 months	16,647	15,847
Fair value as at Dec 31	16,792	15,993
Acquisition value as at Dec 31	16,532	15,837

17. Cash and short-term deposits

EUR 1,000	Consolidated 2012	Consolidated 2011
Cash at bank and in hand	16 480	12 205

Available-for-sale financial assets are recognized as liquid short-term investments and are held as part of the Group's ongoing cash management activities. See note 23. Financial risk management objectives and policies

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at December 31:

Cash at bank and in hand	16,480	12,205
Available-for-sale	16,647	15,847
Total	33,127	28,051

18. Shareholders' Equity

During the year, ordinary shares were subscibed with warrants attached to F-Secure option programs and converted as follows.

Issued and fully paid

EUR 1,000	Number of shares	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares
31 Dec, 2010	154,231,930	1,551	169	3,187	−7,492
Exercise of options	1,259,496			1,864	
Acquisition of treasury shares	−700,000				−1,509
31 Dec, 2011	154,791,426	1,551	169	5,051	−9,001
Exercise of share based incentive	274,923			0	583
31 Dec, 2012	155,066,349	1,551	169	5,051	−8,418

The share capital amounted to 1,551,311 euro and the number of shares was 158,798,739 (including own shares 3,732,390) at the end of the year 2012. A share has no nominal value. Accountable par value is EUR 0,01.

Share premium fund

Proceeds from exercised warrants were recognized under the share capital and share premium fund until March 26, 2008.

Unrestricted equity reserve

On March 20, 2007, the shareholders' meeting decided to decrease the share premium fund. The decreased amount of 33,582 thousand euro was transferred to unrestricted equity reserve. On March 26, 2008, the shareholders' meeting decided that the total amount of the subscription prices paid for new shares issued after the date of the meeting, based on stock options under the F-Secure Stock Option Plan 2005, be recorded in companys' unrestricted equity reserve.

Translation differences

The translation difference is used to record exchange difference arising from the translation of the financial statements of foreign subsidiaries.

Dividends proposed and paid

Proposed for approval at AGM for year 2012 0.06 euro per share.
Final dividend for year 2011 0.06 euro per share, paid during the year 2012: 9,303,981 euro
Final dividend for year 2010 0.06 euro per share, paid during the year 2011: 9,253,916 euro

Treasury shares

The cost of acquistion is recognised as a deduction in the shareholders' equity. The shares were acquired through public trading on NASDAQ OMX Helsinki in accordance with its rules and at market price.
The parent company has not acquired treasury shares during the period.
The total number of acquired treasury shares was 3,732,390 at the end of the year 2012. This represent 2,4 percent of the Company's voting power on December 31, 2012.

Fair value reserve

The reserve is used to record increments and decrements in the fair value of available-for-sale financial assets.

	FAIR VALUE, AVAILABLE-FOR-SALE			
EUR 1,000	Before tax	Tax	After tax	Total
Equity Dec 31, 2010	36	−10	26	26
Available-for-sale, net	137	−35	102	102
Fair value gains/losses to PL	−17	4	−13	−13
Equity Dec 31, 2011	155	−41	115	115
Available-for-sale, net	244	−59	185	185
Fair value gains/losses to PL	−139	34	−105	−105
Equity Dec 31, 2012	259	−65	195	195

19. Share-based payment transactions

During the period the Group have had five different incentive plans which cover the key personnel.

Warrant programs

The Company has had warrant programs since April 1998. During the period the Group had three warrant programs. The Company's warrant programs cover the key personnel. If the holder of the warrant leaves the company before vesting, the warrant is forfeited.

The Group has applied IFRS 2 to equity-settled awards granted after November 7, 2002 that had not vested on or before January 1, 2005.

Option scheme 2005

On March 23, 2005, the shareholders' meeting decided to issue a total of 4,500,000 warrants. Each warrant entitled the holder to subscribe for one share. The subscription period of 2005A expired on November 30, 2009. The subscription period of 2005B expired on November 30, 2010. The subscription period of 2005C expired on November 30, 2011. The subscription period of 2005D expired on November 30, 2012. The subscription in full would have increased the capital stock by 45,000 euro. A total of 2,028,332 shares were subscribed, which represent 1.3 percent of the Company's share capital and voting power on December 31, 2012. The subscription price of a share in each series is the trade volume weighted average price of the Company's share

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quoted on the OMX The Nordic Exchange, Helsinki as follows: 2005A on March 2005; 2005B on March 2006; 2005C on March 2007 and 2005D on March 2008, rounded off to the nearest cent. The subscription price of the stock options was, as per the dividend recorded date, reduced by the amount of dividend per share. However, only such dividends whose distribution has been agreed upon after of the period for determination of the share subscription price and which have been distributed prior to the share subscription are deducted from the subscription price. Pursuant to the Companies Act, the share subscription price was, nevertheless, always at least the accounting equivalent value per share.

Plan	Issued	Category	Start	End	Exercise price
		2005A	1.3.2008	30.11.2009	1.43
		2005B	1.3.2009	30.11.2010	2.72
		2005C	1.3.2010	30.11.2011	1.48
		2005D	1.3.2011	30.11.2012	1.97
2005	4,500,000				

The shares subscribed for on the basis of the warrants entitled the holder to dividend for the financial period in which the subscription took place. Other shareholder rights commenced upon the entry into the Trade Register of increase of the share capital.

Options outstanding and weighted average exercise price

	Jan 1–Dec 31, 2012		Jan 1–Dec 31, 2011	
EUR 1,000	Number of options	Weighted average exercise price euro	Number of options	Weighted average exercise price euro
Outstanding Jan 1	**410,000**	**2.03**	**1,725,000**	**1.67**
Forfeited			5,000	1.48
Exercised			1,259,496	1.48
Expired	410,000	1.97	50,504	1.48
Outstanding Dec 31			**410,000**	**2.03**
Exercisable Dec 31			410,000	2.03

For options exercised in year 2011 the weighted average share price was 2.11 euro. In year 2011 the Group received 1,864 thousand euro for exercised option, which was recorded to unrestricted equity reserve.

The options outstanding by range of exercise prices
December 31, 2011

Exercise price euro	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price euro
1.43–1.60			
2.09–2.78	410,000	0.92	2.03
	410,000		

Expense arising from share-based payment transactions in year 2011 was 27 thousand euro.

Synthetic option-based incentive programs

The synthetic option-based incentive programs have been established on February 2009 and November 2012 as part of the key employee incentive and retention system within F-Secure Group. The programs offer for the participants a possibility to receive synthetic options of F-Secure Corporation as a long-term incentive compensation. No reward can be given to any participating employee, whose employment has terminated before the end of the vesting period.

The synthetic option-based incentive programs will last five years. Both comprises three granting periods and subsequent vesting period of two years after each granting year. The program 2009–2011 ends on December 31, 2013. The programm 2012–2014 ends on December 31, 2016. Within the framework of each program, the aggregate number of options to be given as reward cannot exceed 5 million. The actual compensation is the difference of subscription price and the vesting price, and will be paid to the participatingemployees as a cash-settled payment.

The subscription price of the synthetic option is the weighted average share price in the period of October to December prior to the granting year. The vesting price is the weighted average share price in period of September to November prior to the payment month. The subscription price for the granting period of 2009 is 2.17 euro. The subscirtion price for the granting period of 2010 is 2.27 by Board decision on November 30, 2010. The subscription price for the granting period of 2011 is 2.10. The subscirtion price for the granting period of 2012 is 1.85 by Board decision on November 22, 2012.

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Options outstanding

	Jan 1–Dec 31, 2012		Jan 01–Dec 31, 2011
Outstanding Jan 01	**1,820,000**	**Outstanding Jan 1**	**1,535,000**
Granted	950,000	Granted	910,000
Forfeited	15,000	Forfeited	55,000
Expired	910,000	Expired	570,000
Outstanding Dec 31	**1,845,000**	**Outstanding Dec 31**	**1,820,000**

Expense arising from share-based payment transactions during the period was –30 thousand euro (–10 thousand euro in year 2011). The carrying amount of liability at December 31, 2012 was 18 thousand euro. There were no settlements for granting periods 2009–2010.

The fair value of options granted during the period was determined by using the Binomial model.

Used arguments:	Synthetic option program	
	2012	2011
Weighted average share price euro	1.51	2.02
Weighted average exercise price euro	–	–
Expected volatility	23.72%	25.02%
Option life in years	2.0	2.0
Risk-free interest rate	0.35%	1.32%
Expected dividends	–	–

Expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Based on previous years, the company has estimated that 2–3% of granted options will be forfeited.

Share-based incentive programs

During the period the Group had two share-based incentive programs. The share-based incentive program has been established as part of the key employee incentive and retention system within F-Secure Group. The programs will offer for the participants a possibility to receive shares of F-Secure Corporation as an incentive reward if the Company's financial targets set for the earning period have been achieved. No reward can be given to any participating employee, whose employment has terminated before the end of the lock-up period. The share-based incentive program 2008–2010 has been established on May 2008. The program will last six years. It comprises three earning and lock-up periods. The participating employee may not sell or transfer the shares received before the end of the lock-up period on each earnings period. The program ends on December 31, 2013. The rewards will be settled in two phases so that one part is settled as equity-settled payment and one part as cash-settled payment. Within the framework of the program, the aggregate number of shares to be given as reward cannot exceed 5 million shares.

The share-based incentive program 2011–2013 has been established on March 2011. The program will last five years. It comprises three earning and lock-up periods. The program ends on December 31, 2015. The rewards will be settled in two phases so that one part is settled as equity-settled payment and one part as cash-settled payment. The participants in the share-based incentive program are recommended not to sell more than 50% of the received shares and to cumulate the shares received from the share program equals the annual gross base salary of the employee. On the basis of the program maximum total of 2,500,000 shares and a cash payment corresponding the registration date value of the shares shall be given as reward.

The participating employee shall be entitled to the shareholder rights of to the reward shares from the moment the shares have been entered into the participating employee's book-entry account.

Expense arising from the share-based payment transactions during the period was 775 thousand euro (1,062 thousand euro in year 2011). During the period F-Secure has assigned a total of 274,923 shares and cash payment payment corresponding the registration date value of the share to the participants as a reward for the 2008 earning period. The costs of the equity-settled transactions are measured by reference to the fair value of the F-Secure Corporation share at the date on which they are granted. The costs of cash-settled transactions are measured by reference to the fair value of the F-Secure Corporation share on the date of balance sheet.

20. Provisions

EUR 1,000	Consolidated 2012	Consolidated 2011

A provision is recognized for the vacant premises. The provision is expected be realized during 2013.

Book value as at Jan 1		
Arising during the year	130	
Book value as at Dec 31	130	
Other	130	

21. Liabilities

EUR 1,000	Consolidated 2012	Consolidated 2011
Non-current liabilities		
Deferred revenues	8,497	8,442
Total	8,497	8,442
Current liabilities		
Deferred revenues	29,252	29,833
Trade payables	4,371	7,674
Other liabilities	2,370	1,457
Accrued expenses	16,548	16,353
Income tax liabilities	627	739
Total	53,167	56,057
Material amounts shown under accruals and deferred income		
Accrued personnel expenses	12,230	11,839
Deferred royalty	1,018	999
Accrued expenses	3,300	3,515
Total	16,548	16,353

22. Financial assets and liabilities

EUR 1,000	Consolidated 2012	Consolidated 2011
Loans and other receivables	18	324
Trade receivables	30,466	31,542
Available-for-sale financial assets	16,792	15,993
Cash and bank accounts	16,480	12,205
Trade payables	–4,371	–7,674
Total	59,386	52,390

The carrying amounts of the Group's financial instruments are equivalent to fair values.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial intruments by valuation technique
Level 1: quouted prices in active markets for indentical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techinques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Available-for-sale financial assets Dec 31, 2012	16,792	16,647	–	145
Available-for-sale financial assets Dec 31, 2011	15,993	15,847	–	146

During the reporting period ending 31 December 2012, there were no transfers between levels.

23. Financial risk management objectives and policies

General
The goal of risk management is to identify risks that may hinder the group from achieving its business objectives. The responsibility for the company's risk management lies with CEO, the management and finally with the Board of Directors. The risks related to the Group's financial instruments are mainly related to credit risks and foreign currency fluctuations. The Group's available-for-sale assets are also exposed to interest rate fluctuations.

Credit risk
The Group trades only with recognized, creditworthy third parties. Receivable balances are monitored and collected on an ongoing basis. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets. There are no significant concentrations of credit risk within the Group. See notes 15. Receivables and 22. Financial assets and liabilities

Foreign currency risk
The Group invoices mainly in Euros. However, there are some transactional currency exposures that arise from sales or purchasing in other currencies. The other main measurement currencies are USD, JPY, SEK and GBP. In order to minimize the impact of the fluctuation of the exchange rates, the goal is to use forward currency contracts to eliminate the currency exposure of the estimated cash flow of these currencies for a period of six months.

Derivatives
Currency instruments – Currency forward contract

EUR 1,000	Consolidated 2012	Consolidated 2011
Nominal value	3,278	3,008
Fair value	61	–95

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F-Secure Corporation has hedged receivables denominated in USD, JPY, SEK and GBP with a forward rate contract. The forward rate contracts expires on January 24 and April 25, 2013. The company does not have other derivatives.

F-Secure Corporation does not hedge investements made in its subsidiaries because the impact of changes of exchange rates would not be relevant in the Group's balance sheet.

Sales in different currencies	%	%
EUR	63	65
SEK, GBP	12	12
USD, JPY	19	18
Other currencies	6	6
	100	100

The risk involved in the sales in foreign currency is notabaly diminished by the operational expenses in subsidiaries that use the same currency.

Financial assets and liablilities in different currencies	%	%
EUR	68	67
SEK, GBP	9	7
USD, JPY	17	20
Other currencies	7	6
	100	100

The table below demonstrates how sensitive the Group's profit before taxes is to reasonably possible changes in the USD, JPY, SEK and GBP exchange rate, assuming that all other variables are held constant. The analysis is based +/– 10% exchange rate change, on trade receivables and includes forward currency contracts.

USD, JPY	+194/–194	+445/–445
GBP, SEK	+274/–274	+378/–378

Interest rate risk

The Group does not have any interest bearing liabilities. Based on the Group's conservative investment policy, it invests its cash mainly in short term and low risk funds. Investments are made in creditworthy funds. These available-for-sale investments are exposed to market risk for changes in interest risks.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and available-for-sale financial assets. See note 16.

Capital management

The objective of the Group's capital management is to maintain an efficient capital structure that ensures the functioning of business operations and promotes the increase of shareholder value. Reviewing the capital structure of the Group is part of the process for monitoring financial performance. The objective of the Group is to improve its current capital structure.

AGM 2007 made a decision to decrease the share premium to distributable equity. This enabled the Group to employ various actions to improve the efficiency of the equity; and/or to return the equity to shareholders. EGM 2008 made a decision that assets from the distributable equity will be distributed to shareholders EUR 0.23 per share totalling 35,719 thousand euro.

According to the dividend policy of F-Secure Corporation, approximately half of its annual profit is paid as dividend. Subject to circumstances, the company may deviate from this policy.

24. Notes to cash flow statement

EUR 1,000	Consolidated 2012	Consolidated 2011
Adjustments		
Deferred income	–72	704
Depreciation and amortization	12,940	6,503
Profit / loss on sale of fixed assets	210	1,190
Other adjustments	627	838
Financial income and expenses	327	130
Income taxes	5,835	7,125
Total	19,867	16,491

25. Operating lease commitments

The Group has entered into commercial leases on office space and on motor vechicles. Motor vechicle leases have an average life of three years and office space between two and five years with renewal terms included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

As lessee

EUR 1,000	Consolidated 2012	Consolidated 2011
Within one year	5,642	5,846
After one year but not more than five years	10,121	12,656
Total	15,763	18,502
Rents during the period	5,096	4,596

26. Contingent liabilities

EUR 1,000	Consolidated 2012	Consolidated 2011
Other liabilities		
Others	106	237

27. Related party disclosures

The Group's related parties include parent company, subsidiaries and associate, as well as members of the Board, managing director and members of the Leadership Team.

Compensation of key management personnel of the Group

EUR 1,000	Consolidated 2012	Consolidated 2011
Wages and other short-term employee benefits	2,055	2,734
Share-based payments	359	589
Total	2,414	3,324

Wages and other short-term employee benefits

EUR 1,000	Consolidated 2012	Consolidated 2011
Managing directors	262	827
Members of the boards of directors	225	225

Board of directors 2012 and managing director

	Wages	Fees	Incentive reward	Other com- penstions
Christian Fredrikson, managing director	262	–	105	–
Risto Siilasmaa, chairman of the board	–	55	–	–
Jussi Arovaara	–	30	–	–
Sari Baldauf	–	40	–	–
Pertti Ervi	–	40	–	–
Juho Malmberg	–	30	–	–
Anu Nissinen	–	30	–	–
Total	262	225	105	–

Incentive reward granted to managing director is measured as following; the equity-settled part to the fair value of the F-Secure Corporation share at the date which it was granted and cash-settled part to the fair value of the share on the date of balance sheet. The cost is recognized over the period in which the performance conditions are fullfilled 22. 11. 2012–31. 12. 2014.

The managing director's retirement age and the determination of his pension conform to the standard rules specified by Finland's Employee Pension Act (TYEL). The period of notice for the managing director is six (6) months both ways and managing director is entitled to severance payment equivalent of six (6) months' salary.

The consolidated financial statements include the financial statements of corporations listed in the following table.

Name	Country of incorporation	Group (%)
Parent F-Secure Corporation, Helsinki	Finland	
DF-Data Oy, Helsinki	Finland	100
F-Secure Inc., San Jose	United States	100
F-Secure (UK) Ltd, London	Great-Britain	100
F-Secure KK, Tokyo	Japan	100
F-Secure GmbH, München	Germany	100
F-Secure eStore GmbH, München	Germany	100
F-Secure SARL, Maisons-Laffitte	France	100
F-Secure SDC SAS, Bordeaux	France	100
F-Secure France SARL, Maisons-Laffitte	France	100
F-Secure BVBA, Heverlee-Leuven	Belgium	100
F-Secure AB, Stockholm	Sweden	100
F-Secure Srl, Milano	Italy	100
F-Secure SP z.o.o.,Warsaw	Poland	100
F-Secure Corporation (M) Sdn Bhd, Kuala Lumpur	Malaysia	100
F-Secure Pvt Ltd, Hyderabad	India	100
F-Secure Pte Ltd, Singapore	Singapore	100
F-Secure B.V., Utrecht	The Netherlands	100
F-Secure Limited, Hong Kong	Hong Kong	100
F-Secure Pty Limited, Sydney	Australia	100
F-Secure Iberia SL, Barcelona	Spain	100
F-Secure do Brasil Tecnologia da Informăcao Ltda	Brazil	100
F-Secure Chile Limitada, Santiago	Chile	100
F-Secure Colombia SAS, Bogota D.C.	Columbia	100

Associate company information see note 11

28. Shares and shareholders, December 31, 2012

Shares and share ownership distribution, December 31, 2012

Shares	Number of shareholders	Percentage of shareholders	Total shares	Percentage of shares
1–100	3,268	13.58%	213,300	0.13%
101–1,000	15,463	64.24%	5,865,333	3.69%
1,001–10,000	4,953	20.58%	14,489,458	9.12%
10,001–50,000	313	1.30%	6,275,196	3.95%
50,001–100,000	30	0.12%	2,111,752	1.33%
100,001–	44	0.18%	129,843,700	81.77%
Total	24,071	100.00%	158,798,739	100.00%

Shareholder category, December 31, 2012

	Total shares	Percentage of shares
Corporations	8,552,516	5.39%
Financial and insurance institutions	23,458,891	14.77%
General government	28,747,156	18.10%
Non-profit organizations	1,248,793	0.79%
Households	96,412,792	60.71%
Other countries and international organizations	378,591	0.24%
Total	158,798,739	100.00%

Largest shareholders and administrative register

Owner	Shares	% shares	% votes
Risto Siilasmaa	63,099,454	39.74%	40.69%
Varma Mutual Pension Insurance Company	13,659,874	8.60%	8.81%
Ilmarinen Mutual Pension Insurance Company	8,839,432	5.57%	5.70%
Mandatum Life Insurance Company	6,674,081	4.20%	4.30%
The State Pension Fund	5,000,000	3.15%	3.22%
Ari Hyppönen	3,843,332	2.42%	2.48%
Ismo Bergroth	3,000,000	1.89%	1.93%
Kaleva Mutual Insurance Company	2,036,000	1.28%	1.31%
Nordea Nordic Small Cap Fund	1,833,430	1.15%	1.18%
Aktia Capital Fund	1,000,000	0.63%	0.64%
Administrative register			
Skandinaviska Enskilda Banken	4,409,789	2.78%	2.84%
Nordea Pankki Suomi Oyj	3,444,031	2.17%	2.22%
Svenska Handelsbanken AB	1,340,622	0.84%	0.86%
Other registers	280,607	0.18%	0.18%
Other shareholders	36,605,697	23.05%	23.61%
Total	155,066,349		100.00%
Own shares F-Secure Corporation	3,732,390	2.35%	
Total	158,798,739	100.00%	

Ownership of management

Board of Directors	Shares	% shares
Risto Siilasmaa	63,099,454	39.74%
Jussi Arovaara	16,818	0.01%
Sari Baldauf	109,264	0.07%
Pertti Ervi	25,264	0.02%
Juho Malmberg	36,449	0.02%
Anu Nissinen	16,818	0.01%
Total	63,304,067	39.86%

Leadership Team	Shares	% shares
Ari Alakiuttu	16,954	0.01%
Samu Konttinen	16,954	0.01%
Maria Nordgren	8,476	0.01%
Pirkka Palomäki	28,918	0.02%
Jari Still	70,359	0.04%
Taneli Virtanen	31,954	0.02%
Total	173,615	0.11%

Ownership of management

The Board of Directors owned a total of 63,304,067 shares on December 31, 2012. This represents 39.9 percent of the Company's shares and 40.8 percent of votes.

29. Key ratios

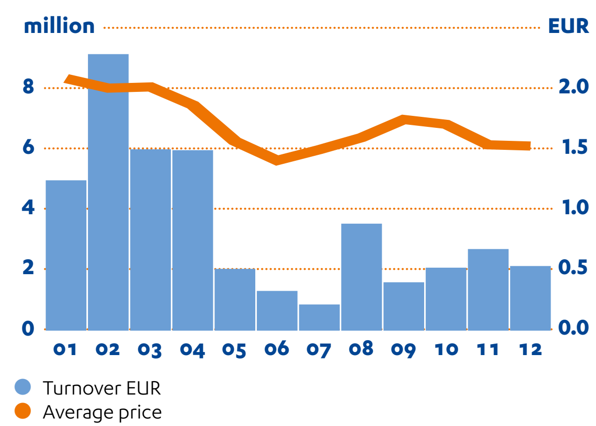
Economic indicators	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Net sales (MEUR)	157.2	146.0	130.1	125.1	113.0
Net sales growth %	8%	12%	4%	11%	17%
Operating result (MEUR)	20.3	23.6	19,8	24.0	24.3
% of net sales	12.9%	16.2%	15,2%	19.2%	21.5%
Result before taxes	19.9	23.5	19.9	25.2	26.4
% of net sales	12.7%	16.1%	15.3%	20.1%	23.4%
ROE (%)	22.6%	29.5%	30.3%	32.2%	36.0%
ROI (%)	34.9%	44.3%	42.5%	45.0%	51.5%
Equity ratio (%)	72.7%	68.1%	69.1%	69.8%	71.3%
Investments (MEUR)	10.3	18.7	10.4	37.2	3.1
% of net sales	6.6%	12.8%	8.0%	29.7%	2.7%
R&D costs (MEUR)	49.3	39.3	34.5	28.0	25.5
% of net sales	31.4%	26.9%	26.5%	22.4%	22.6%
Capitalized development (MEUR)	4.9	7.8	2.3	1.7	0.5
Gearing %	−50.9%	−47.1%	−63.2%	−68.5%	−148.5%
Wages and salaries (MEUR)	56.1	48.3	45.9	39.7	35.8
Personnel on average	970	878	835	770	652
Personnel on Dec 31	931	942	812	826	718

Key ratios	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Earnings / share (EUR)	0.09	0.11	0.10	0.12	0.13
Earnings / share diluted	0.09	0.10	0.10	0.12	0.12
Shareholders' equity per share	0.41	0.38	0.33	0.31	0.26
Dividend per share *	0.06	0.06	0.06	0.06	0.07
Dividend per earnings (%)	66.7%	54.5%	60.0%	50.0%	53.8%
Effective dividends (%)	3.9%	3.0%	3.0%	2.2%	3.7%
P/E ratio	17.1	19.0	23.1	22.8	14.9
Share price, lowest (EUR)	1.32	1.88	1.97	1.86	1.73
Share price, highest (EUR)	2.14	2.66	2.93	3.14	3.05
Mean share price (EUR)	1.79	2.26	2.27	2.43	2.39
Share price Dec 31	1.55	2.01	2.00	2.74	1.88
Market capitalization (MEUR)	246.1	319.2	315.1	431.5	293.4
Trading volume (millions)	23.0	42.6	65.9	55.5	64.5
Trading volume (%)	14.9%	27.6%	42.5%	35.6%	41.5%

* Board proposal

Adjusted number of shares	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
average during the period	155,056,557	154,432,955	154,967,615	155,770,113	155,301,688
average during the period, diluted	156,774,495	157,499,090	158,893,701	160,248,717	161,464,443
Dec 31	158,798,739	158,798,739	157,539,243	157,469,243	156,077,161
Dec 31, diluted	159,115,294	160,940,348	160,990,852	161,269,612	161,270,407

Turnover and average share price per month



Calculation of key ratios

Equity ratio, %	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance total – received advance payments}}$	× 100
ROI, %	$\frac{\text{Result before taxes + financial expenses}}{\text{Balance total – non-interest bearing liabilities (average)}}$	× 100
ROE, %	$\frac{\text{Result before taxes – taxes}}{\text{Shareholders' equity + minority items (average)}}$	× 100
Gearing, %	$\frac{\text{Interest bearing liabilities – cash and bank accounts, liquid financial assets}}{\text{Shareholders' equity + minority items}}$	× 100
Earnings per share, euro	$\frac{\text{Result before taxes – taxes +/– minority interest}}{\text{Adjusted number of shares (average)}}$	
Shareholders' equity per share, euro	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares, Dec 31}}$	
P/E ratio	$\frac{\text{Share price closing, Dec 31}}{\text{Earnings per share}}$	
Dividend per earnings, %	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$	× 100
Effective dividends, %	$\frac{\text{Dividend per share}}{\text{Share price closing, Dec 31}}$	× 100

Income statement Jan 1–Dec 31, 2012

EUR 1,000		FAS 2012	FAS 2011
NET SALES	(1)	135,906	128,694
Material and service		−7,503	−8,565
Gross margin		128,402	120,128
Other operating income	(2)	3,182	2,368
Sales and marketing	(3, 4)	−58,773	−55,466
Research and development	(3, 4)	−40,687	−31,685
Administration	(3, 4)	−9,162	−34,266
OPERATING RESULT		22,962	1,080
Financial income and expenses	(6)	94	−183
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		23,055	897
Change in depreciation reserve		−411	−729
Income taxes	(7)	−5,989	−6,390
RESULT FOR THE FINANCIAL YEAR		16,656	−6,222

Balance sheet Dec 31, 2012

EUR 1,000		FAS 2012	FAS 2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(8)	30,519	30,986
Tangible assets	(8)	4,119	4,173
Investments in associated companies	(9)	42	42
Investments in group companies	(9)	25,894	10,244
Total non-current assets		60,574	45,444
CURRENT ASSETS			
Inventories	(11)	235	350
Long-term receivables	(12)	5,247	719
Short-term receivables	(12)	36,223	34,772
Short-term investments	(13)	15,447	14,674
Cash and bank accounts	(14)	9,357	6,598
Total current assets		66,508	57,113
TOTAL ASSETS		127,083	102,558

EUR 1,000		FAS 2012	FAS 2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	(15, 16)		
Share capital		1,551	1,551
Share premium		165	165
Treasury shares		–8,419	–9,002
Fair value reserve		162	101
Reserve for invested unrestricted equity		5,051	5,051
Retained earnings		30,615	46,157
Profit for the financial year		16,656	–6,222
Total shareholders' equity		45,780	37,801
APPROPRIATIONS			
Depreciation reserve		1,139	729
LIABILITIES			
Deferred tax liabilities	(10)	53	36
Long-term liabilities	(18)	6,427	6,641
Short-term liabilities	(18)	73,684	57,351
Total liabilities		80,163	64,028
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		127,083	102,558

Cash flow statement Dec 31, 2012

EUR 1,000	FAS 2012	FAS 2011
Cash flow from operations		
Result for the financial year	16,656	–6,222
Adjustments	13,816	37,908
Cash flow from operations before change in working capital	30,472	31,686
Change in net working capital		
Current receivables, increase (–), decrease (+)	–4,297	1,173
Inventories, increase (–), decrease (+)	115	43
Non-interest bearing debt, increase (+), decrease (–)	18,198	5,642
Cash flow from operations before financial items and taxes	44,489	38,545
Interest expenses paid	–2	–2
Interest income received	11	94
Other financial income and expenses	–6	61
Income taxes paid	–7,807	–6,610
Cash flow from operations	36,684	32,088

EUR 1,000	FAS 2012	FAS 2011
Cash flow from investments		
Investments in intangible and tangible assets	–8,290	–26,505
Investments in subsidiary shares	–15,650	
Other investments		6
Proceeds from sale of intangible and tangible assets		1
Dividends received	15	38
Cash flow from investments	–23,925	–26,460
Cash flow from financing activities		
Increase in share capital		1,864
Treasury shares		–1,509
Dividends paid	–9,304	–9,254
Cash flow from financing activities	–9,304	–8,899
Change in cash	3,455	–3,270
Cash and bank at the beginning of the period	21,126	24,295
Change in net fair value of current available-for-sale assets	77	101
Cash and bank at period end	24,658	21,126

Notes to the financial statements

Corporate information

F-Secure produces services and software protection to individuals and businesses against computer viruses and other threats coming through the Internet or mobile networks.

The parent company of the Group is F-Secure Corporation incorporated in Finland and domiciled in Helsinki. Company's registrant address is Tammasaarenkatu 7, 00180 Helsinki. Copy of consolidated financial statement can be received from Internet address www.f-secure.com or the parent company's registrant address.

ACCOUNTING PRINCIPLES

The financial statement of F-Secure Corporation has been prepared in accordance with Finnish Accounting Standards (FAS).

Foreign currency translation

Foreign currencies are translated into the local currency using fixed monthly exchange rates. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Exchange rate gains and losses of financial transactions are recognized in the income statement under financial items. Forward rate contracts for hedging purposes are recorded using the exchange rate prevailing at the balance sheet date.

Tangible and intangible assets

Intangible assets include intangible rights and software licenses. Intangible assets recognized on merger consist of technology-based intangible assets. Tangible and intangible assets are recorded at historical cost less accumulated depreciation. Depreciation of intangible rights is recorded on a progressive basis over the the estimated useful life of an asset. Other depreciation is recorded on a straight-line basis over the estimated useful life of an asset. The estimated useful lives of tangible and intangible assets are as follows:

Machinery and equipment	3–8 years
Capitalized development costs	3 years
Intangible rights	5 years
Intangible assets	5–10 years

Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the assets' carrying amount when it is probable that the Company will derive future economic benefits in excess of the originally assessed standard or performance of the existing asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures incurred on individual projects of totally new products or product versions with significant new features are carried forward when they are technically feasible and their future recoverability can reasonably be regarded as assured.

Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined by method first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Company has only operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Pensions

Pension arrangement is of local statutory arrangement and defined contribution plans. Contributions to defined contribution plans are recognized in income statement in the period to which the contributions relate. The Company recognizes the disability commitment of TYEL pension plan when disability appears.

Share-based payment transactions

In the Company's industry it is common practice internationally that incentives are provided to employees in the form of equity-settled share-based instruments. Company has three kinds of incentive programs; warrant-based program, synthetic warrant-based program and a share-based program.

The Company's warrant programs cover key personnel. The synthetic warrant-based program is settled as cash-settled payment. The cost of cash-settled transactions with employees is measured by reference to the fair value at the date of balance sheet. The fair value is determined by using the Binomial model. The cost of transactions is recognized, together with a corresponding entry in liability, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). If the holder of the warrant leaves company before vesting the warrant is forfeited. The cumulative expense recognized for transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

The share-based incentive program has been established as part of the key employee incentive and retention system inside F-Secure. Reward will be settled in two phases so that one part is settled as equity-settled payment and one part as cash-settled payment. Cost of cash-settled transactions is measured by reference to the fair value by using market price of F-Secure Corporation share on the date of balance sheet.

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The cost is recognized over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the reward (end of lock-up period). The cost of cash-settle corresponding entry is recognized in liabilities. If relevant employee leaves company before fully entitled to the reward, the reward is forfeited. The cumulative expense recognized for share-based incentive program transactions at each reporting date is based on the best available estimate of the number of equity instruments that will ultimately fulfill.

Income taxes

Direct current taxes are calculated in accordance with the local tax and accounting rules. Deferred taxes, resulting from temporary differences between the financial statement and the income tax basis of assets and liabilities, use the enacted tax rates in effect in the years in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available.

Revenue recognition

Revenue is primarily derived from monthly software as a service sale, software license agreement sales and operator's system integration and maintenance sales. License agreements consist of initial license agreements and periodic maintenance agreements covering product updates and customer support. The revenue recognition policy of F-Secure Group recognizes the service revenue at the time of delivery, the license agreement's license fee revenues as the product is delivered, the license agreement's maintenance revenues are recognized over the maintenance period, and service based project deliveries are recognized with the percentage of completion method, when the outcome can be reliably estimated. The degree of completion is determined by relation of project costs incurred for work performed to date bear the estimated total project costs. If total project costs will exceed total project revenue, the expected loss is recognized as an expense immediately. Indirect taxes, discounts granted and exchange rate differences are excluded from net sales.

Other operating income

Other operating income includes profits from the sales of fixed assets, rental revenue, and government grants received for research and development projects.

Presentation of expenses

Classification of the functionally presented expenses has been made as follows: various types of expenses in different geographical locations have been allocated to the various functions by allocating directly to allocable expenses to the respective function, and other operating expenses have been allocated to functions on the basis of average headcount in each location.

Treasury shares

Company has acquired treasury shares. The cost of acquisition is recognized as a deduction in the shareholders' equity.

Financial assets

Short-term investments are measured at fair value. Short-term investments consist of interest-bearing debt securities and shares in mutual funds invested in similar instruments. For assets that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Assets, the fair value of which cannot be measured reliably, are recognized at cost less impairment. The fair value changes of short-term investments are recognized in shareholders' equity under fair value reserve. When financial assets recognized as available-for-sale are sold, the accumulated fair value changes are released from equity and recognized in the income statement.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and other highly liquid short-term investments.

1. Net Sales

EUR 1,000	FAS 2012	FAS 2011
Geographical information		
Finland and Scandinavia	45,680	45,227
Rest of Europe	64,435	60,731
North America	8,287	10,483
Rest of the world	17,504	12,253
Total	135,906	128,694

2. Other operating income

EUR 1,000	FAS 2012	FAS 2011
Rental revenue	37	36
Government grants	1,583	778
Other	1,562	1,554
Total	3,182	2,368

3. Depreciation and reduction in value

EUR 1,000	FAS 2012	FAS 2011
Depreciations from non-current assets		
Other capital expenditure	−3,314	−2,532
Capitalized development	−962	−278
Intangible assets	−4,276	−2,810
Machinery and equipment	−2,058	−1,792
Tangible assets	−2,058	−1,792
Total depreciation	**−6,334**	**−4,602**
Reduction in value from non-current assets		
Other capital expenditure	−754	−154
Capitalized development		−810
Total reduction in value	−754	−964
Total depreciation and reduction in value	−7,088	−5,566
Depreciations by function		
Sales and marketing	−2,715	−2,337
Research and development	−3,497	−2,105
Administration	−122	−160
Total depreciation	−6,334	−4,602

4. Personnel expenses

EUR 1,000	FAS 2012	FAS 2011
Personnel expenses		
Wages and salaries	−31,015	−26,968
Pension expenses	−5,612	−4,993
Other social expenses	−1,804	−1,603
Total	−38,431	−33,563
Compensation of key management personnel		
Wages and other short-term employee benefits	−1,659	−2,381
Total	−1,659	−2,381
Wages and other short-term employee benefits		
Managing director	−262	−626
Members of the boards of directors	−225	−225

Wages and other short-term employee benefits of the board of directors and managing director: The managing director's retirement age and the determination of his pension conform to the standard rules specified by Finland's Employee Pension Act (TYEL). The period of notice for the managing director is six (6) months both ways and managing director is entitled to severance payment equivalent of six (6) months' salary.

EUR 1,000	FAS 2012	FAS 2011
Average number of personnel	498	428
Personnel by function Dec 31		
Sales and marketing	165	173
Research and development	290	254
Administration	39	40
Total	494	467

5. Audit fees

EUR 1,000	FAS 2012	FAS 2011
Audit fees	−99	−97
Tax consulting	−24	−32
Other consulting	−15	−102
Total	−137	−231

6. Financial income and expenses

EUR 1,000	FAS 2012	FAS 2011
Interest income	21	95
Interest expense	−68	−93
Other financial income	662	76
Dividends	15	38
Exchange gains and losses	−468	−237
Other financial expenses	−69	−61
Total	94	−183

7. Income taxes

EUR 1,000	FAS 2012	FAS 2011
Income taxes of the business activity	−5,891	−6,505
Income taxes from previous years	−98	115
Total	−5,989	−6,390
Result before taxes	23,055	897
Income taxes at statutory rate of 24.5%/26%	−5,649	−233
Non-deductible expenses	−242	−6,272
Income taxes from previous years	−98	115
Total	−5,989	−6,390

8. Non-current assets

	Intangible assets			Tangible assets		
	Other cap. expenditure	Capitalized development	Total	Machinery & equip.	Other Tangible	Total
Acquisition cost Jan 1, 2011	11,374	6,366	17,740	13,154	5	13,159
Additions	18,284	7,827	26,111	2,287		2,287
Decreases	−154	−1,176	−1,330	−111		−111
Acquisition cost Dec 31, 2011	29,504	13,017	42,521	15,330	5	15,335
Additions	509	4,882	5,391	2,015		2,015
Decreases		−828	−828	−36		−36
Acquisition cost Dec 31, 2012	30,013	17,071	47,084	17,309	5	17,314
Acc. depreciations Jan 1, 2011	−6,815	−2,277	−9,092	−9,370		−9,370
Depreciation of the financial year	−2,531	−278	−2,809	−1,792		−1,792
Reduction of value	−154	−811	−965			
Acc. depreciations of decreases	154	1,176	1,330			
Acc. depreciations Dec 31, 2011	−9,346	−2,190	−11,536	−11,162		−11,162
Depreciation of the financial year	−3,314	−962	−4,276	−2,058		−2,058
Reduction of value	−754		−754			
Acc. depreciations of decreases				25		25
Acc. depreciations Dec 31, 2012	−13,413	−3,152	−16,566	−13,195		−13,195
Book value as at Dec 31, 2011	20,158	10,827	30,985	4,168	5	4,173
Book value as at Dec 31, 2012	16,599	13,919	30,518	4,114	5	4,119

9. Investments

	Group comp. shares	Associated comp. shares	Total
Book value as at Jan 1	10,244	42	10,286
Additions	15,650		15,650
Book value as at Dec 31	25,894	42	25,936

Name	Country of incorporation	Share of ownership (%)
Parent F-Secure Corporation, Helsinki	Finland	
DF-Data Oy, Helsinki	Finland	100
F-Secure Inc., San Jose	United States	100
F-Secure (UK) Ltd, London	Great-Britain	100
F-Secure KK, Tokyo	Japan	100
F-Secure GmbH, München	Germany	100
F-Secure eStore GmbH, München	Germany	100
F-Secure SARL, Maisons-Laffitte	France	98
F-Secure France SARL, Maisons-Laffitte	France	100
F-Secure BVBA, Heverlee-Leuven	Belgium	100
F-Secure AB, Stockholm	Sweden	100
F-Secure Srl, Milano	Italy	100
F-Secure SP z.o.o.,Warsaw	Poland	100
F-Secure Corporation (M) Sdn Bhd, Kuala Lumpur	Malaysia	100
F-Secure Pvt Ltd, Hyderabad	India	100
F-Secure Pte Ltd, Singapore	Singapore	100
F-Secure B.V., Utrecht	The Netherlands	100
F-Secure Limited, Hong Kong	Hong Kong	100
F-Secure Pty Limited, Sydney	Australia	100
F-Secure Iberia SL, Barcelona	Spain	100
F-Secure Chile Limitada, Santiago	Chile	99
F-Secure Colombia SAS, Bogota D.C.	Colombia	100

Associated companies		Share of ownership (%)
Vineyard International Ltd, Helsinki	Finland	34.8

10. Deferred tax

EUR 1,000	FAS 2012	FAS 2011
Deferred tax liability		
Tax charged to shareholders' equity		
Change in fair value, available-for-sale	53	36
Total	53	36

11. Inventories

EUR 1,000	FAS 2012	FAS 2011
Other inventories	235	350

12. Receivables

EUR 1,000	FAS 2012	FAS 2011
Non-current		
Receivables from group companies	4,500	
Other receivables	747	719
Total	5,247	719
Current receivables		
Trade receivables	22,207	23,477
Loan receivables	18	16
Other receivables	39	41
Prepaid expenses and accrued income	6,358	4,186
Total	28,622	27,720
Receivables from group companies		
Trade receivables	7,601	7,047
Other receivables		5
Total	7,601	7,052
Current receivables total	36,223	34,772
Material items included in prepaid expenses and accrued income		
Prepaid expenses	2,080	1,698
Prepaid expenses, royalty	1,887	1,914
Accrued interest		1
Accrued tax	2,391	573
Total	6,358	4,186

13. Short-term investments

Short-term investments consist of interest-bearing debt securities and shares in funds invested in similar instruments. For assets that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Assets, which fair value cannot be measured reliably, are recognized at cost less impairment. The fair value changes of short-term investments are recognized in shareholders' equity under fair value reserve.

EUR 1,000	FAS 2012	FAS 2011
Fair value as at Jan 1	14,674	16,817
Additions/deductions, net	558	−2,280
Change in fair value	215	137
Fair value as at Dec 31	15,447	14,674
Shares – unlisted	146	146
Maturity date less than 3 months	15,301	14,528
Fair value as at Dec 31	15,447	14,674
Book value as at Dec 31	15,232	14,537

14. Cash and short-term deposits

For the purposes of the cash flow statement, cash and cash equivalents comprise the following as at December 31:

EUR 1,000	FAS 2012	FAS 2011
Cash at bank and in hand	9,357	6,598
Available-for-sale	15,301	14,528
Total	24,658	21,126

15. Statement of changes in shareholders' equity

Parent Company, FAS	Share capital	Share premium fund	Treasury shares	Fair value reserve	Unrestricted equity reserve	Retained earnings	Total equity
Equity Dec 31, 2010	1,551	165	−7,493	27	3,187	55,411	52,847
Available-for-sale financial assets, net				75			75
Result of the financial year						−6,222	−6,222
Dividend						−9,254	−9,254
Acquisition of treasury shares			−1,509				−1,509
Exercise of options					1,864		1,864
Equity Dec 31, 2011	1,551	165	−9,002	102	5,051	39,935	37,801
Available-for-sale financial assets, net				61			61
Result of the financial year						16,656	16,656
Dividend						−9,304	−9,304
Cost of share based payments			583			−16	566
Equity Dec 31, 2012	1,551	165	−8,419	163	5,051	47,271	45,780

16. Shareholders' Equity

The Company's share capital amounted to 1,551,311 euro and the number of shares was 158,798,739 at the end of the year 2012. See group disclosure 18. Shareholders' Equity.

Treasury shares

See group disclosure 18. Shareholders' Equity

Distributable shareholders' equity on December 31, 2012

EUR 1,000	
Unrestricted equity reserve	5,051
Retained earnings	22,212
Result of the financial year	16,656
Distributable shareholders' equity on December 31, 2012	43,918

17. Share-based payment transactions

See group disclosure 19. Share-based payment transactions

18. Liabilities

EUR 1,000	FAS 2012	FAS 2011
Non-current liabilities		
Deferred revenues	6,427	6,641
Deferred tax liabilites	53	36
Total	6,479	6,676
Current liabilities		
Deferred revenues	23,729	23,942
Trade payables	3,501	6,524
Other liabilities	1,174	779
Accrued expenses	11,464	11,987
Total	39,868	43,233
Liabilities to the group companies		
Advance payments	3,797	3,845
Trade payables	7,825	7,696
Other liabilities	22,194	2,578
Total	33,816	14,118
Total current liabilities	73,684	57,351
Material amounts shown under accruals and deferred income		
Accrued personnel expenses	8,619	8,170
Deferred royalty	1,018	999
Accrued expenses	1,826	2,818
Total	11,464	11,987

19. Financial risk management objectives and policies

See Group disclosure 23. Financial risk management objectives and policies

20. Notes to cash flow statement

EUR 1,000	FAS 2012	FAS 2011
Adjustments		
Deferred income	–406	420
Depreciation and amortization	7,088	4,602
Profit / loss on sale of fixed asset	11	24,968
Other adjustments	817	617
Financial income and expenses	317	911
Income taxes	5,989	6,390
Total	13,816	37,908

21. Operating lease commitments

The Group has entered into commercial leases on office space and on motor vehicles. Motor vehicle leases have an average life of three years and office space between two and five years with renewal terms included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

As lessee

EUR 1,000	FAS 2012	FAS 2011
Within one year	3,373	3,092
After one year but not more than five years	6,847	9,401
Total	10,221	12,492

22. Contingent liabilities

EUR 1,000	FAS 2012	FAS 2011
Guarantees for other group companies	40	
Other liabilities		
Others	67	238

Derivatives see Group disclosure 23. Financial risk management objectives and policies

23. Shares and shareholders

See Group disclosure 28. Shares and shareholders

24. Key ratios

See Group disclosure 29. Key ratios

Auditor's report (translation)

To the Annual General Meeting of F-Secure Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of F-Secure Corporation for the financial period 1. 1.–31. 12. 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

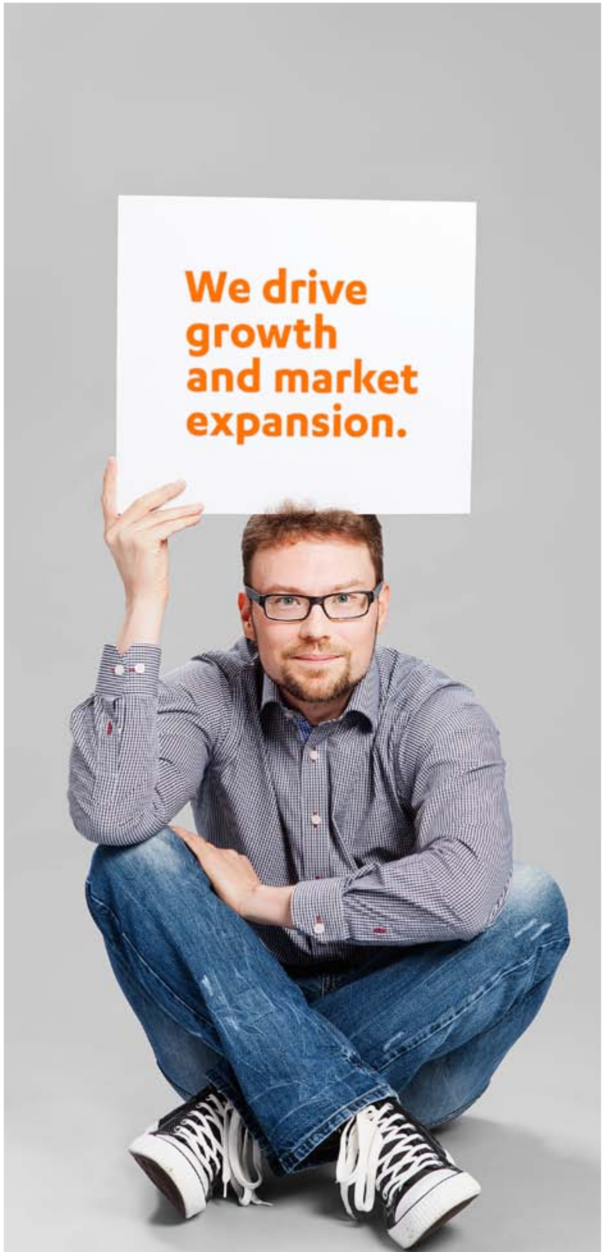
Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 14, 2013

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant



Veli-Jussi, Director, Security Products

Corporate Governance Statement

General principles

F-Secure Corporation applies principles of corporate governance and follows high ethical standards in all its operations. F-Secure's corporate governance practices comply with Finnish laws and regulations, F-Secure's Articles of Association, the rules of the Helsinki stock exchange as well as with Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2010. The code is publicly available at www.cgfinland.com.

The key elements of the Corporate Governance practices of F-Secure Corporation are described briefly below. In addition, in 2012 the most essential tasks and responsibilities of the Board of Directors, Board Committees and the other main governing bodies are described. This statement also includes the description of the main features of internal control and risk management pertaining to the financial reporting process. More information on corporate governance practices of the company is available on F-Secure Corporation's website.

Annual General Meeting of Shareholders (AGM)

The highest governing body of the corporation is the General Meeting of Shareholders. The AGM's tasks are defined in detail by the Finnish Companies Act, Articles of Association of F-Secure Corporation and other regulations. The AGM shall decide on the number of members of the Board of Directors, confirm remunerations to the Board members and auditors, appoint Board members, approve financial statements, determine dividends and select auditor and determine other issues defined by the Articles of Association and the Finnish Companies Act. The AGM shall be held after the end of the financial year within a period determined by the Board of Directors and as defined by the Companies Act. F-Secure Corporation has only one class of shares and thus all shares have equal voting power at the General Meetings of Shareholders.

In 2012, the Annual General Meeting was held in Helsinki, HTC Ruoholahti on April, 3. The decisions made by the AGM 2012 are presented in detail in the Board of Directors' report for 2012.

The main tasks of the Board of Directors

The objective of the Board of Directors is to direct the company with the aim of achieving the best possible return on invested capital for shareholders in the long term. The Board of Directors represents all shareholders. The Board

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of Directors shall always work to the best advantage of the company and all of its shareholders.

The Board of Directors is responsible for making sure that supervision of th e company's accounting and financial management is duly organized. The meetings of the Board shall regularly discuss reports presented by the CEO of the Company on the financial status and operations of the company. Furthermore, it is the duty of the Board to prepare matters to be handled by the shareholders' meeting, to decide on the convening of the shareholders' meeting and to make sure that the decisions made at the shareholders' meeting are executed.

Any matters that are significant or far-reaching from the company's point of view shall be dealt with by the Board. These include strategic outlines, approval of budgets and operating plans and supervision of how these are put into effect, acquisitions and corporate structure, any major investments with regard to the operation of the company, organization of the supervision of accounting and financial management, internal monitoring systems and risk management as well as personnel policies and reward systems.

The duties and responsibilities of the Board are more thoroughly defined in the Articles of Association of the company, the Finnish Companies Act and other applicable laws and regulations. The Articles of Association and the charter of the Board, including a more complete list of its main duties and tasks and its committees, are presented in detail on the company's Investor web pages.

According to the Articles of Association, the Board shall have a minimum of three and maximum of seven ordinary members, whose term ends at the end of the next AGM following the election of members. The Annual General Meeting of Shareholders shall decide the number of Board members and elect the Board members. The Board shall elect the Chairman of the Board from among its members. The Board shall also elect a secretary, who may be a non-member of the Board. The term of each Board member is one year. The majority of the Board members shall be independent of the company. More detailed information about other terms of Board membership can be found in the Articles of Association.

The Board of Directors shall convene at least five times during its term. The Board shall conduct an annual self-assessment of its operations.

Board of Directors in 2012

According to the decision of the Annual General Meeting 2012, the Board has six (6) members. The members of the Board are **Risto Siilasmaa (Chairman), Jussi Arovaara, Sari Baldauf, Pertti Ervi, Juho Malmberg** and **Anu Nissinen.** All members were re-elected. Risto Siilasmaa continued as a Chairman of the Board.

The majority of F-Secure Corporation's Board of Directors, Pertti Ervi, Sari Baldauf, Juho Malmberg, Anu Nissinen and Jussi Arovaara**,** have no dependence neither on the company nor the significant shareholders. The Chairman of the Board, Mr. Siilasmaa, is a major shareholder of the company.

During 2012, the Board of Directors held 10 meetings and the attendance was close to 100%. The Board of Directors focused, besides their ongoing duties, especially on the execution of the Company's growth strategy,introduction of the new CEO, restructuring of the organization, new leadership nominations and product creation capabilities. According to the strategy, F-Secure's first priority is to drive growth and market expansion by continuing to create new innovative offerings to augment traditional security services, especially in the content cloud space. The Company has three channels for its products, while Operators are currently the biggest channel. The Company's strategy is described in more detail in the Board of Director's report for 2012.

Other significant tasks and responsibilities of the Board comprised a general overview of the company's financials, budget approval, setting the target levels for executive level and deciding on the incentive program for the Leadership Team and other key employees.

Board Committees

The Board has two committees; Audit Committee and Executive Committee (nomination and remuneration issues). The Chairman of the Audit Committee is **Pertti Ervi** and the members are **Jussi Arovaara** and **Juho Malmberg.** The Chairman of the Executive Committee is **Sari Baldauf** and the members are **Risto Siilasmaa** and **Anu Nissinen.**

The charters of both Committees are available on the Company's web pages under About F-Secure > Investors > Governance.

Audit Committee

The Audit Committee prepares, instructs and evaluates the Corporation's risk management, internal supervision systems, IT strategy and practices, financial reporting, external auditing of the accounts and internal control. During 2012, the Audit Committee held five meetings and the attendance was close to 100%.

In 2012, the Audit Committee covered topics widely within the charter focusing on internal and external IT (hosting). Furthermore, the Committee assessed efficiency of internal control systems and risk management process and practices including financial and legal risks. The Committee also reviewed the interim reports and all other relevant stock exchange releases before their publication.

Executive Committee

The Executive Committee prepares material and provides instructions on issues related to the composition and compensation of the Board of Directors and remuneration of the other members of the executive management. The Executive Committee held five meetings in 2012 and the attendance was close to 100%.

In 2012, the Executive Committee focused especially on the re-organization of the Company and new leadership nominations. Other tasks comprised of e.g. long and short-term incentive programs for the top management and other key personnel, discussion on employee satisfaction surveys, and follow-up of improvement actions. The Committee also prepared proposals for the Board composition and remuneration for the Annual General Meeting of Shareholders.

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President and CEO

The President and CEO is responsible for the day-to-day management of the company. The CEO's duties include managing the business according to the instructions issued by the Board of Directors, presenting the matters to be dealt with in the Board of Directors' meeting, implementing the matters resolved by the Board of Directors and other issues determined in the Companies Act. The Board of Directors shall appoint the CEO and decide upon his/her remuneration and other benefits.

The Interim CEO of the Company was Pirkka Palomäki during November 1, 2011–January 15, 2012. **Christian Fredrikson** started as President and CEO as of January 16, 2012.

Leadership Team

The Leadership Team supports the CEO in daily operative management and development of the Company. The CEO appoints the Leadership Team members and decides upon the terms and conditions of their employment. The Board of Directors approves the compensation for the Leadership Team. The bonuses and granting of stock options are based on the performance of the Company and the individual. The Leadership Team meets regularly once a month and separately as needed.

The Leadership Team currently consists of the following persons: **Christian Fredrikson** (President and CEO), **Pirkka Palomäki** (Chief Strategy Officer), **Ari Alakiuttu** (Vice President, Human Resources), **Taneli Virtanen** (Chief Financial Officer), **Pekka Usva** (Vice President, Corporate Security), **Samu Konttinen** (Executive Vice President, Customer and Market Operations), **Jari Still** (Vice President, Research & Development), **Maria Nordgren** (Vice President, Consumer Security) and **Timo Laaksonen** (Vice President, Content Cloud).

Remuneration

The remuneration paid to the Board of Directors and the Leadership Team as well as their holdings of F-Secure shares and options are described in notes 27 and 28 to the financial statements. The general principles of remuneration of the President and CEO are described in note 27 to the financial statements. More details on the remuneration and option programs are also available in the Remuneration Statement published on the Company's investor web pages under Corporate Governance.

CEO and the Leadership Team are presented later as a part of this report.

Auditors

The auditor is elected by the Annual General Meeting for one year's term of service. The auditor is responsible for auditing the consolidated and parent company's financial statements and accounting. The auditor will report to the Board of Directors at least once a year.

For 2012, F-Secure Corporation's auditor was Ernst & Young Oy, an auditing company of Authorized Public Accountant authorized by the Central Chamber of Commerce. APA Erkka Talvinko acts as responsible partner for the direction and coordination of the audit work. During 2012, the Company paid for auditing services a total of EUR 123,920 (2011: EUR 130,810) and EUR 39,100 (2011: EUR 133,956) for other services. Ernst & Young Oy has been F-Secure Corporation's auditor since 1999.

DESCRIPTION OF THE MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT PERTAINING TO THE FINANCIAL REPORTING PROCESS

Internal Control

The purpose of Internal Control is to ensure that operations are effective and aligned with the strategy, financial reporting and that management information is reliable and in compliance with applicable regulations and operating principles.

Internal control consists of all the guidelines, policies, processes, practices and organizational structure that help ensure that the business conduct is in compliance with all applicable regulations, and that all financial reporting is correct. The guidelines and instructions are made to ensure that accounting and financial information is a true and accurate reflection of the activities and financial situation of the company. Actual performance against sales and cost targets and comparison period is constantly followed up by operative reporting systems on a daily, weekly or monthly basis.

The company constantly monitors its cost efficiency and profitability as well as incoming and outgoing payment transactions. If any inconsistencies appear, the issues are handled without delay. The company's controlling function works in close cooperation with CFO and business units, providing relevant data for business planning purposes and sales estimates. Estimates and revenue recognition are constantly monitored with various follow-up methods. The Company's controlling team is responsible for consistency and reliability of internal control methods. The controlling team meets business management and key personnel in order to assess the reliability of estimates on continuous basis.

During 2012, the controlling team focused especially on the financial management of the new organization structure. Another focus area continued to be financial support for the Content Cloud business and its restructuring. Furthermore, other important focus areas were financial monitoring of market expansion to Latin America as well as activation and write-off occurrence of R&D projects.

Internal audit

The principles of internal audit are embedded in written guidelines and policies concerning accounting, risk management and controlling. These guidelines and policies in F-Secure are coordinated by the company's Finance department. The company guidelines cover accounting, reporting, documentation, authorization as well as other relevant issues. F-Secure has no separate internal audit function, and therefore this has been taken into account when defining the scope of external audit. The financial management team meets with the auditors several times a year.

Risk management

Risk management is an integrated part of F-Secure's governance and management. The goal is to support the

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achievement of the Company's objectives and continuity of the operations by ensuring that the Company:

- has comprehensive understanding of major risks, both opportunities and threats
- takes proactive action to manage opportunities and threats
- has systematic means to identify, analyze, evaluate and control risks
- has clear understanding of roles and responsibilities regarding risk management
- has systematic means to collect, analyze and learn from occurred risks.

The foundation for risk management is defined in the Company's Risk Management Policy. It expresses the mandate and commitment for F-Secure Risk Management and the processes and practices that are in place to identify, communicate and manage material risks across the company. The policy also ensures that responsibilities have been appropriately delegated for Risk Management.

The Board of Directors is responsible for approval of the Risk Management Policy and determines the company's overall risk attitude. The Board of Directors and its Audit Committee are responsible for monitoring the company's top risks and related controls and the effective implementation of the policy. The Audit Committee annually conducts a top risk review and evaluates the effectiveness of the risk management system.

The CEO and the Leadership Team are accountable to the Board for approving the Company's risk management standards and ensuring they are applied in a constant manner across the organization.

The corporate Risk Management function provides and maintains a process to identify, analyze, evaluate and treat of risks. Risk assessments are conducted twice a year as part of the biannual company planning cycle. The company level risk profile is approved by the Leadership Team. Leadership Team conducts a company level risk review biannually in sync with the operational planning. The Board of Directors and its committees approve and monitor the reporting procedures, as well as the adequacy, appropriateness and effectiveness of the company's business and administrative processes.

Weekly and monthly financial reporting that covers the entire company is used to monitor how well financial targets are being met. The reports include actual figures, plans and up-to-date forecasts. The company has sought to manage the risks relating to its business operations by developing its operating processes and control systems. The Board has set certain appropriate authorization limits to the management, and if these limits are exceeded, the decisions shall be handled by the Board of Directors.

The invoicing is mainly in euros. In order to minimize the impact of the fluctuation of the exchange rates, the goal is to hedge the estimated cash flow of affected currencies. The Company does not provide financing outside the industry standard payment terms. The Company's investment policy for cash reserves is conservative. Cash and cash equivalent are mainly invested in short-term funds and other low-risk investments.

During 2012, the most significant risks were related to the competitiveness of F-Secure's product portfolio in the changing market situation, the ability to protect the intellectual property (IPR) in F-Secure's solutions, risk exposure from increasing contractual liability requirements, regional development in new growth markets, sustainability of partner relationships, forming of new business areas, continuous change in the storage and content cloud services markets, and potential security threats targeted to these services.

OTHER GOVERNANCE ISSUES

Management of insider issues

The company follows the insider regulations of the NASDAQ OMX Helsinki Ltd. Insiders are divided into three categories: (1) permanent public insiders including the members of the Board, the auditors, and the Leadership Team of the company, (2) permanent company-specific non-public insiders including persons who by virtue of their position or tasks learn inside information on a regular basis, and (3) project-based insiders. The company maintains its public insider registers in the Euroclear Finland Ltd's SIRE system. The trading of F-Secure shares and options of permanent public insiders is public.

Permanent public insiders and permanent company-specific insiders or their interest parties defined in the Finnish Securities Markets Act are not entitled to trade shares, options or other securities 21 days prior to publication of interim financial statements or company accounts. Project-based insiders are not entitled to trade shares, options or other securities until the termination of the project. Up-to-date information on the holdings of F-Secure's permanent insiders with a duty to declare can be found on the company's website.

The person in charge of F-Secure's insider issues is the IR-function of the company.

Silent Period

The company observes a silent period of 21 days before each quarterly report announcement. During the silent period, the company will arrange neither meetings nor conference calls with the investor community.

Communications

The aim of the Company's communications is to support the correct valuation of the company by providing the markets with sufficient information on F-Secure's financial position, strategy and objectives. The Board of Directors has approved the disclosure policy that defines the guidelines in communications to financial markets and investors and other parties. F-Secure's web site contains all information made public according to the disclosure requirements for listed companies.

Board of Directors

Risto Siilasmaa

Chairman of the Board of Directors since 2006
Board member since 1988
b. 1966, M.Sc. (Engineering)
Main employment history:
Currently Chairman of the Board, F-Secure Corporation
Founder, F-Secure Corporation
President and CEO, F-Secure Corporation, 1988–2006
Main board memberships and public duties:
Chairman of the Board of Directors of Nokia Corporation
Member of the Board of Directors of Mendor Oy
Vice Chairman of the Board of Federation of Finnish Technology Industries
Member of the Board of Directors of Confederation of Finnish Industries, EK
Member the Tsinghua SEM Advisory Board, Tsinghua University
Holdings: number of shares 63,102,689, holding 39.74%

Jussi Arovaara

Board member since 2010
b. 1966
Main employment history:
Currently Vice President, Global Operations in Corel Corporation (UK)
Senior Director, International Sales and Marketing Operations, 2005–2009 Corel Corporation (UK)
Director, International Product Marketing, 2004–2005 Corel Corporation (UK)
Vice President, EMEA Sales, 2002–2004 Corel Corporation (UK)
Vice President, Sales Operations, 1999–2001 Corel Corporation (Canada)
Previously worked in several sales and marketing positions in computer wholesale.
Holdings: number of shares 18,582.

Sari Baldauf

Board member since 2005
Chairman of the Executive Committee
b. 1955, M.Sc. (Bus. Adm.)
Main employment history:
Worked for more than twenty years at Nokia Corporation e.g.
Member of the Group Executive Board, 1994–2005
Executive Vice President and General Manager of Networks, 1998–2005
Main board memberships and public duties:
Chairman of the Board of Directors of Fortum Corporation
Member of the supervisory Board of AkzoNobel N.V.
Member of the supervisory Board Daimler AG
Member of the supervisory Board Deutsche Telekom AG
Vice Chairman of the Board of Finnish Business and Policy Forum EVA
Member of Steering Group for Finland's external economic relations
Chairman of the Board of Savonlinna Opera Festival
Member of the Board of Muuvit Health and Learning Oy
Member of the Board of the Finnish Children and Youth foundation
Member of the Board of the Tukikummit foundation
Member of the Board of John Nurminen foundation
Holdings: number of shares 111,616.

Pertti Ervi

Board member since 2003
Chairman of The Audit Committee
b. 1957, B.Sc. (Electronics)
Main employment history:
Currently an independent management consultant
Co-founder, Managing Director, Computer 2000 Finland Oy, 1983–1995
Co-President, Member of the Executive Board, Computer 2000 AG, 1995–2000
Has worked at international management level with major IT vendors such as Cisco, IBM, Intel, HP and Microsoft.
Main board memberships and public duties:
Chairman of the Board of Directors of Inventure Oy
Chairman of the Board of Directors Nevtor Oy
Chairman of the Board of Directors Efecte Corporation
Chairman of the Board of Directors Ixonos Plc
Chairman of the Board of Directors Comptel Corporation
Member of the Board of Directors of Teleste Corporation
Holdings: number of shares 27,616.

Juho Malmberg

Board member since 2008
b. 1962, M.Sc. (Computer Science)
Main employment history:
Currently CEO of ZenRobotics Ltd
Executive Vice President, Development and a Member of Executive Board of KONE Corporation, 2006–2012
Managing Director of Accenture Finland, 2002–2005
Director, Nordic Outsourcing of Accenture, 2005
Deputy Managing Director of Accenture, 1999–2002
Technology Director of Accenture, 1992–1999
Holdings: number of shares 38,213.

Anu Nissinen

Board member since 2010
b. 1963, M.Sc. (Economics)
Main employment history:
Currently CEO of Sanoma Media Finland Oy and a Member of the Executive Management Group of Sanoma
President of Sanoma Entertainment Ltd, 2008–2011
President of SW Television Oy/ Welho, 2004–2008
Marketing Director of Helsinki Televisio Oy, 2001–2004
Marketing Manager of Oy Sinebrychoff Ab, 1998–2000
Holdings: number of shares 18,582.

Leadership Team

Christian Fredrikson

President and CEO
b.1964, M.Sc. (Engineering)
Main employment history:
Joined F-Secure in January, 2012. Was previously responsible for global sales for of Network Systems business unit at Nokia Siemens Networks. Furthermore, past positions at Nokia Siemens Networks include Head of Asia Pacific Region and Head of OBS Business Unit (Operations and Business Software), including R&D and sales. Joined Nokia in 1994, and has held several executive level positions in the company, including R&D and sales.

Christian Fredrikson is a member of the Communications Administration Committee of Ministry of Transport and Communications in Finland as well as a member of the Steering Board of the European Cloud Partnership under the European Commission.
Holdings: –

Pirkka Palomäki

Chief Strategy Officer
b. 1970, M.Sc. (Industrial Management)
Main employment history:
Member of the Leadership Team since 2001. Joined F-Secure in 1997 and has previously headed Product Management, Marketing and R&D in F-Secure. Prior to F-Secure worked for Telecom Finland (currently TeliaSonera) in the field of marketing, business development and development management for data communication services.
Holdings: number of shares 53,597

Ari Alakiuttu

Vice President, Human Resources
b. 1967, M.Sc. (Engineering)
Main employment history:
Member of the Leadership Team since 2007. Joined F-Secure in 2000 and served as Vice President, Products & Services and held positions in Product Management, Product Marketing and Channel Development until 2008. Prior to joining F-Secure worked for Tellabs and for Nokia in the fields of product management and product development.
Holdings: number of shares: 41,633

Taneli Virtanen

Chief Financial Officer
b. 1965, M.Sc. (Economics)
Main employment history:
Member of Leadership Team since 2002. Prior to joining F- Secure in 1999, worked for Santasalo-JOT Group as Group Controller.
Holdings: number of shares: 56,633

Pekka Usva

Vice President, Corporate Security
born 1969, Vocational Qualification (Bus.Adm.)
Main employment history:
Member of the Leadership Team since July 2012. Joined F-Secure in 1995 and has served in various positions including Director in Corporate Business Solutions, Director of Product Management and Development in Corporate Business and Director of Solution Management in Corporate Business.
Holdings: –

Samu Konttinen

Executive Vice President, Customer and Market Operations
b. 1973, studies in Haaga-Helia university of Applied Sciences (Bus.Adm.)
Main employment history:
Member of the Leadership Team since 2009. Has previously served as Executive Vice President, Sales and Marketing, Vice President of Sales and Geographical Operations and Vice President of Mobile Business Unit. Prior to that, worked in sales and channel management, including Director of Regional Operations, covering F-Secure operations in +20 countries in EMEA. Before joining F-Secure in 2005 held a Vice President position at Valimo Wireless Ltd 2001–2005.
Main Board Memberships taken: member of the Board in Ixonos Plc.
Holdings: number of shares: 41,633

Jari Still

Vice President, Research & Development Operations
b. 1965, B.Sc.(Information processing sciences)
Main employment history:
Member of the Leadership Team since April 2012. Has worked e.g. as a head of research and development of Mobile Business Unit. Prior to joining F-Secure in 2000, worked as co-founder and Chief Executive Officer in Modera Point Oy and in its subsidiary in San Jose, CA. Has worked for Finnish telecommunication and software companies in product development and management positions. Has also had several Chairman positions in the Oulu area software and business forums.
Holdings: number of shares: 82,698

Maria Nordgren

Vice President, Consumer Security
b. 1964, M.Sc.
Main employment history:
Member of the Leadership Team since 2010. Has previously served as Vice President, Channel Business, Vice President and Corporate Business. Joined F-Secure's International Sales unit in 2005. Has held management positions in Finnish software companies such as DeskArtes which she co-founded and later headed.
Holdings: 20,815

Timo Laaksonen

Vice President, Content Cloud
born 1961, M.Sc. (Economics)
Main employment history:
Member of the Leadership Team since October 2012. Prior to joining F-Secure, worked as Chief Commercial Officer in Tecnotree Corporation. Started his career in enterprise IT sales and marketing management in Nokia Data and Teamware Group (Fujitsu). Then moved on to drive and manage a number of international growth business ventures in the telecom, internet and mobile arena, as Executive VP in Sonera SmartTrust and as CEO of First Hop and Xtract.
Holdings: –

Information for shareholders

The main goal of F-Secure's investor communications is to make available correct, up-to-date information about F-Secure and its operations – impartially and simultaneously to all interest groups. All published investor information including annual reports, interim reports, as well as stock exchange and press releases are available on the Group's website www.f-secure.com > About F-Secure > Investors. All investor information is published in English and in Finnish. Subscriptions for the emailing list for stock exchange releases can be made by sending your contact details to investor-relations@f-secure.com.

F-Secure publishes a financial statement bulletin and three interim reports during 2013, and arranges news conferences for media and analysts at the time of publishing the quarterly reports. F-Secure observes a three-week silent period before the publishing of each quarterly report. During this time, F-Secure does arranges neither meetings nor phone conferences with investors or analysts.

Annual General Meeting

The Annual General Meeting of F-Secure Corporation is scheduled to be held on Wednesday, April 3, 2013 at 3.30 p.m. (Finnish time) at F-Secure Corporation, Tammasaarenkatu 7, 00180 Helsinki. More information on how to attend as well as the documents for the meeting are available on the Group's webpage www.f-secure.com > About F-Secure > Investors.

Financial calendar for 2013

Financial Statements Bulletin	February 1
Annual Report	Latest week 11 in March
Q1 Interim Report	April 26
Q2 Interim Report	July 26
Q3 Interim Report	October 25

F-Secure share facts

Listing since (1999)	NASDAQ OMX Helsinki Ltd.
Trading symbol	FSC1V
Number of shares	158,798,739

IR Contacts

For any inquiries on F-Secure as an investment target, please contact:
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