



## **F-Secure Corporation - Interim report Q4 2010** **(Unaudited)**

February 2, 2011

Kimmo Alkio, President & CEO

## Q4 highlights – strong finish for 2010!

---

- Major achievements in winning new Operators; portfolio of Security and Storage services very competitive globally
- Good revenue performance in the quarter; storage already contributing
- North America business taking major steps forward; AT&T agreement (storage services) and Frontier (security and storage)
- Reorganization of operations completed in November, new organization in place as of Jan.1
- Exciting future outlook; revenue growth accelerating in 2011

## 2010 summary

---

- Traditional Security as a Service -business healthy with accelerating growth in 2H
- Major investments put in place for storage services; scalability to meet global demand
- Product of the Year for Internet Security 2011
- Service offering attractive with combined security and storage portfolio; new deals, bundles, cross selling
- Operator partner network stronger than ever



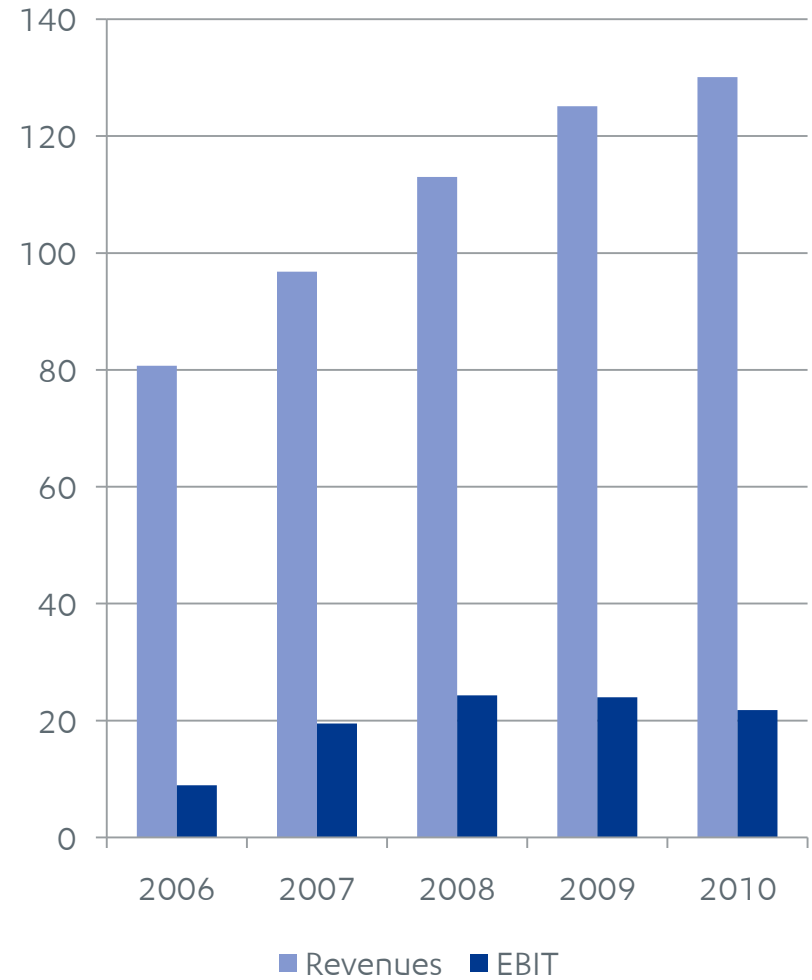
# Financial performance



# 2010 summary - financials

## Solid performance

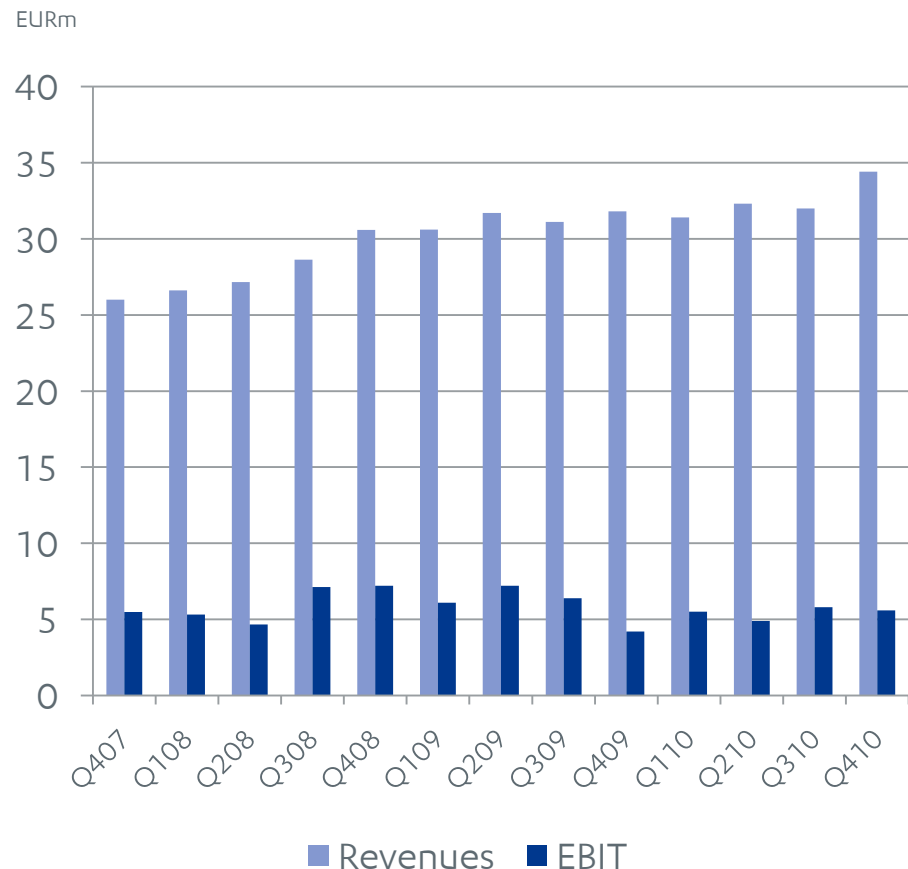
- Annual revenue growth of 4% to 130.1 million (2009: 125.1m)
- Operator business with healthy growth; revenues 67.1m; +12% YoY (2009: 60.2m)
- EBIT of 21.8m excl. restructuring costs, 17% of revenues (2009: 24m, 19%)
- EBIT 19.8m; 15% of revenues
- EPS EUR 0.10 (2009: EUR 0.12)
- Solid cash flow from operations 23.1m positive (2009: 16.4m)



*EBIT 2010 excluding restructuring costs*

# Q4 Revenue and EBIT

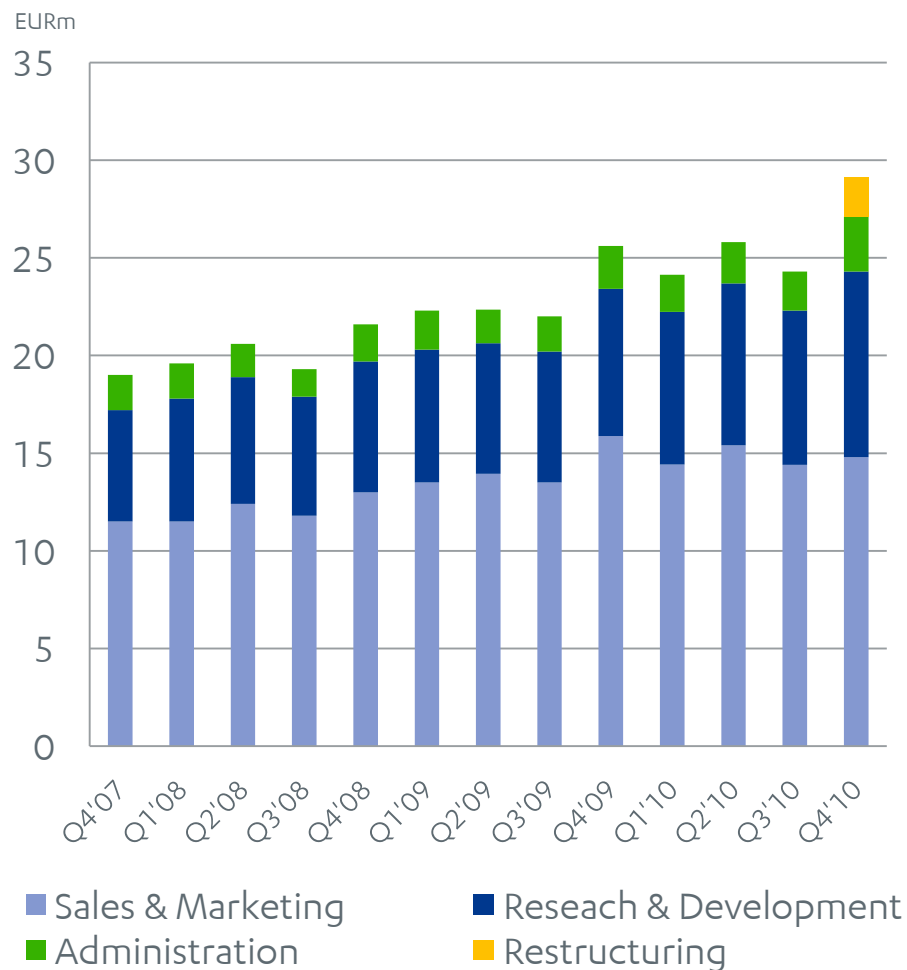
- Revenue growth accelerated driven by operator channel
  - Total quarterly revenues 34.4m; growth of 8% (Q409: 31.8m)
  - Operator revenues (incl. Storage and Digital Content business) 18.4m, growth of 15% (15.9m)
  - Other channels 16.0m, growth of 1% (15.9m)
- Profitability improved
  - EBIT 5.6m excluding organizational change costs, 16% of revenues; EBIT EUR 3.6m including restructuring costs, 10% of revenues (Q409: 4.1m, 13%)
  - EPS EUR 0.02 (EUR 0.02)
  - Cash flow from operations 7.2m positive (4.6m)



*EBIT 2010 excluding restructuring costs*

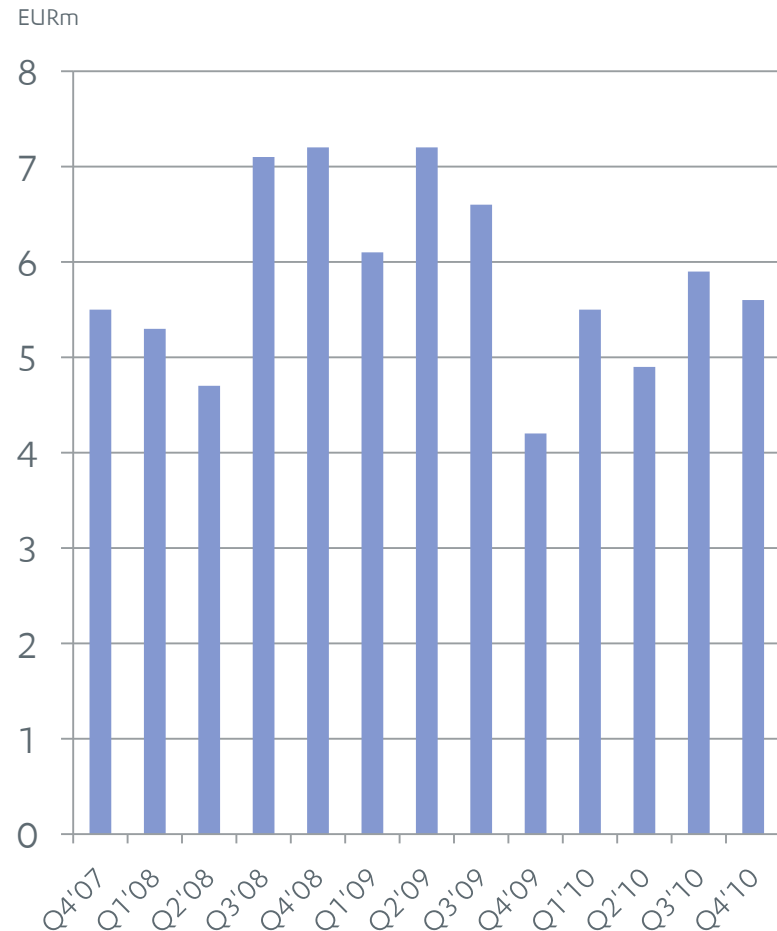
# Q4 Costs

- Costs 29.1m incl. restructuring costs of 2m
  - Restructuring completed in Q4
  - Investments in the storage and digital content business continued
  - Capitalization of research & development costs; during 2010 impact ~-2.3m (1.7m)
- Focus on storage services and portfolio development



# Q4 Operating profit

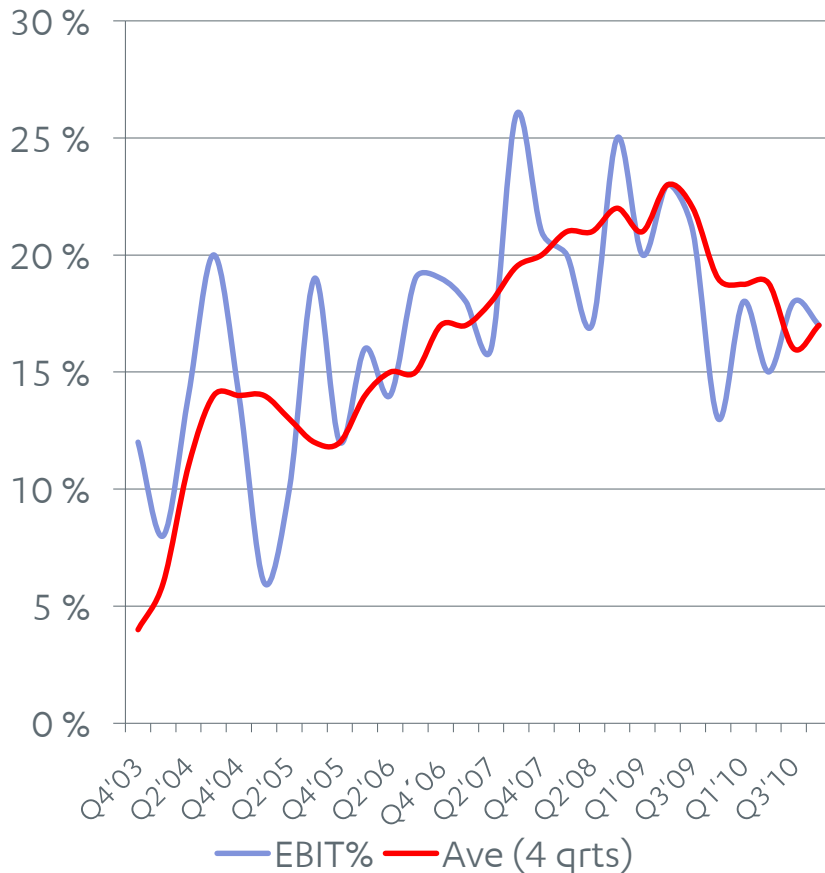
- Operating profit level at a good level
  - EBIT 3.6m including restructuring costs, 10 % of revenues; EBIT 5.6m excluding restructuring costs, 16% of revenues (Q409: 4.1m, 13%).
- Equity ratio:
  - Dec. 30, 2010 69%
  - Sep. 30, 2010 71%
  - Dec. 31, 2009 70%



EBIT Q410 excluding restructuring costs



# Development of EBIT margin

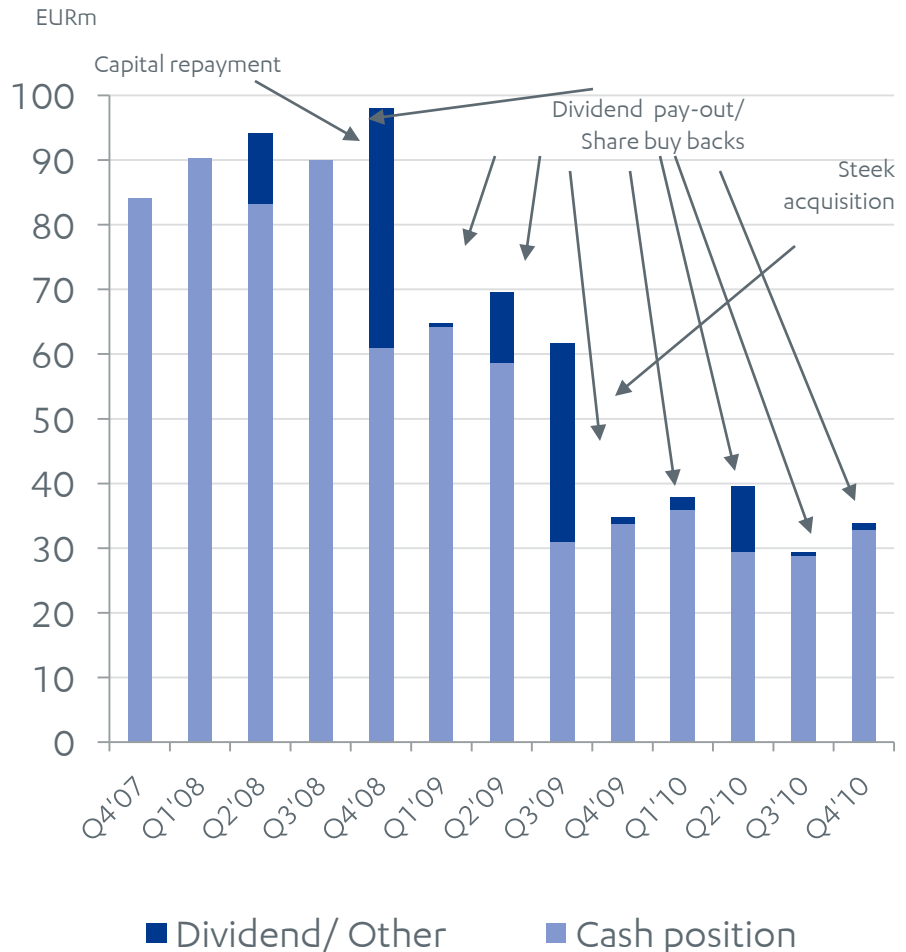


- Prioritising growth over short term profitability, currently investing in Storage business
- Seeking to improve profitability longer term towards 25% EBIT level

*The graph shows the EBIT excluding the non-recurring impairment loss of Network Control in 4Q06 and the gain from the sale of Network control technology in 4Q08 . EBIT Q4 10 excluding restructuring costs.*

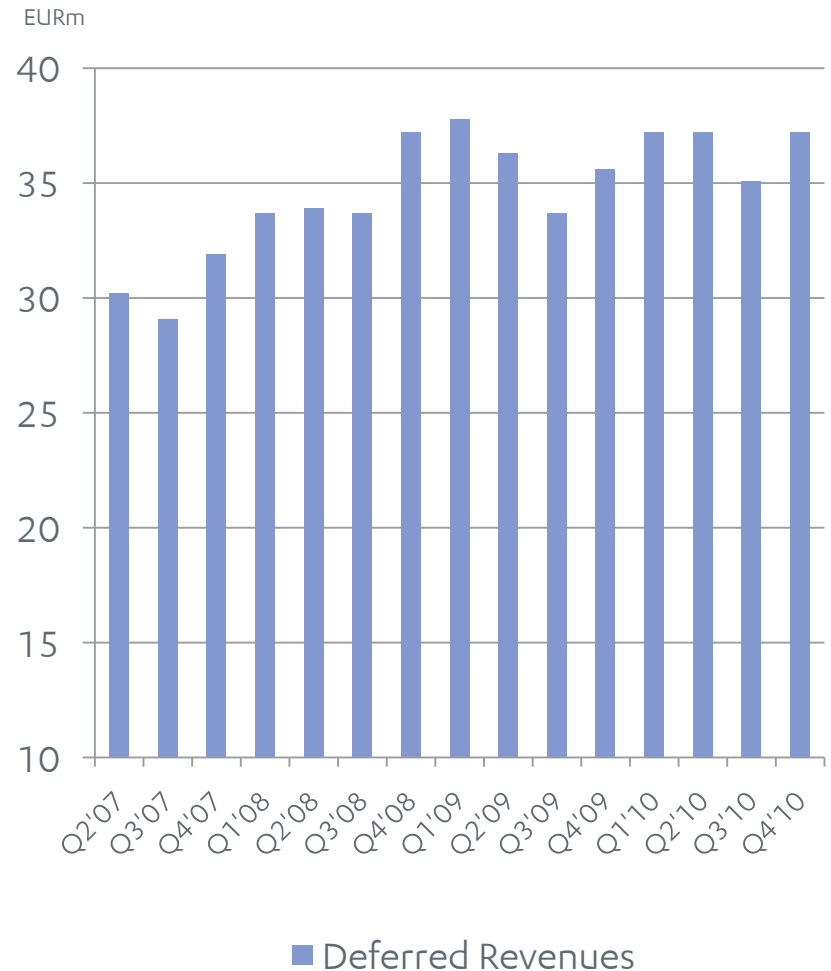
# Q4 Cash position

- Q4 cash flow from operations 7.2m positive (Q409: 4.6m)
- Annual cash flow from operations 23.1m positive (2009: 16.4m); total change of cash 1.5 m negative
- Share buy backs continued during Q4; ~0.5m shares /EUR 1m ; totally 3.3m shares at hand
- Cash position remained at a good level
  - Market value of liquid assets on
    - Dec.30, 2010: 32.8m
    - Sep.30, 2010: 28.8m
    - Dec. 31, 2009: 33.7m
- Cash position has developed according to the longer term efficient capital management objectives



# Q4 Deferred Revenues

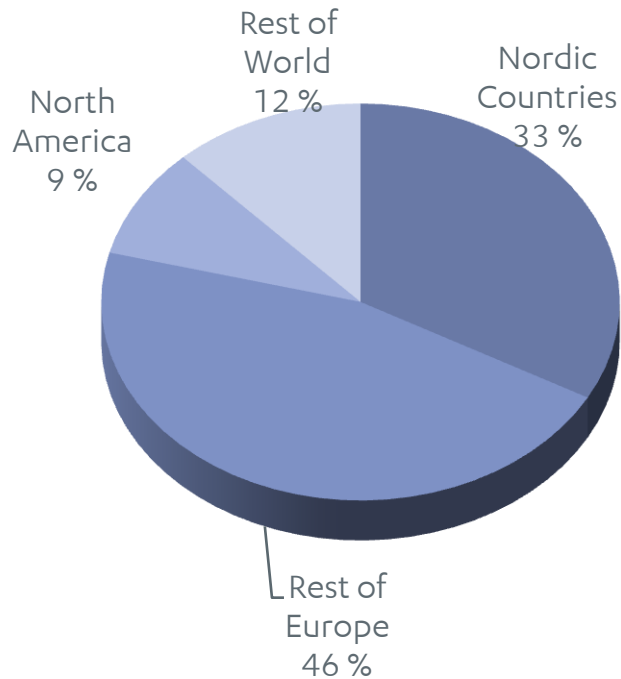
- Deferred revenues were at 37.2m (35.6m) at year-end due to healthy renewal license sales in channel business
- Deferred revenues accrued in the balance sheet
  - Dec.31, 2010 37.2m
  - Sep.30, 2010 35.1m
  - Dec. 31, 2009 35.6m



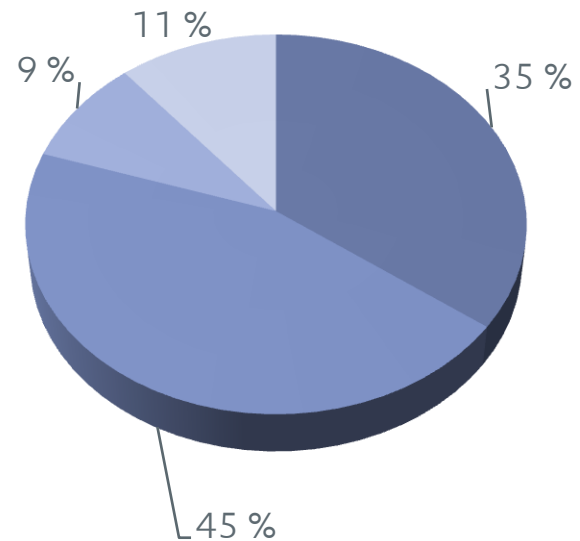
# 2010 Regional Revenue Split

---

1-12/2010

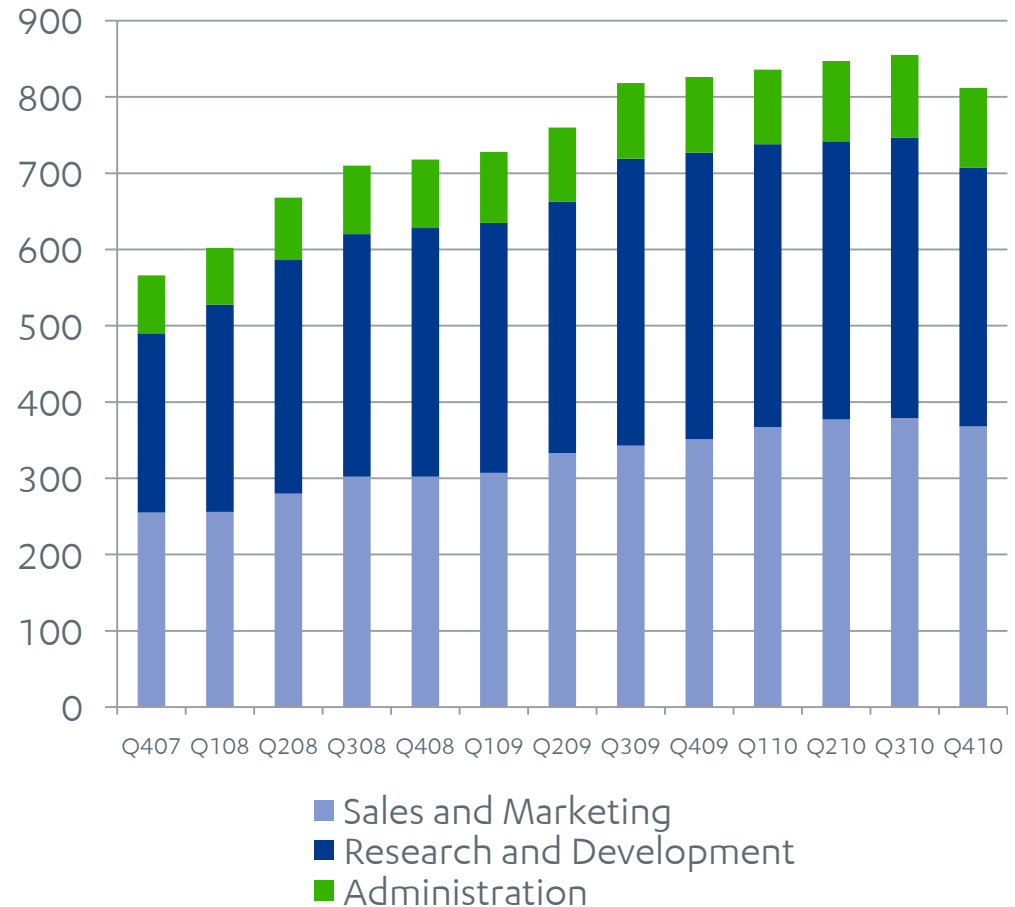


1-12/2009



# Number of personnel

- At the end of Q4: 812  
(Q310: 855; Q409: 826)
- Reorganizing of operations started in October; was concluded in November
  - # of employees were reduced by 59
  - New organizational structure in force as of January 1
- During Q4 new recruitments; mainly in the storage business, support and sales





**Operator business:**  
**Strong global partner network**

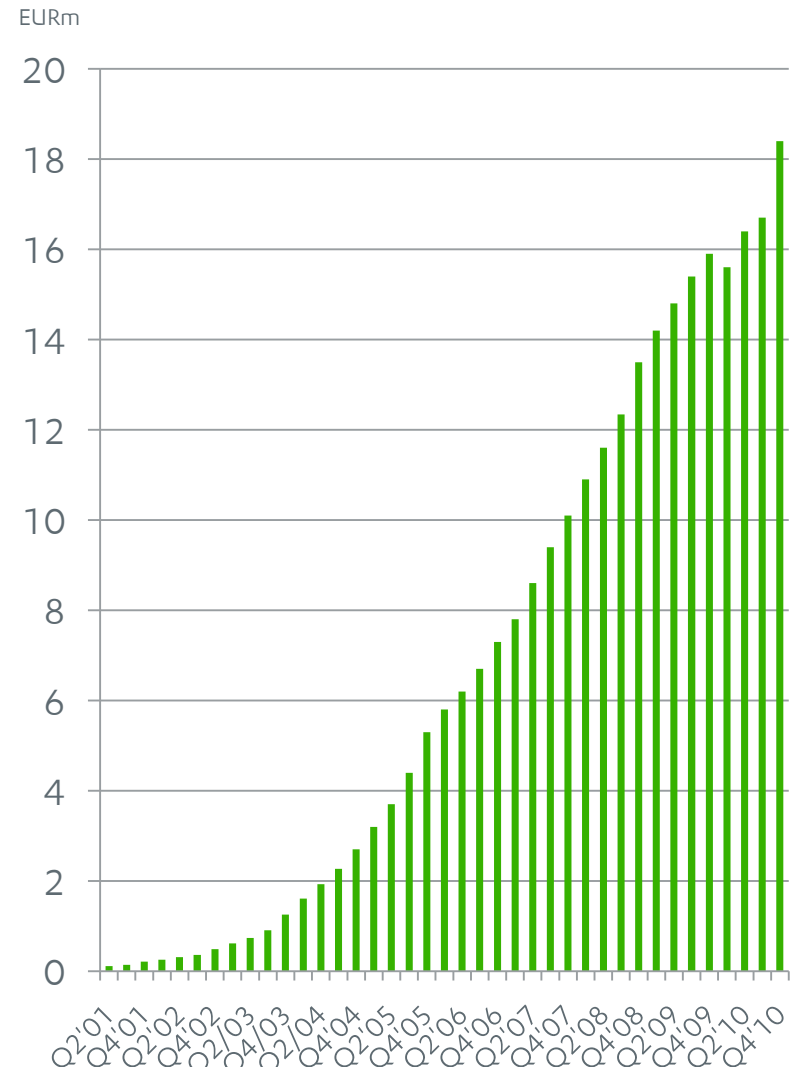


# Q4 Operator business

- Q410 revenues of 18.4m (15.9m)
  - Growth of +15% YoY <sup>1)</sup>; +10% QoQ
  - Healthy security subscriber growth continued; increase in take up rates
  - AT&T project revenues as of Q4
- Increasing number of existing Operators launching combined Security and Storage services as bundles
- Attractive competitive position going into 2011

<sup>1)</sup> Note the impact of contractual changes at the beginning of the year is about 6% on YoY growth

*Operator business includes internet service providers, mobile operators and cable operators*



# Recent major wins

---



- Strengthening market position in North America with AT&T for storage services and with Frontier for security and storage services
- Other major wins with Fastweb (Italy), Starhub (Singapore) and Celcom (Malaysia)
- More than 200 partners in over 40 countries with an addressable market of over 100 million broadband consumer customers

# Over 200 operator partners globally





# Products and Services

Products and services



# Awards highlight

---

- F-Secure Internet Security 2011, won “**Product of the Year**” award issued by AV-Comparatives<sup>1)</sup>
- F-Secure Internet Security and F-Secure Anti-Virus was awarded seven out of seven of the highest possible Advanced+ scores in its various tests carried out during this year for protection and performance.



*1) AV Comparatives is one of the major independent testing organizations in the industry.*

# F-Secure Internet Security 2011

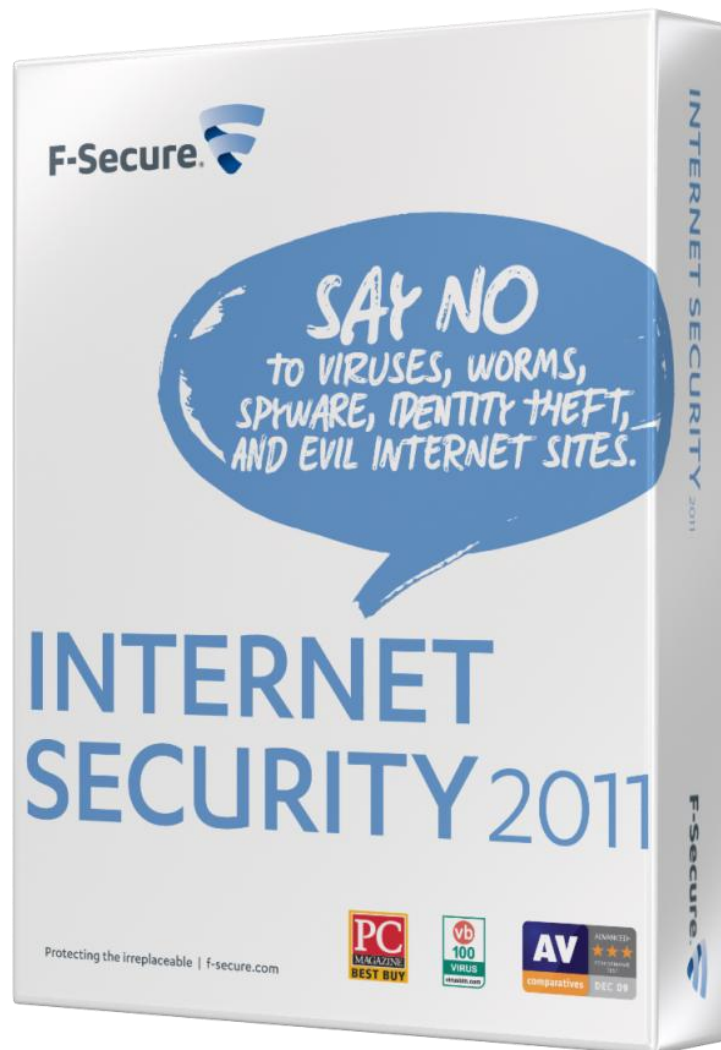
## THIS IS WHAT YOU GET

La solution comprend :

Funzionalità a tua disposizione:

-  Total protection against viruses and spyware  
Protection totale contre les virus et les logiciels espions (spyware)  
Protezione totale contro i virus e gli spyware
-  A Firewall to prevent hacker attacks  
Pare-feu (firewall) de protection contre les attaques de pirates  
Firewall che previene gli attacchi degli hacker
-  Browsing protection that identifies unsafe websites  
Protection de la navigation identifiant les sites Web dangereux  
Protezione browsing che identifica i siti pericolosi
-  Protection against identity theft  
Protection contre les usurpations d'identité  
Protezione contro il furto di identità online
-  Blocking of spam and phishing emails  
Blocage des messages indésirables (spam) et de hameçonnage (phishing)  
Blocco per lo spam e l'email phishing
-  Parental control, this protects your children online  
Protection des enfants en ligne par contrôle parental  
Parental Control per proteggere i tuoi figli online

*MADE IN FINLAND - POSSIBLY THE MOST TRUSTWORTHY COUNTRY IN THE WORLD*





# F-Secure Online Backup

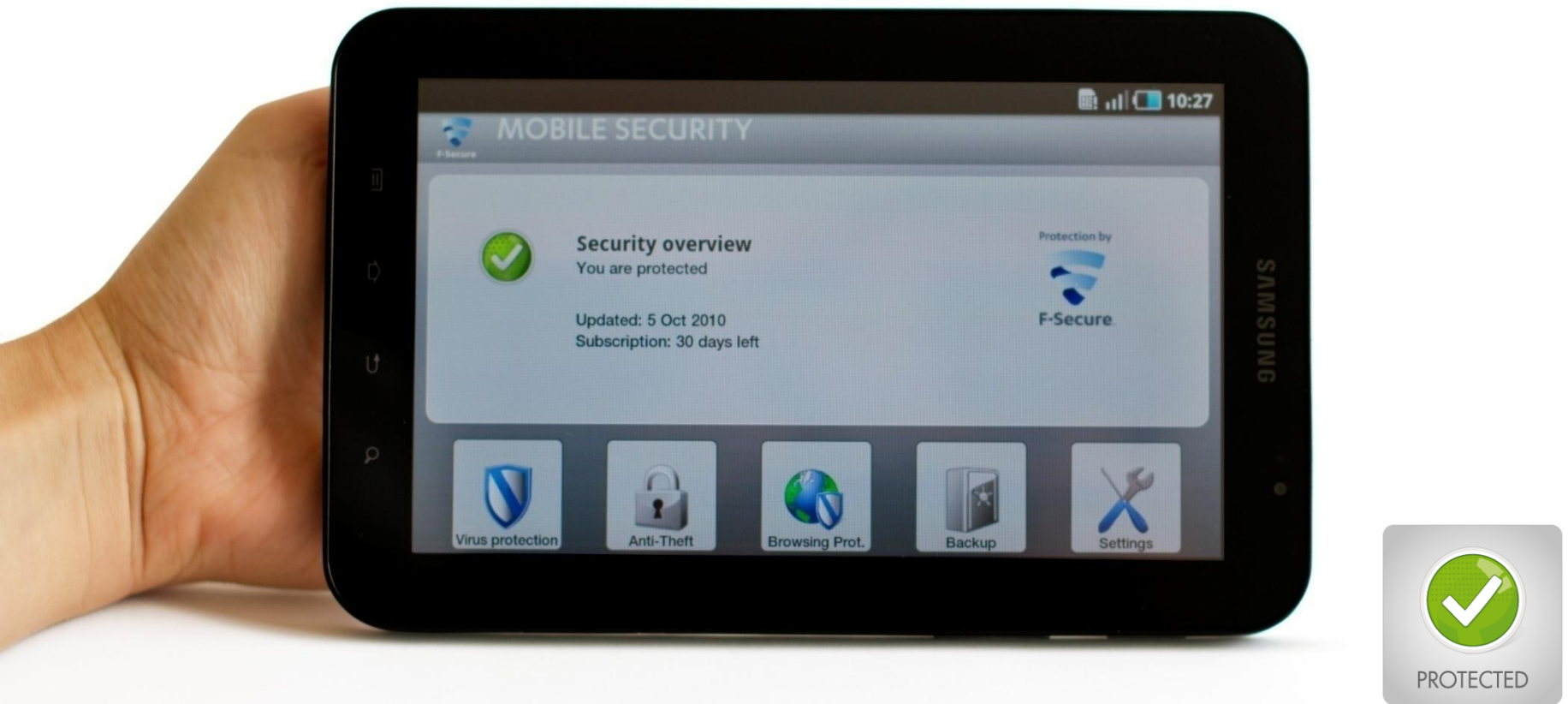
F-Secure Online Backup provides an easy-to-use, fully automated and Internet based backup and restore solution with built-in security to ensure the confidentiality of your files. With the intuitive web portal you can access and share your pictures and other digital content easily over the Internet.



F-Secure

# PROTECTION SERVICE FOR MOBILE

**Already ready** for next generation mobile devices, like **Samsung Galaxy Tab**



Mobile Security/PSM 6 already works on Samsung Galaxy Tab





# Outlook

# Market overview

---

- **The growth of Internet users grew by 200m close to 2b in one year**
  - Global Internet penetration is still globally below 30%; in Asia it is slightly over 20%, in Europe close 60%, and in North America close to 80% (Source: Internet World Stats, U.S. Census Bureau, Jun. 2010)
- **The Security software market as a total is attractive globally.**
  - The global security software revenue worldwide estimate for 2010 is \$16.5bn, reflecting a 10% annual growth rate for 2010. Consumer security software growth is expected to show CAGR of 6.5% 2007-2014 (Source: Gartner Jul. 2010).
- **The demand for Value Added Services, like Internet security, storage services, is driven by the expansion of the Internet users and IP connected devices.**

**Operators drive Internet expansion.**  
**Long-term market opportunities are**  
**attractive for F-Secure.**

# Key strategic objectives

---

- **F-Secure's first priority is to drive growth and market expansion with Software as a Service business model**
  - Focus on increasing the penetration within the current operator base and selective geographical expansion
  - Penetration rates vary by operator; overall penetration levels are relatively low and leave substantial opportunity for growth.
- **F-Secure's target is to be the best partner for operators in providing value added services to consumers**
  - F-Secure pursues investments in new value added services for both PC and mobile users to augment the existing security and storage services.
- **F-Secure continues to create new innovative offerings to augment traditional security services**
  - Based on the company's strong technology assets in security, cloud computing and in storage area and based on its pioneering role in offering Software as a Service.



# Long term objectives

---

## Growth

- First priority to drive growth and market expansion
- Increasing the penetration rates within existing operator customer base
- Geographic expansion
- New value added services augmenting security

## Software as a Service

- Accelerating the adoption of Security as a Service business model
- Demand for Storage related services accelerating
- Deploy combined Security and Storage services for higher take-up rates and higher ARPU
- Expansion possibility also through M&A

## Financial position and efficiency

- Aim to exceed average market growth rate in revenues
- Continue to develop scalable business models to drive towards 25% profitability
- Investments targeted in strategic growth businesses, specifically to the operator channel

# Outlook for 2011

---

- The market opportunity for 2011 looks attractive.
- The growth is driven by Software as a Service business; security sales, storage related project deliveries and storage service sales.
- The management estimates annual revenue growth to accelerate to around 10%.
- Annual profitability is expected to improve from 2010 level at a comparable pace to revenue growth (compared to 2010 EBIT excl. re-structuring).
- Revenue growth is expected to accelerate and profitability to improve after the first quarter.

<sup>1</sup>The estimates are based on the sales pipeline at the time of publishing, existing subscriptions, support contracts and exchange rates previous experience

---

# Thank you!

## Forward-looking statements:

Certain statements in this presentation are forward-looking, and the actual outcome could be materially different. Such forward-looking statements are based on F-Secure's present plans, estimates, assumptions, projections and expectations and are subject to risks and uncertainties. In addition to the factors explicitly discussed, other could have a material effect on the actual outcome. Such factors include, but are not limited to, general economic and political conditions, fluctuations in exchange rates, interest rates, outcome of external research studies, technological issues, interruptions of business, products, actions of courts, regulators, government agencies, competitors, customers, suppliers, employees and all other parties.

Protecting  
the  
irreplaceable