



Samu Konttinen, CEO

Interim Results Q3/2016

3 November, 2016

STRONG ORDER INTAKE IN CORPORATE SECURITY

AGENDA

- Highlights from Q3
- Market update
- Business update
- Outlook
- Financials

KEY TAKEAWAYS FROM Q3

- ✓ Corporate security continued to show good growth, outpacing the market
- ✓ Consumer security business in slight growth in a flat market

FINANCIAL HIGHLIGHTS

July-September (Q3)

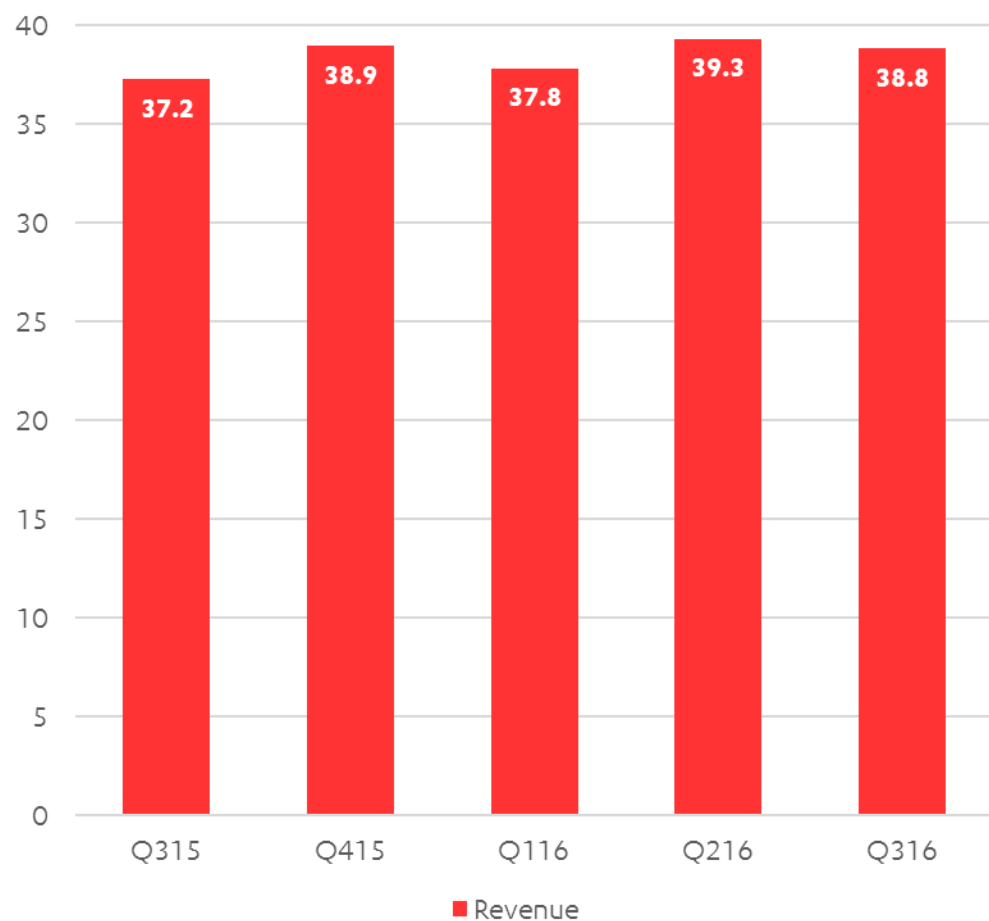
- **Total revenue increased by 4% to EUR 38.8 million (37.2m);**
 - corporate security increased by 10% to EUR 15.1 million (13.7m)
 - consumer security increased by 1% to EUR 23.7 million (23.6m)
- **Deferred revenue in robust growth (+16%) driven primarily by growth in sales of corporate security products and services**
- **EBIT was EUR 4.5 million, 12% of revenue (6.0m; 16%);** reflects high investment in corporate security
- **Cash flow from operations was EUR 6.8 million (5.7m)**

January-September (Q1–Q3)

- **Total revenue increased by 7% to EUR 115.9 million (108.7m);**
 - corporate security increased by 21% to EUR 45.1 million (37.4m)
 - consumer security decreased by -1% to EUR 70.8 million (71.3m)
- **EBIT was EUR 12.3 million, 11% of revenue (15.0m; 14%);** reflects high investment in corporate security
- **Cash flow from operations was EUR 12.3 million (14.6m)**

Revenue

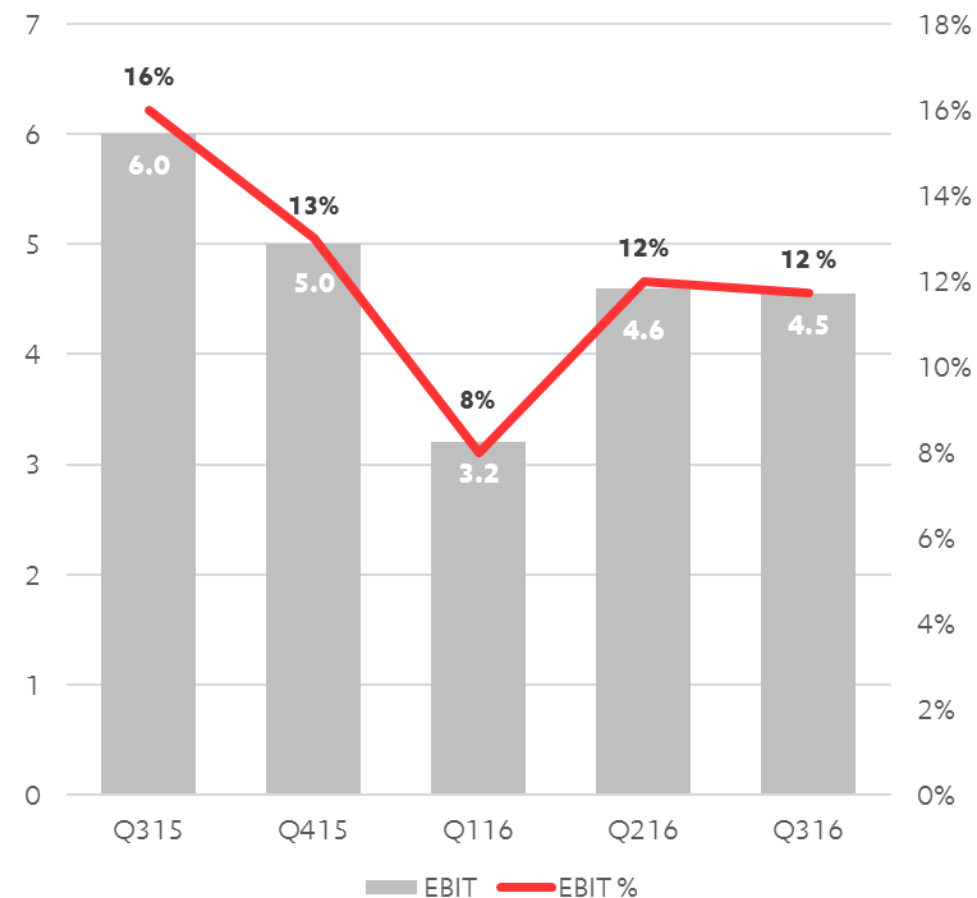
EUR million



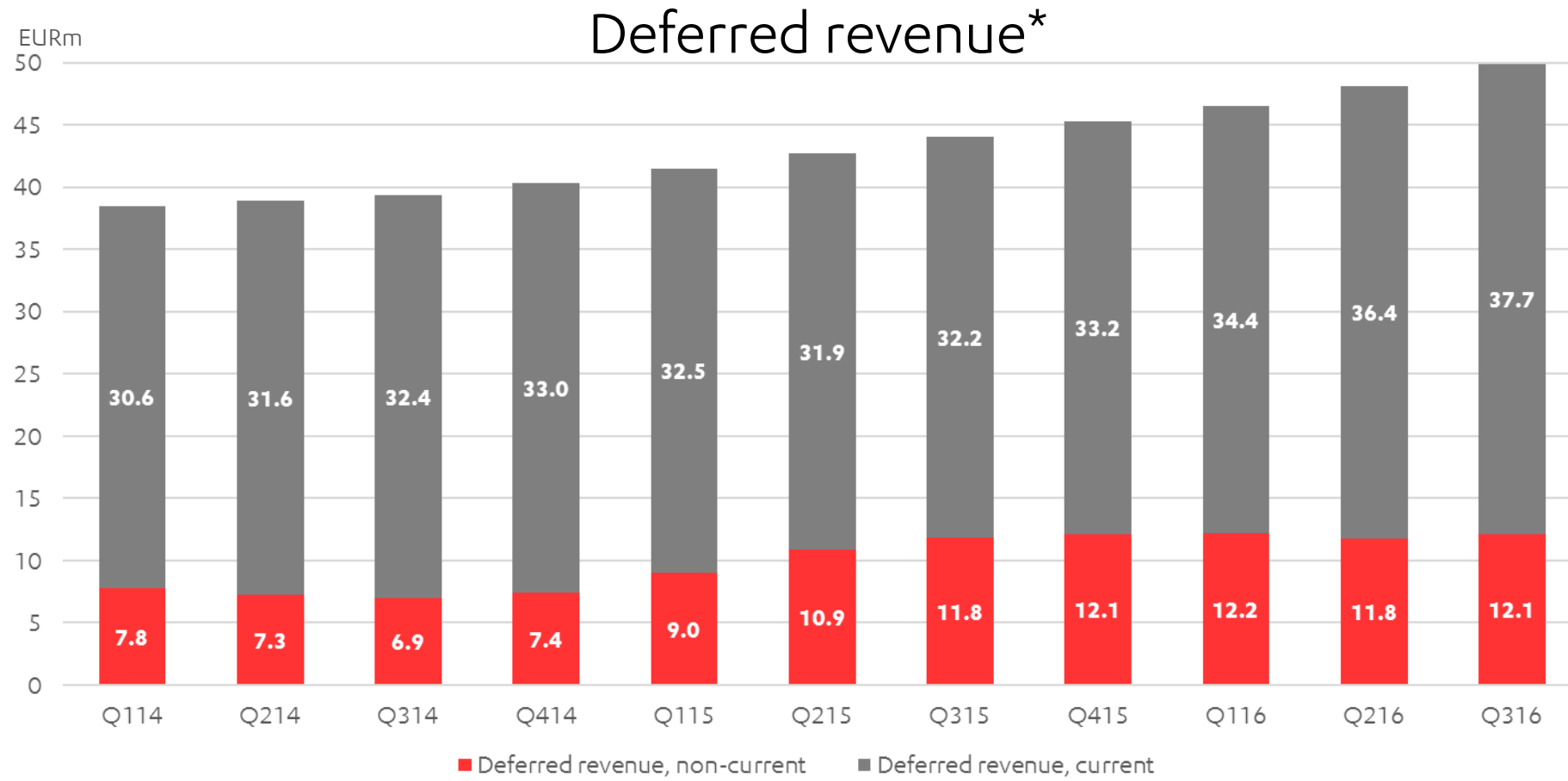
EBIT

EUR million

% of revenue



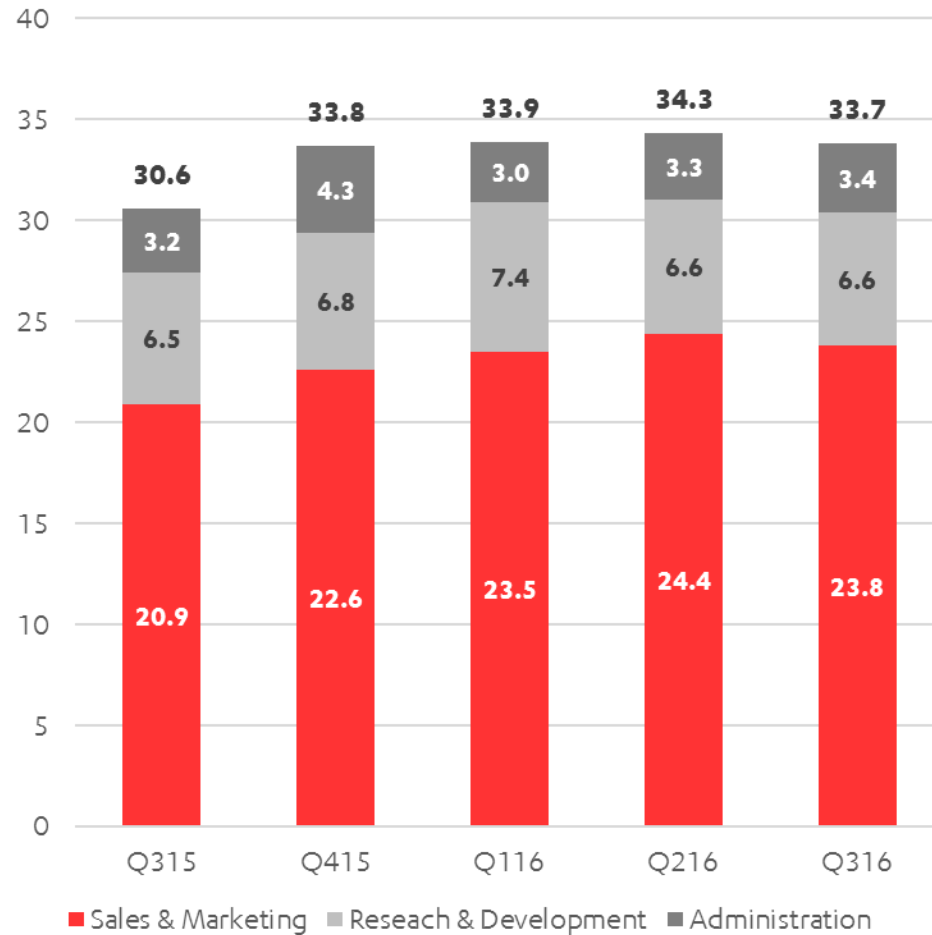
DEFERRED REVENUE IN ROBUST GROWTH



*figure shows 4-qtr rolling average deferred revenue

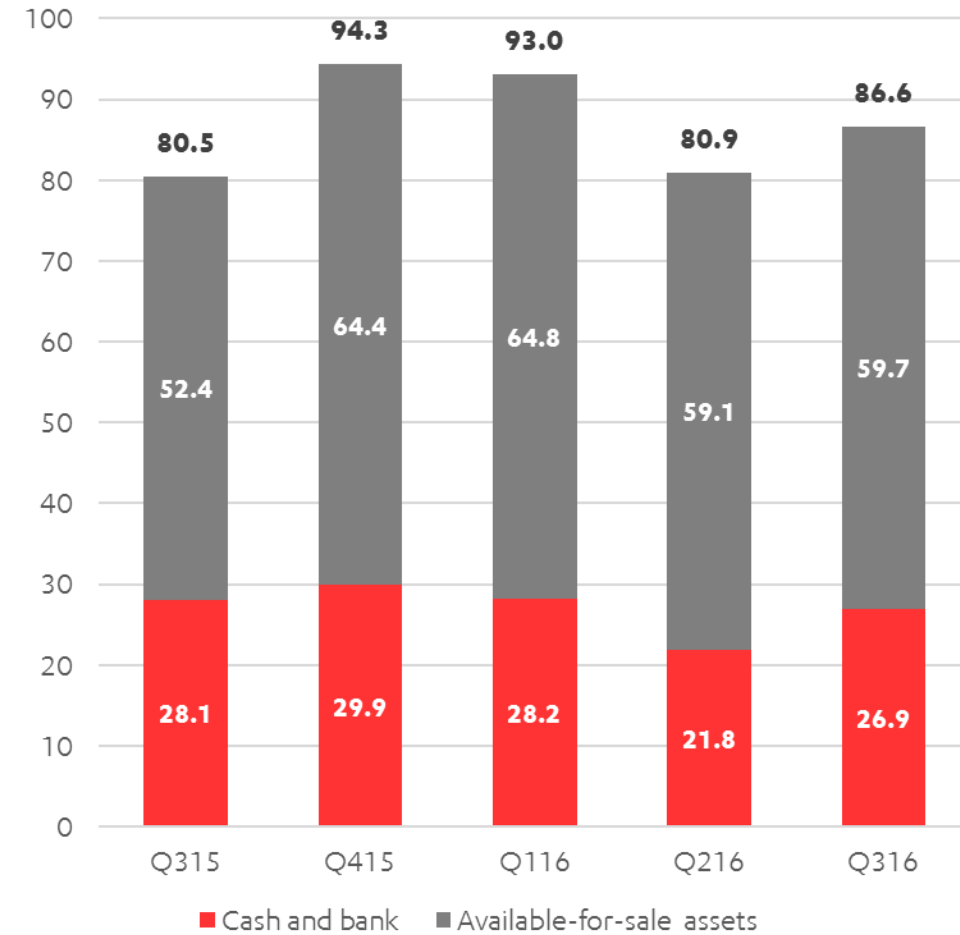
Fixed costs

EUR million

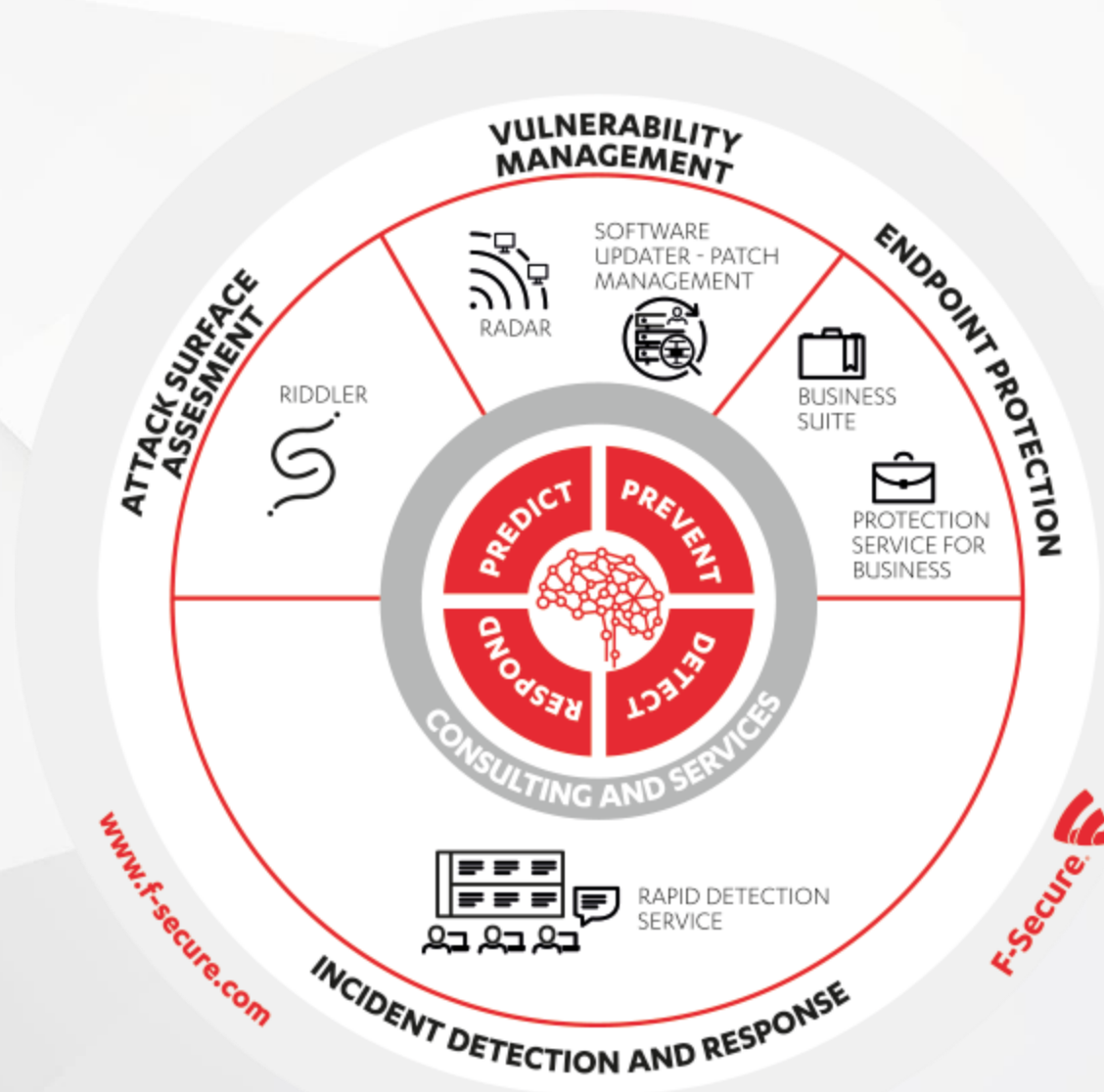


Cash and available-for-sale assets

EUR million



COMPREHENSIVE CYBER SECURITY OFFERING



CORPORATE SECURITY SHOWS ABOVE MARKET GROWTH

- **Endpoint security product revenue continues in good, above market growth**

- Especially strong growth in Finland, Japan and Germany
- Number of active resellers increased by 14% to nearly 4,000
- New sales resources across Europe, new teams established in Austria and Turkey

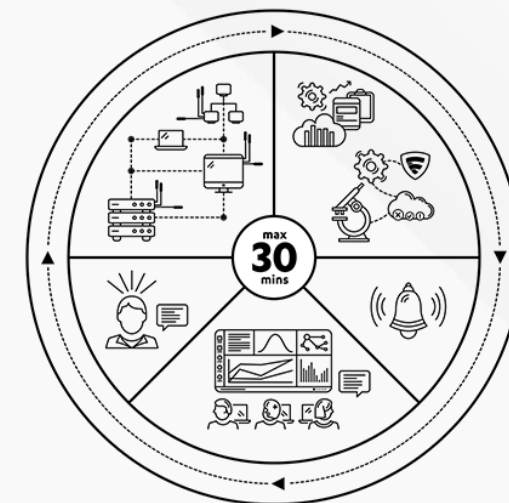


- **Managed security services in increasing demand**

- Increasing demand for F-Secure Radar (vulnerability management) and Rapid Detection Service (detection and response)
- New partners being sought to scale the business
- RDS sales pipeline growing rapidly

- **Cyber security consulting in strong, double-digit growth**

- Increasing demand especially from breached companies
- Global aviation sector becoming a significant new contributor to services sales growth



DIRECT SALES DRIVE GROWTH IN CONSUMER SECURITY

- **Revenue from operator channel remained at previous year's levels**
 - Continued focus on increasing cross and upselling portfolio
 - New tools introduced for partners to improve customer journey
 - Outlook remains stable
- **Direct online and retailer sales in above market growth**
 - Sales growth significantly outpacing the market
 - Online sales of Freedom continue to drive growth, with increasing renewals
 - SAFE sales also increased
- **F-Secure started selling SAFE and Freedom as a commercial bundle**
 - Initially sold through the online channels and retailers



TOTAL SECURITY AND PRIVACY

Internet security and VPN for all devices



Starting from
EUR 79.99 / year
for 3 devices

CUSTOMER BENEFITS

- Total security and privacy with one easy subscription: includes F-Secure SAFE and F-Secure Freedom

PARTNER BENEFITS

- Supports the combined marketing of security and privacy

F-SECURE BENEFITS

- Increased average revenue per customer

OUTLOOK FOR 2016 IS UNCHANGED



REVENUE

F-Secure anticipates its revenue to grow in 2016 compared to the year before (2015: EUR 148 million)

PROFITABILITY

EBIT for continuing operations is estimated to be EUR 17–21 million (2015: EUR 20 million)

Description

- Revenue growth is expected to continue especially in the Company's cyber security services, corporate security products (in particular Protection Service for Business) sold through the reseller channel, and direct-to-consumer sales of F-Secure's multi-device security offering SAFE and the privacy product Freedome. Sales through the operator channel are expected to remain largely flat.
- Revenue from new products is difficult to estimate and may remain low. The cost impact relating to the development and launch of new products has been taken into account in the Company's profitability guidance.
- The guided EBIT figure is not directly comparable to the EBIT(non-IFRS) guidance given in 2015
- The Company prioritizes growth over short-term profitability



FINANCIALS

Q3 / 2016





This interim report is unaudited and prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2015.

As of the first quarter of 2015, the personal cloud business is reported as discontinued operations. Consequently, comparison figures related to the statement of comprehensive income have been restated. All figures in the following tables are EUR million unless otherwise stated. All figures are for continuing operations, except cash flow.

REVENUE

July–September

- Revenue increased by 4% y-o-y
- Total quarterly revenue 38.8m (Q315: 37.2m)

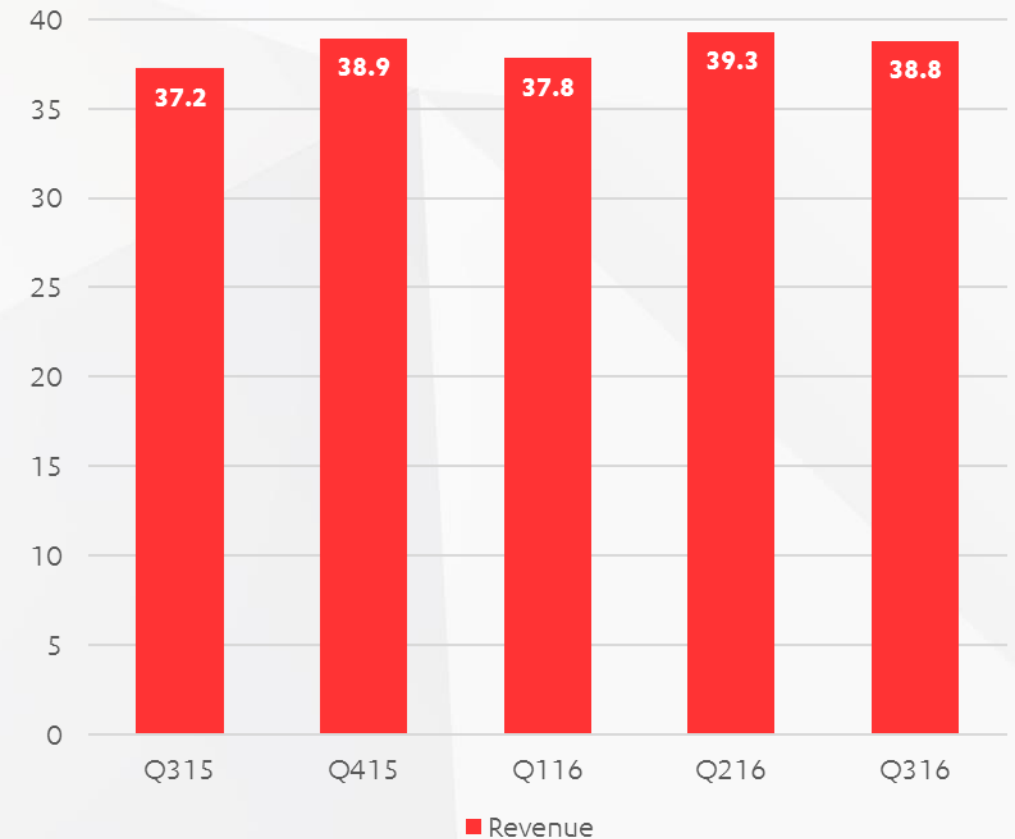
January–September

- Revenue increased by 7% y-o-y
- For the period overall revenue grew by 7% y-o-y, totalling EUR 115.9 million (108.7m)
- Organic revenue grew by 5% y-o-y

Note: due to nSense having already been included in the Q3 2015 comparison figures, all growth in Q3 2016 was organic

EURm

Revenue



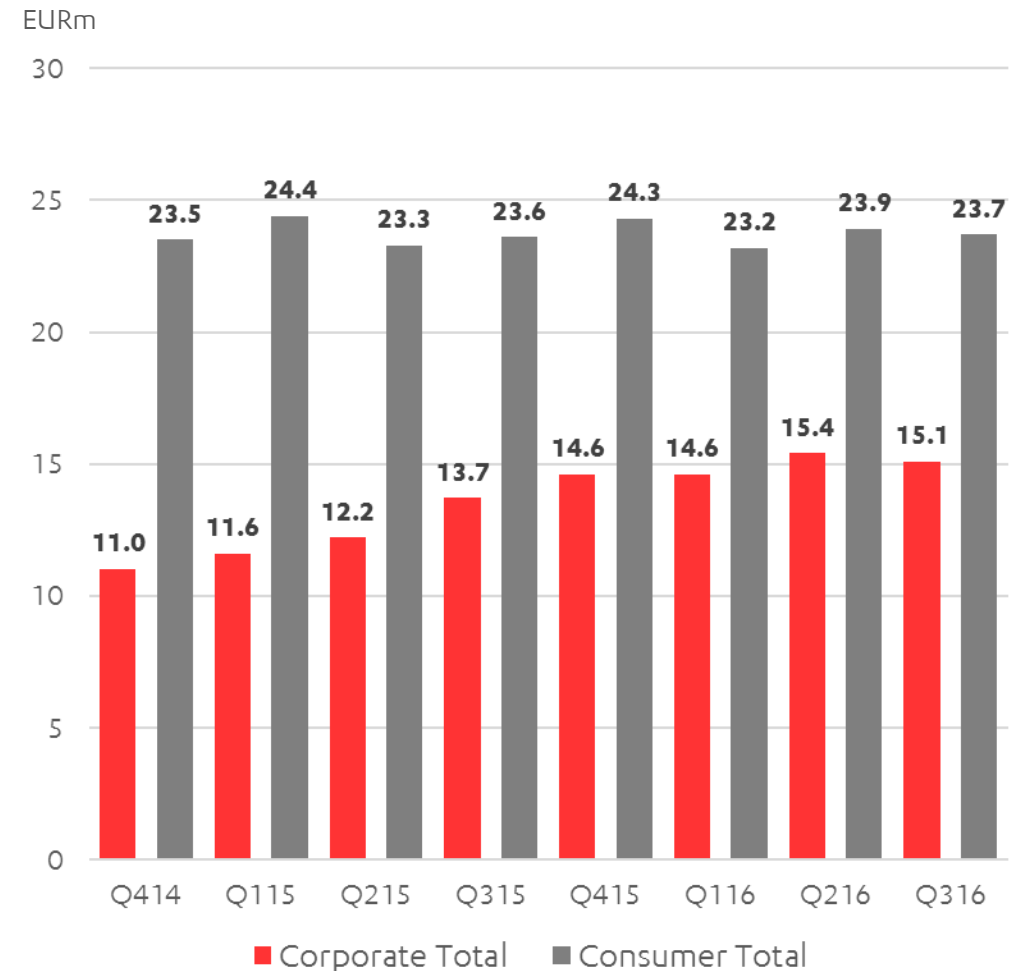
REVENUE SPLIT

July–September

- Revenue from corporate security increased by 10% totalling EUR 15.1 million (13.7m)
- Revenue from consumer security increased by 1% and was EUR 23.7 million (23.6m)
- Corporate and consumer security represented 39% (37%) and 61% (63%) of total revenue respectively

January–September

- Revenue from corporate security increased by 21% totalling EUR 45.1 million (37.4m)
- Revenue from consumer security decreased by 1% and amounted to EUR 70.8 million (71.3m)
- Corporate and consumer security represented 39% (34%) and 61% (66%) of total revenue respectively



PROFITABILITY

July–September

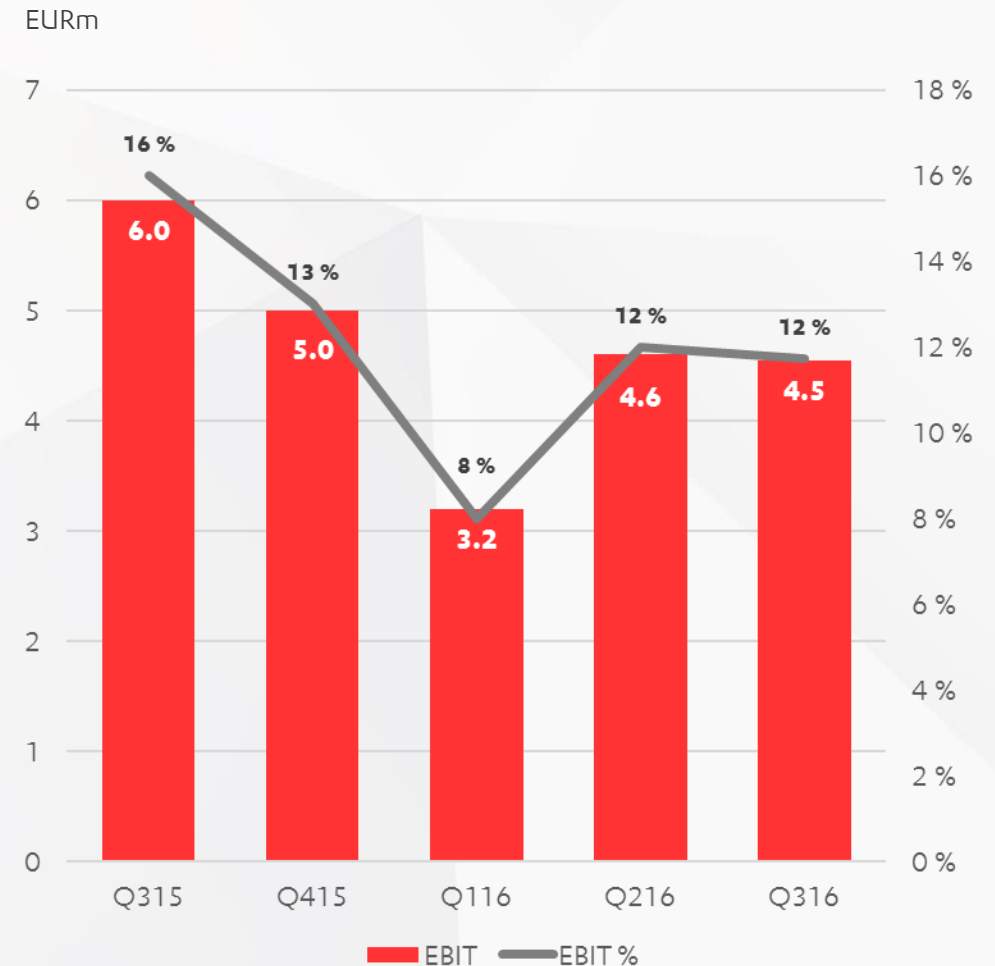
Operating profit

- EBIT 4.5m, 12% of revenues (Q315: 6.0m, 16%)
- Earnings per share (EPS) for continuing operations EUR 0.02 (EUR 0.03)
- EPS EUR 0.02 (EUR 0.02)

January–September

Operating profit

- EBIT including the nSense acquisition-related costs (earn-out and deferred payment) was EUR 12.3 million, representing 11% (15.0m, 14%) of revenue
- EPS for continuing operations EUR 0.06 (0.08)
- EPS EUR 0.06 (0.14) for the Group including discontinued operations



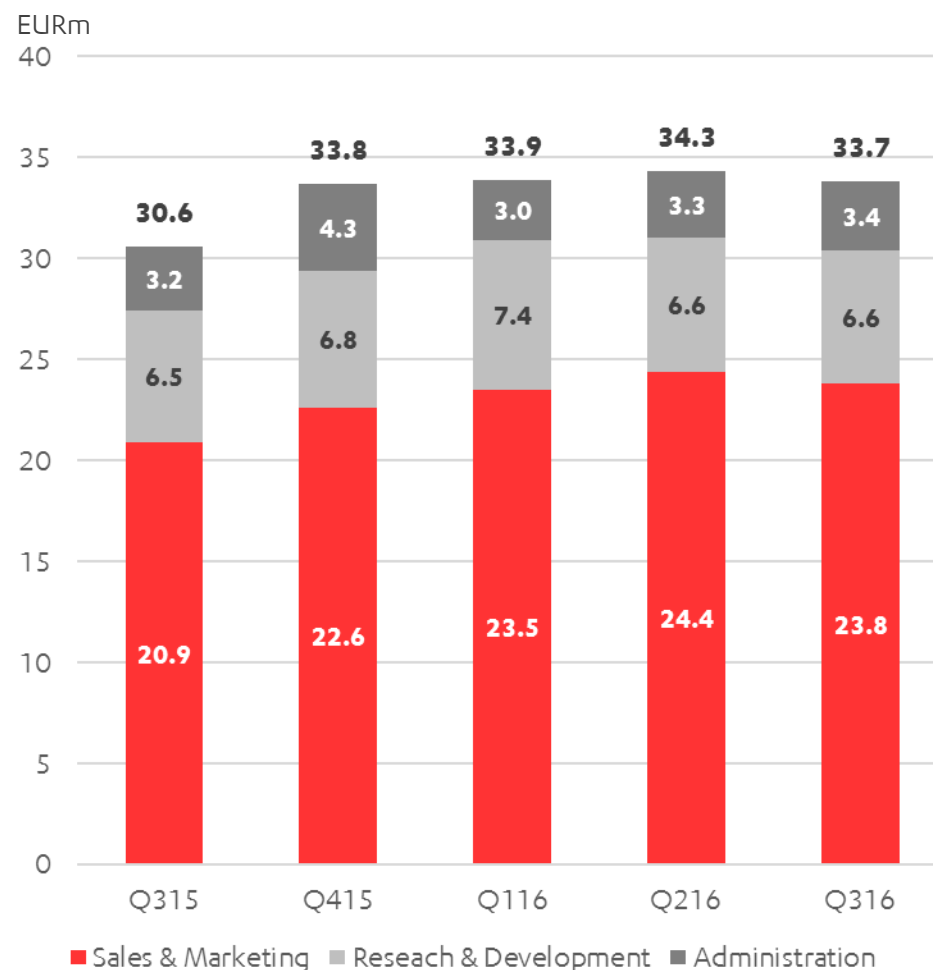
FIXED COSTS

July-September fixed costs 33.7m (Q315: 30.6m), +10% y-o-y

- The increase was largely driven by costs incurred as a result of corporate and cyber security recruitments and long-term incentive plan accruals reflecting the increase in F-Secure's share price during July-September
- Depreciation and amortization decreased to 1.3m (Q315: 1.5m)
- Capitalized R&D expenses were 0.7m (Q315: 0.5m)

January-September fixed costs increased 11% to EUR 101.9 million (92.2 m)

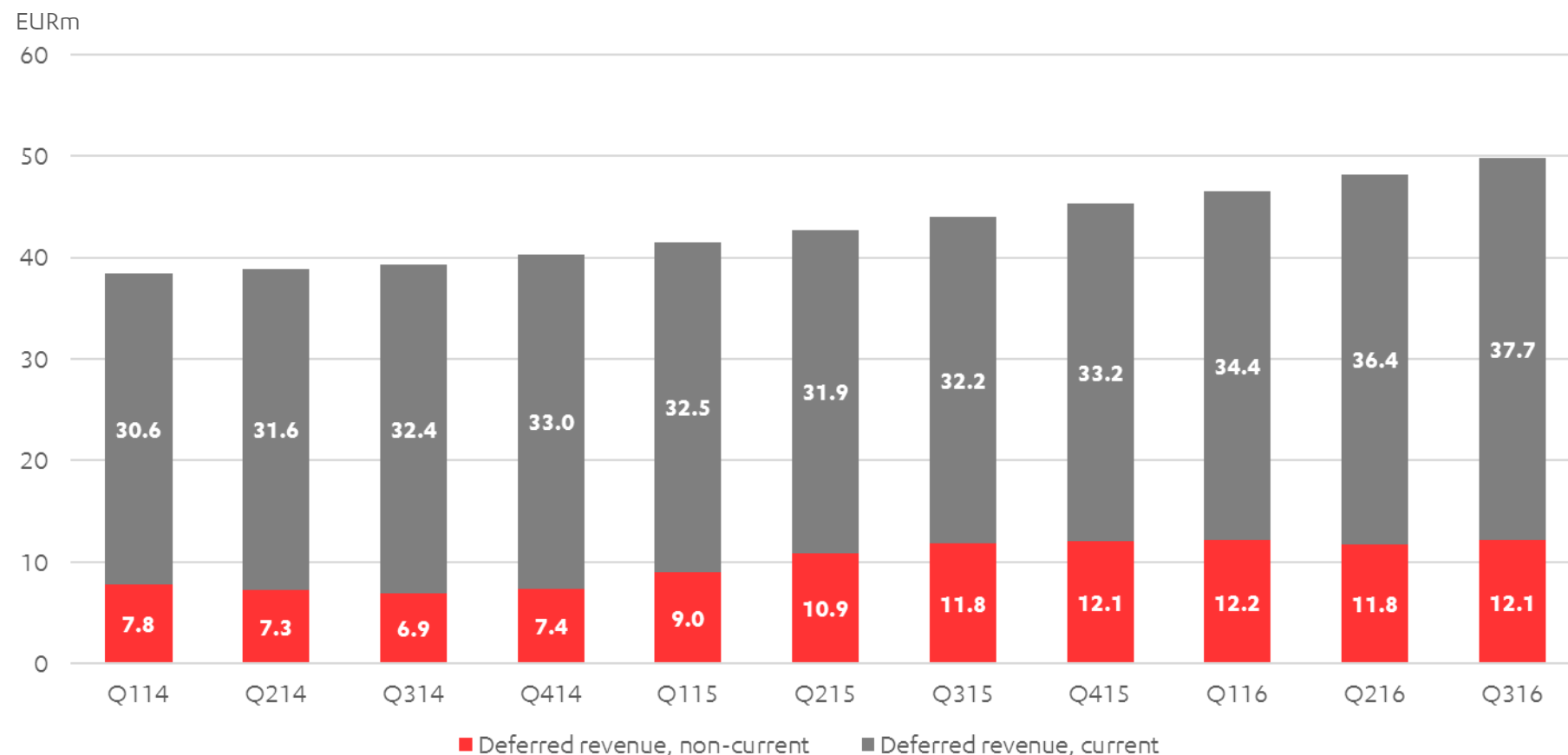
- The increase largely reflects recruiting as well as expenses relating to product development
- Depreciation and amortization decreased to EUR 4.0 million (4.4m)
- Capitalized development expenses were EUR 2.1 million (1.5m)



DEFERRED REVENUE

July–September

- Deferred revenue increased by 16% to EUR 50.4m (EUR 43.5m), continuing positive development*



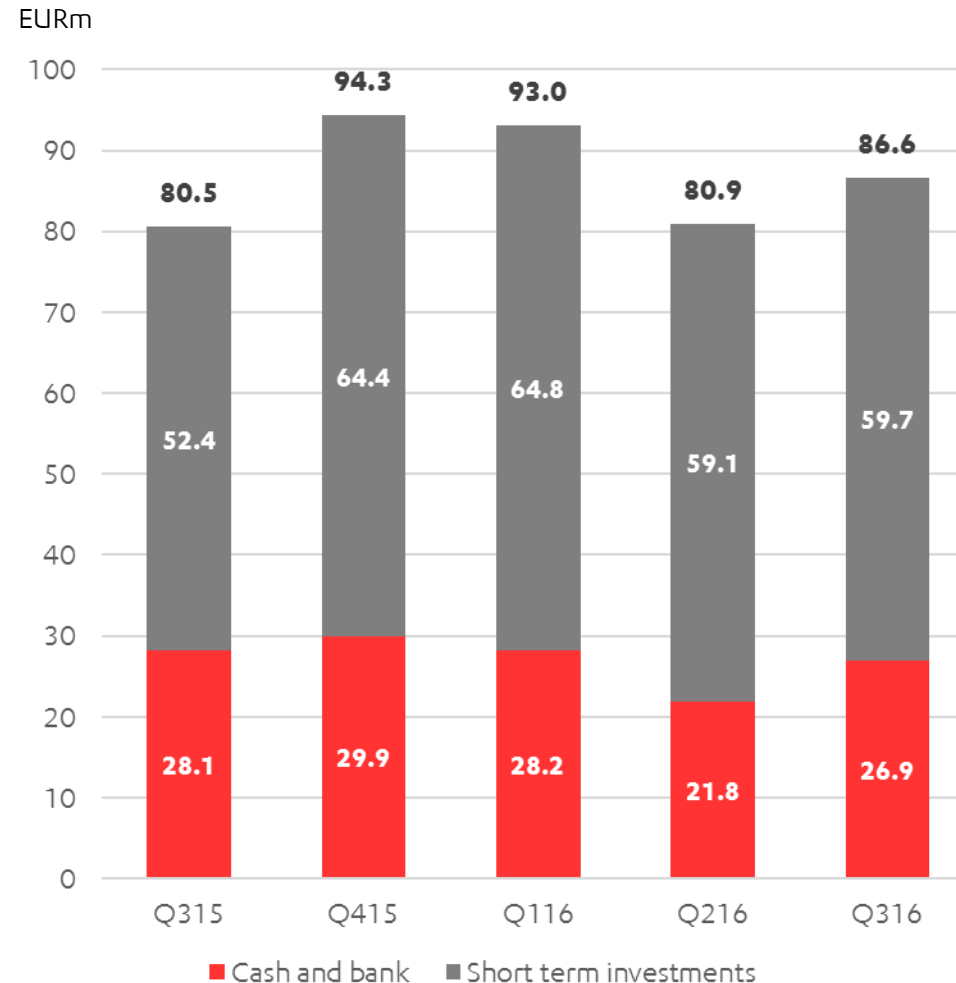
*figure shows 4-qtr rolling average deferred revenue

SOLID CASH POSITION

July–September

Q3 Cash flow from operations 6.8m (Q315: 5.7m)

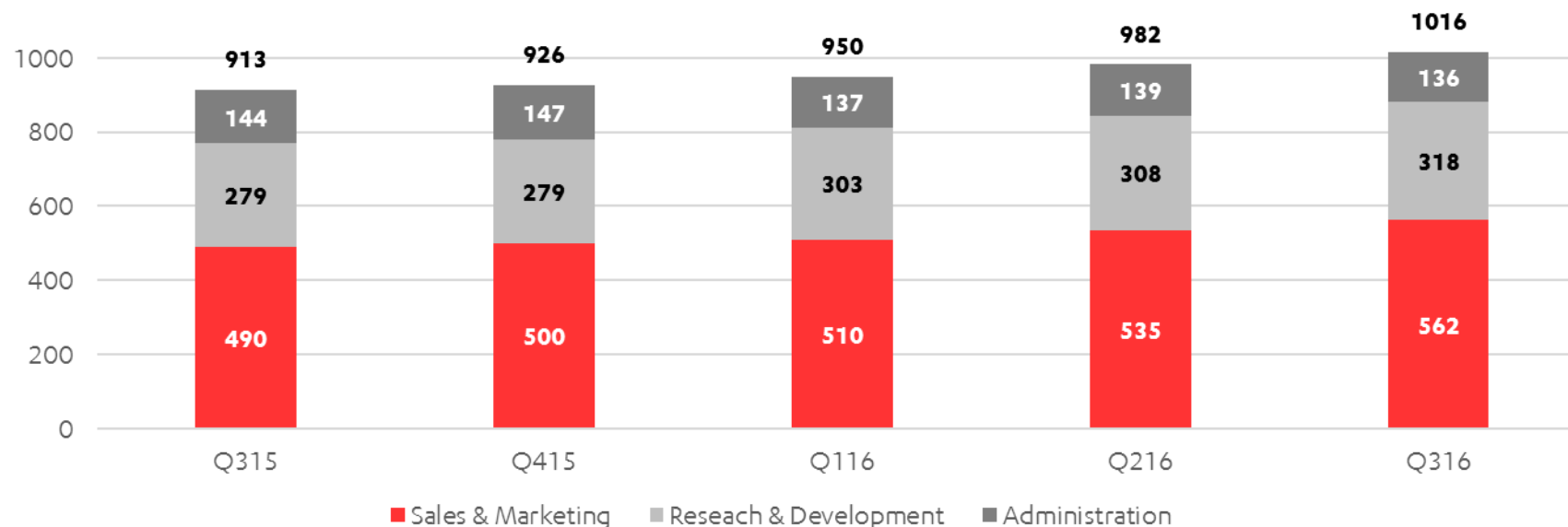
- F-Secure's financial position remained solid.
- Restated gearing ratio was 38% negative (36% negative). Gearing has been restated to reflect the reclassification of available-for-sale investments away from liquid assets.



NUMBER OF PERSONNEL

1,000th employee hired!

- F-Secure stated as its target to recruit over a hundred new employees in 2016 to support the Company growth. Through Q1-Q3, number of employees has increased by 90
- Number of personnel at end of Q3 was 1016 (Q216: 982; Q415: 926)



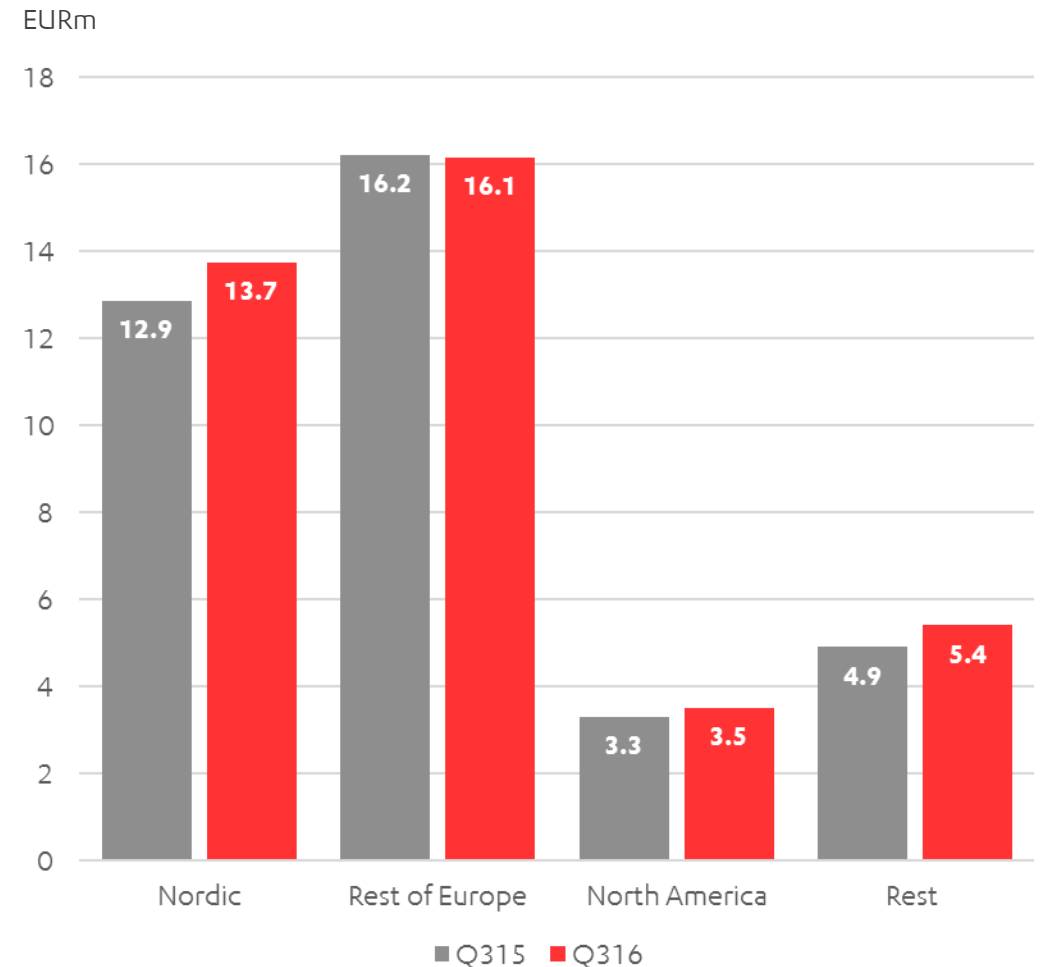
REGIONAL REVENUE

Growth in most regions in Q3

- Nordic region ensured growth in Europe as a whole with strong performance
- Other regional revenue grew during the quarter

January-September

- Nordic region revenue reached EUR 41.7m (36.0 m)
- Revenue in Rest of Europe decreased marginally to EUR 47.9m (48.0 m)
- The North American and the “Rest” markets grew to EUR 10.8m (9.6 m) and EUR 15.6m (15.1 m) respectively



ADDITIONAL INFORMATION

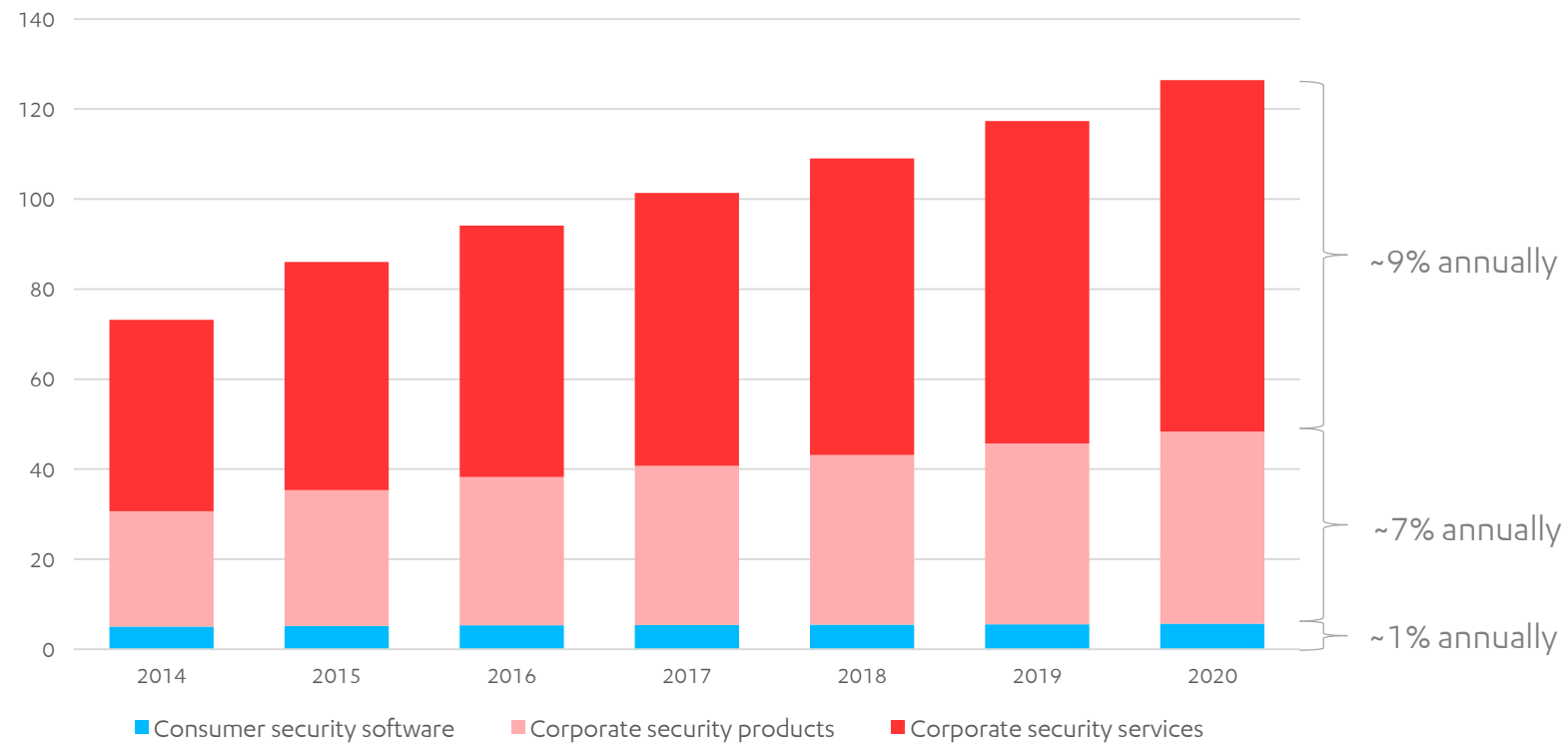


A NEED FOR COMPREHENSIVE SOLUTIONS



CORPORATE SECURITY MARKET IN STRONG GROWTH, CONSUMER MARKET STABLE REVENUE

USD billion



WHY F-SECURE?

AMBITIOUS STRATEGY

BECOME
LEADING
EUROPEAN
CYBER
SECURITY
COMPANY

STRONG PERFORMANCE (1-9/2016)

**CORPORATE SECURITY
REVENUE UP BY 21%:
WINNING MARKET
SHARE BY OUTPACING
COMPETITION**

**CONSUMER SECURITY
REVENUE DOWN BY 1%:
STABLE OUTLOOK FOR
THE YEAR**

**EBIT MARGIN 11%:
MAINTAINED HEALTHY
PROFITABILITY**

**INVESTMENTS:
INCREASED
INVESTMENTS IN NEW
R&D AND EFFECTIVE
COMMERCIALIZATION**

STRONG FUNDAMENTALS

**CORPORATE SECURITY
MARKET IN STRONG
GROWTH**

**BEST-IN-CLASS
TECHNOLOGY AND
KNOW-HOW**

**PROVEN SALES
CHANNELS**

**SOLID FINANCIALS
& STRONG BALANCE
SHEET**

Strong growth is expected to continue especially in the corporate security market in coming years. There are also new opportunities emerging in the consumer security market despite the general low level of growth.

Our awarded technological solutions combined with our best-in-class cyber security expertise allow us to develop top-of-class products and services for both corporate and consumer customers.

Over the years we have acquired a network of over 200 operator partners and over 3500 corporate IT resellers which ensures our effective go-to-market.

We have shown strong cashflow and solid profitability throughout our history. We have a positive outlook for the future. Our solid financial footing allows to invest in R&D and also expand through M&A

PROVEN SALES CHANNELS

Scalability through strong go-to-market channels

39 % of F-Secure total revenue*

61 % of F-Secure total revenue*

* Q2 / 2016

TECHNOLOGY:

BEST-IN-CLASS CYBER SECURITY TECHNOLOGY PLATFORM

OFFERING:

CORPORATE SECURITY

CONSUMER SECURITY

SECURITY PRODUCTS, MANAGED SECURITY SERVICES,
CYBER SECURITY CONSULTING

SECURITY AND PRIVACY PRODUCTS

GO-TO-MARKET:

4,000 IT RESELLERS &
SERVICE PARTNERS

200+ OPERATOR PARTNERS

DIRECT SALES

ONLINE SALES AND RETAILERS

CUSTOMERS:

100 000 COMPANIES

TENS OF MILLIONS OF CONSUMERS

BEST-IN-CLASS TECHNOLOGY AND KNOW-HOW

Cyber security is a process

PREDICT

- Security assessments
- Threat analysis and attack surface enumeration

CONSULTING SERVICES

- Technical assessments
- GRC assessments
- Security investigations, forensics, reverse engineering

ATTACK DETECTION AND REMEDIATION

- Detection of attacks through endpoint and server sensors
- Decoy sensors to detect movements
- As a service from the cloud

Rapid Detection Service

VULNERABILITY MANAGEMENT

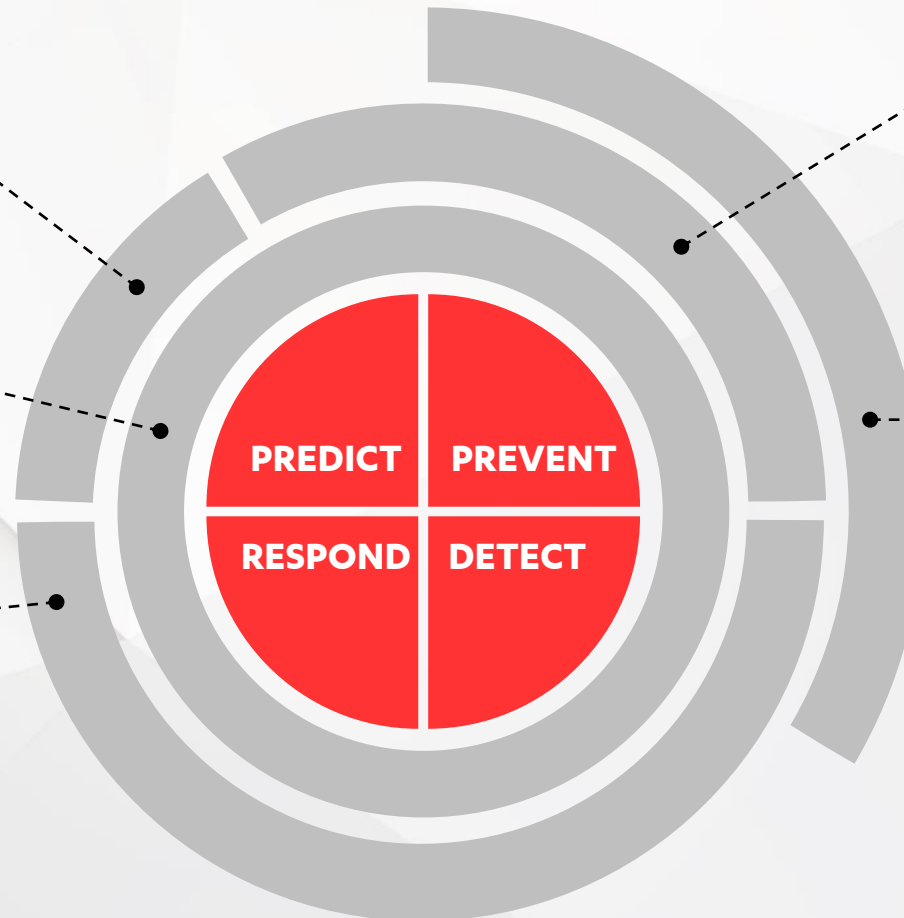
- Vulnerability scanning
- Vulnerability management
- Automated patching

F-Secure Radar

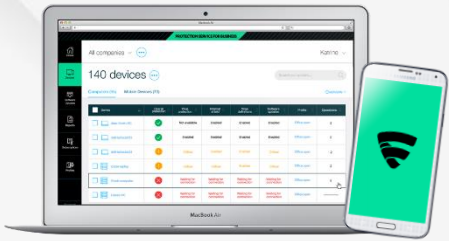
ENPOINT PROTECTION

- Endpoint and server security
- Security for virtualized environments
- Mobile security
- Centralized management (cloud and on premise)
- Continuous service or as yearly license

Protection Service for Business & Business Suite



Key offering for businesses



Protection Service for Business is a cloud-based endpoint security suite, designed to solve challenging multi-platform security needs. It covers Windows and Mac computers, iOS and Android smartphones, a large variety of server platforms - and includes integrated patch management and MDM capabilities.



F-Secure Radar vulnerability scanning and management consists of sophisticated platform and web scanning engines. These vulnerability scanners are paired with a powerful, easy-to-use, web-based vulnerability management and reporting platform—with third party integration capabilities through the product API. The solution allows unlimited scans with a flexible licensing scheme

Key offering for consumers



F-Secure SAFE is F-Secure's new security service for both PC and mobile users. It combines F-Secure's award-winning technologies into one unified security experience across all your devices. You can now protect your whole family's online activity with a single service.



Freedom is a privacy and security app that lets people encrypt their communications, block Internet tracking and malicious websites, and change their virtual location to access geo-blocked services and content.



Cyber security consulting includes helping clients on several levels to enhance security overall in the business and provide both advice, testing and professional security services.



Rapid Detection Service is a managed all-in-one service that detects and responds to advanced attacks. We combine best-in-class cyber security experts, threat intelligence and the latest technologies for 24/7 advanced threat protection. When we detect an attack, you'll know about it – in less than 30 minutes..

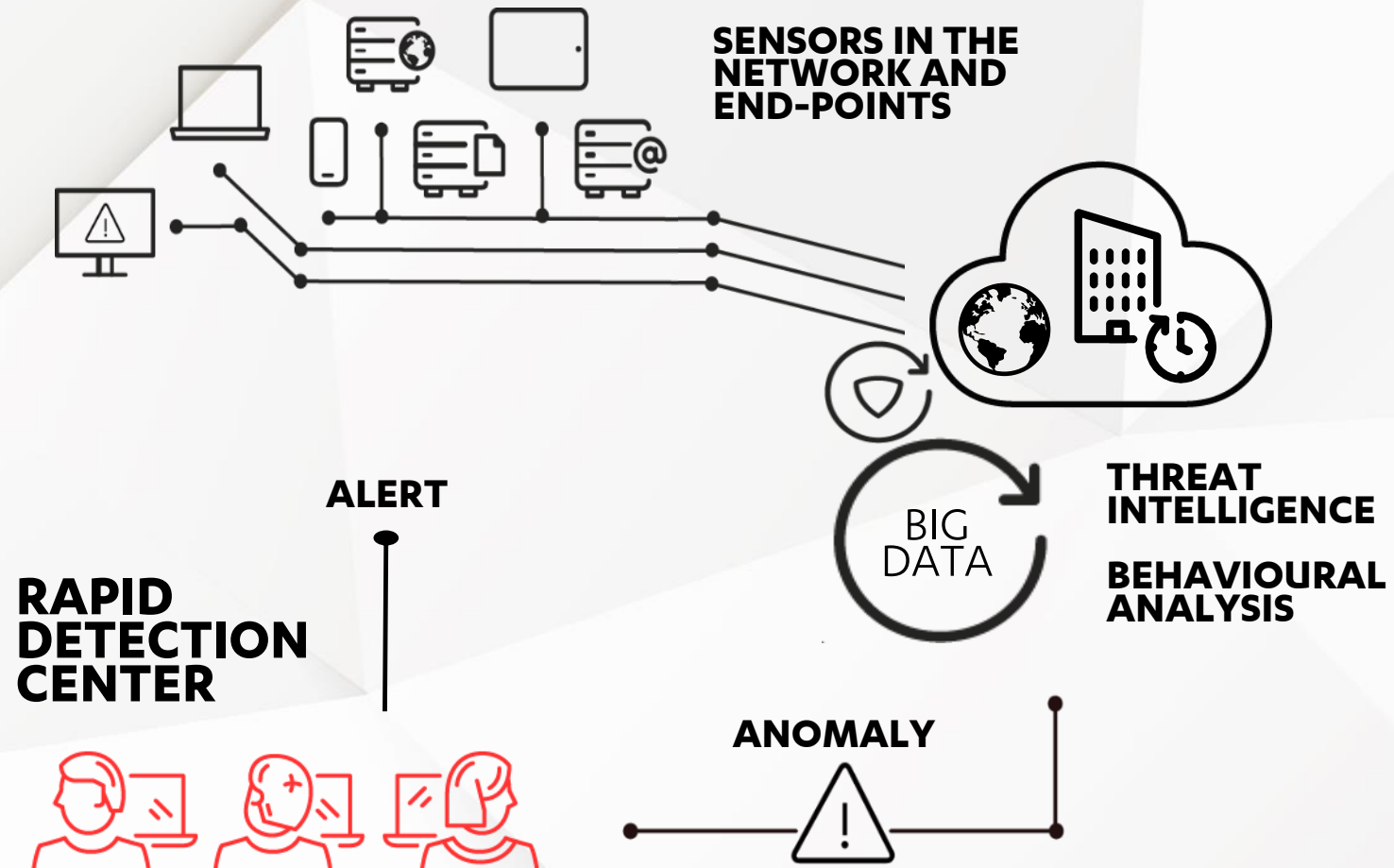
Launched in H1/16



F-Secure SENSE combines hardware and software in a unique way. The physical product creates a new secure network in your home that protects the devices it connects with – including laptops, phones, tablets, and newer IoT devices such as connected thermostats, security systems, and connected home appliances.

Expected in H1/17

HOW DOES RAPID DETECTION SERVICE WORK?



HOW DOES F-SECURE SENSE WORK?



Own or operator
provided router



Ethernet or Wi-Fi
connection



F-Secure
SENSE



Ethernet or Wi-Fi
connection

PC's and mobile devices



All other connected devices



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