

Samu Konttinen, CEO
Interim Results Q4 and full year 2016

A STRONG FOURTH QUARTER CONCLUDED A SOLID YEAR

- ACCELERATING INVESTMENTS IN CORPORATE SECURITY IN 2017

AGENDA

- Highlights from Q4 and full year
- Business & Market update
- Outlook
- Financials

KEY TAKEAWAYS FROM Q4

- ✓ Continued double-digit growth in corporate security product sales throughout the year
 - ✓ Great traction in cyber security services, particularly strong demand in Q4
 - ✓ Consumer security remained stable, confirming our positive outlook
- = Strong confidence in our scalable model



THE OPPORTUNITY IS THERE WE WILL INVEST MORE TO ACCELERATE GROWTH

2016

Our model works

- ✓ Very competitive portfolio
- ✓ Fast growing channel
- ✓ Security capabilities best-in-class



2017

Seize the opportunity

- ✓ Boost product development
- ✓ More cross-selling
- ✓ Expand channel
- ✓ Recruit best people



FINANCIAL HIGHLIGHTS

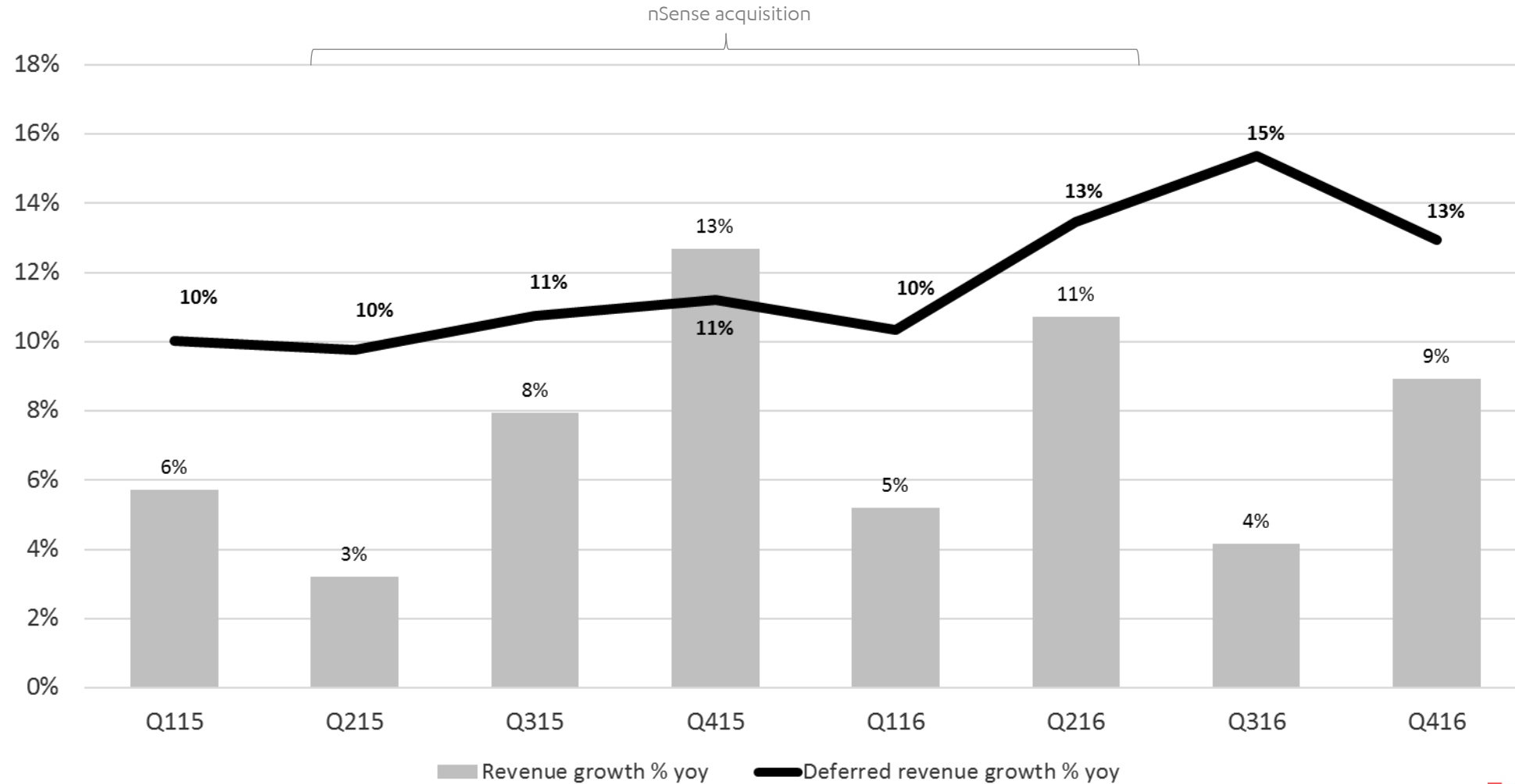
October–December (Q4)

- **Total revenue increased by 9% to EUR 42.4 million (38.9m);**
 - corporate security increased by 19% to EUR 17.4 million (14.6m)
 - consumer security increased by 3% to EUR 25.0 million (24.3m)
- **Deferred revenue continued to grow faster than revenue (+13%)**
- **EBIT was EUR 6.9 million, 16% of revenue (5.0m; 13%);** reflects high investment in corporate security
- **Cash flow from operations was EUR 9.6 million (14.3m)**

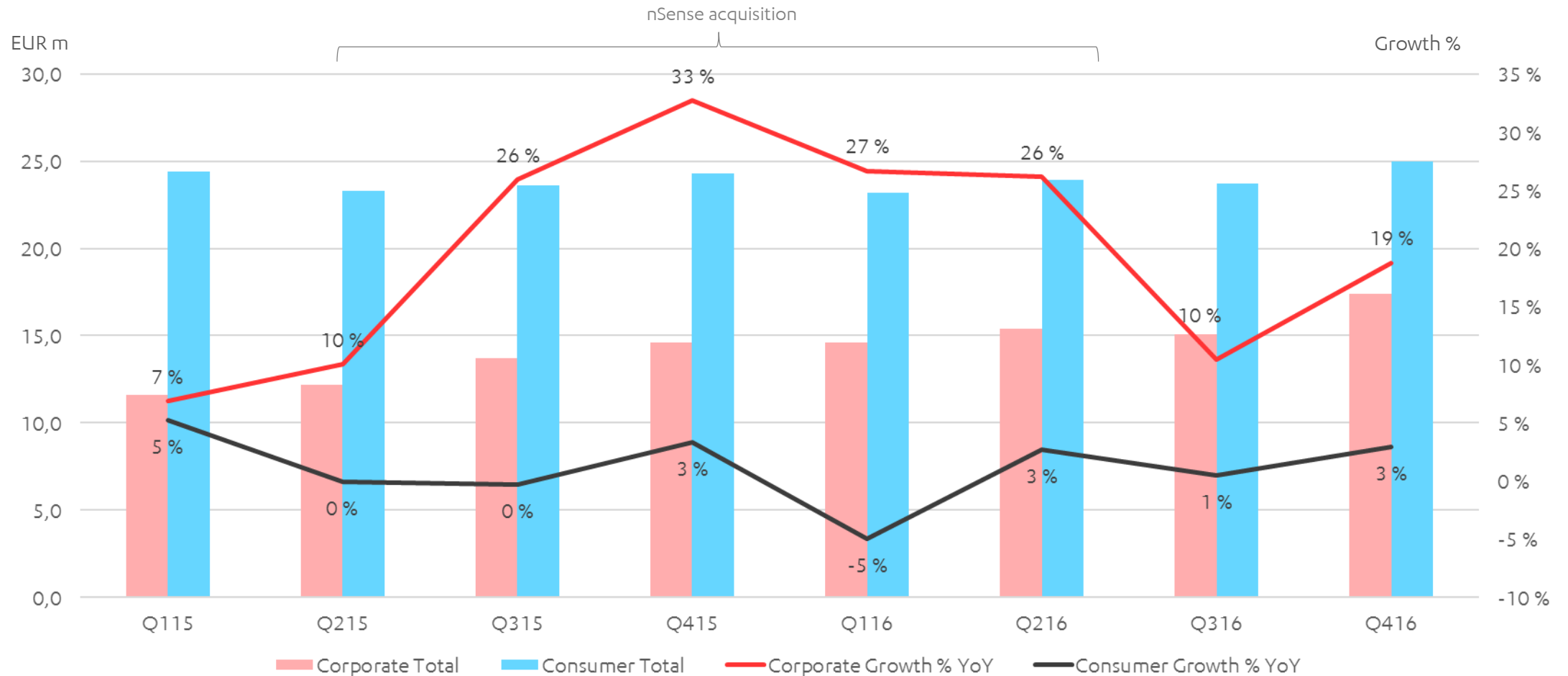
Full year 2016

- **Total revenue increased by 7% to EUR 158.3 million (147.6m);**
 - corporate security increased by 20% to EUR 62.5 million (52.1m)
 - consumer security was on previous year's level at EUR 95.8 million (95.5m)
- **Organic growth was 5%**
- **EBIT was EUR 19.2 million, 12% of revenue (20.0m; 14%);** reflects high investment in corporate security
- **Cash flow from operations was EUR 21.9 million (28.9m)**
- **Dividend EUR 0.06, extra dividend EUR 0.06**

DEFERRED REVENUE OUTPACING REVENUE GROWTH



CORPORATE SECURITY DRIVING GROWTH



CONSUMER SECURITY UP BY 3% IN Q4

OPERATOR SALES

- Strongest growth in Latin America and North America - Europe remains stable
- After a weak Q1, sales continuously increased q-o-q
- Continued to focus on improving operational excellence with partners
- Increasingly offering products (F-Secure SAFE, F-Secure Freedome, F-Secure Key) as a combined bundle

DIRECT SALES & RETAILERS

- Continued solid growth
- Retail sales of consumer products continued to develop favorably
- As with operators, F-Secure increasingly promoted sales of as a bundled offering

BUNDLING LEADS TO MORE COMPREHENSIVE SECURITY FOR CONSUMER – AND ADDED REVENUE



TOTAL SECURITY AND PRIVACY



F-SECURE KEY



F-SECURE SAFE



F-SECURE FREEDOME

Coming in Q2:



**F-SECURE
SENSE**

*Bundling enables cross-selling to leverage the power of portfolio,
and increase average revenue per customer.*

CORPORATE SECURITY UP BY 19% IN Q4

CORPORATE SECURITY PRODUCTS

- Endpoint security product revenue in double-digit growth
- Number of active resellers increased 13% to over 4,000
- Customer acquisition in strong growth
- Sales increase most in focus markets in Europe, but third of growth came from outside of Europe, e.g. India
- New product announced: F-Secure Cloud Protection for Salesforce

MANAGED SECURITY SERVICES

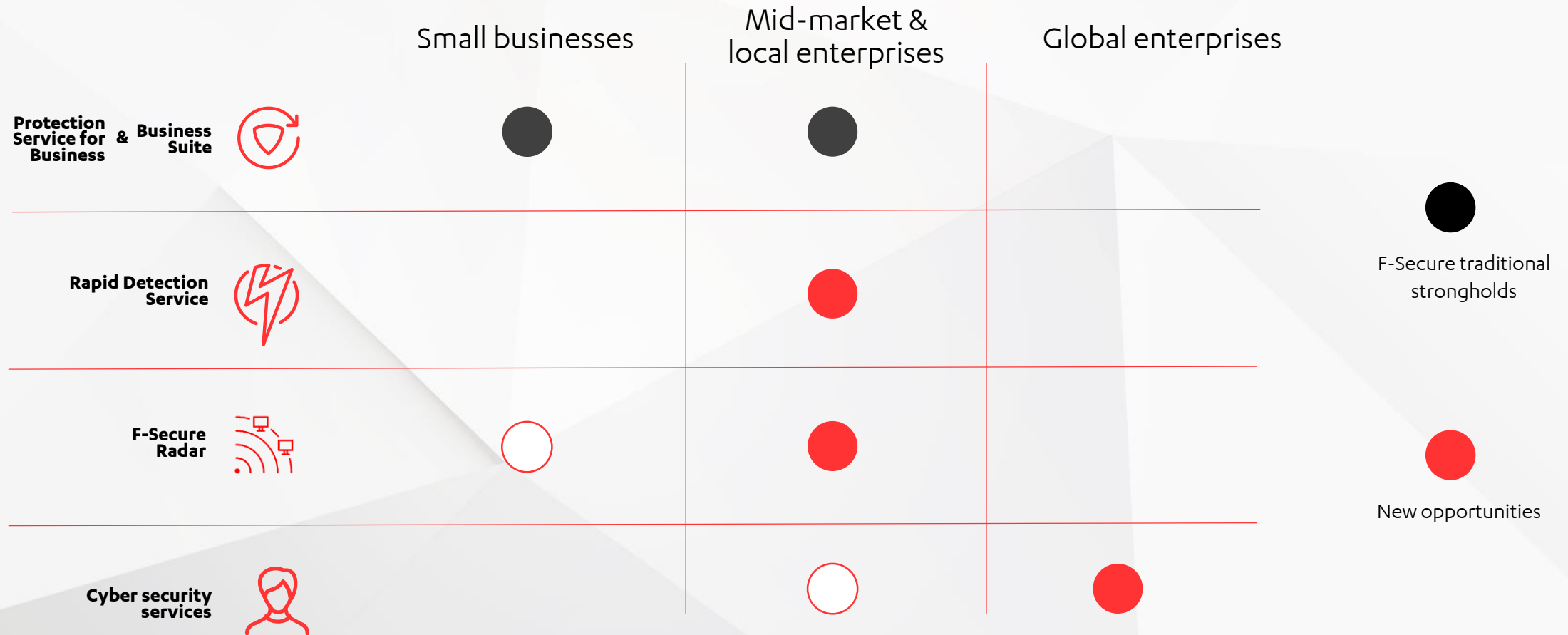
- Sales of F-Secure Radar and Rapid Detection Service developed as planned – demand remains high
- Cross-selling potential was confirmed: most RDS deals included also F-Secure Radar
- F-Secure continues to seek new partners to sell both solutions

CYBER SECURITY CONSULTING

- Cyber security services revenue in very strong, double-digit growth
- Great new wins with demanding enterprise customers
- New recruits fully contributing to sales, high utilization rates
- After period-end:

INVERSE  **PATH**
Acquisition

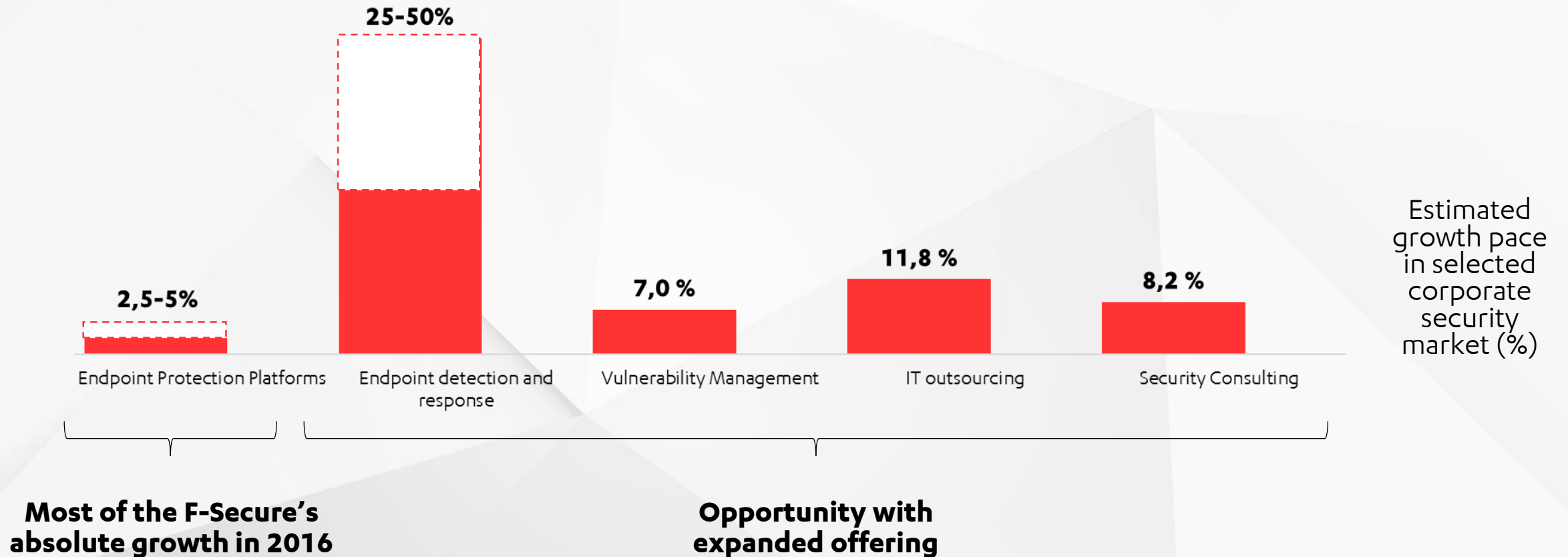
EXPANDED OFFERING ALLOWS US TO EXPAND INTO NEW CORPORATE CUSTOMER SEGMENTS



EXTENDED OFFERING ENABLES CROSS-SELLING AND SUPPORTS PRODUCT DEVELOPMENT



OUR NEW OFFERING IS TARGETED TO THE FASTEST GROWING SEGMENTS



INCREASING FOCUS ON DETECTION CREATES NEW OPPORTUNITIES IN THE ENDPOINT MARKET



“EDR is an addition, not a replacement for other endpoint security tools.”

SEVERAL FACTORS CONTINUE TO DRIVE GROWTH IN DEMAND FOR SECURITY



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2018-2020

OUTLOOK 2017

Encouraged by the results from our growth investments in corporate security in 2016, we have decided to make a meaningful additional investment in both product development and go to market in 2017

- Revenue is anticipated to grow from the previous year's level (2016: EUR 158.3 million)
- Operating profit is anticipated to be EUR 8-12 million (2016: EUR 19.2 million); profitability in the first quarter of 2017 is foreseen to be lowest during the year following typical seasonality, and clearly better towards the year-end

OUTLOOK

STRATEGY PERIOD 2017-2020

Driven by the anticipated revenue growth and scalability of the high gross margin product based business model, profitability is expected to improve clearly above the level achieved last year (2016: 12% of revenue) towards the end of the 2017-2020 strategy period.

FINANCIALS

Q4 & FULL YEAR 2016





This financial statement release is prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2015. Full year figures have been audited.

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.

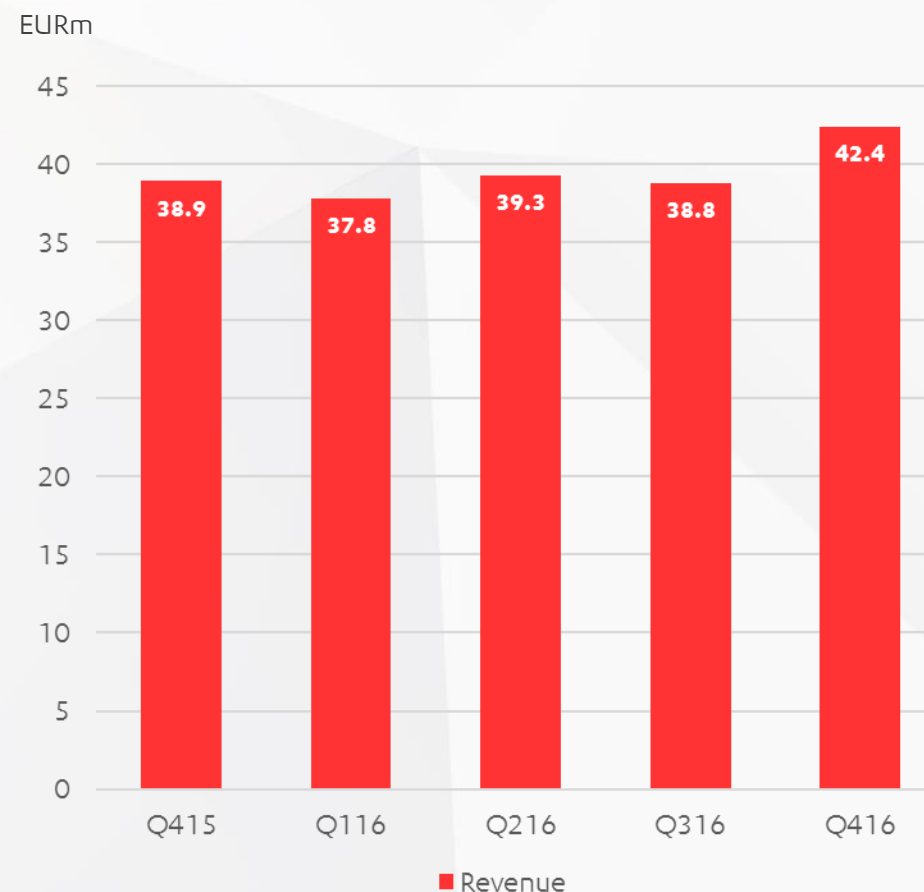
REVENUE

October–December

- Revenue increased by 9% y-o-y
- Total quarterly revenue 42.4m (Q415: 38.9m)

January–December

- Revenue increased by 7% compared to 2015
- For the year overall revenue totalled EUR 158.3 million (147.6m)



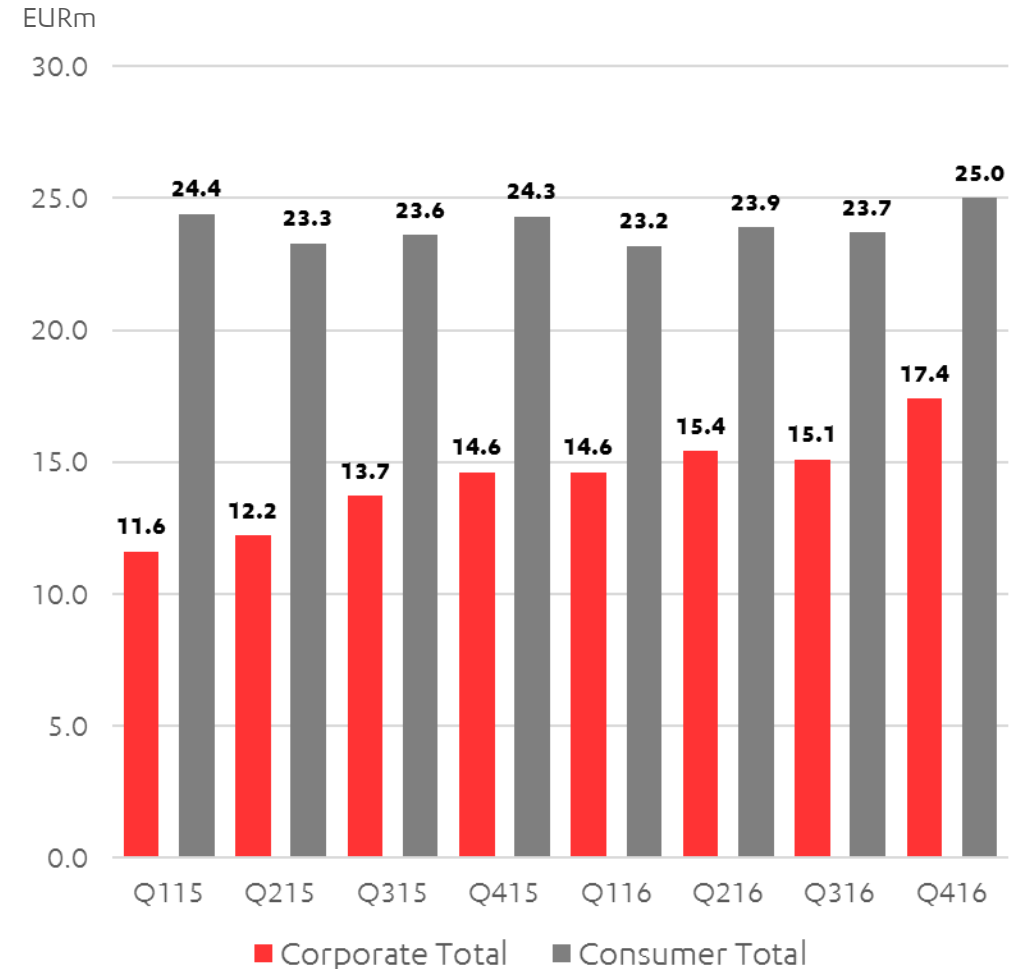
REVENUE SPLIT

October–December

- Revenue from corporate security increased by 19% totalling EUR 17.4 million (14.6m)
- Revenue from consumer security increased by 3% and was EUR 25.0 million (24.3m)
- Corporate and consumer security represented 41% (38%) and 59% (62%) of total revenue respectively

January–December

- Revenue from corporate security increased by 20% totalling EUR 62.5 million (52.1m)
- Revenue from consumer security increased slightly and amounted to EUR 95.8 million (95.5m)
- Corporate and consumer security represented 39% (35%) and 61% (65%) of total revenue respectively



PROFITABILITY

October–December

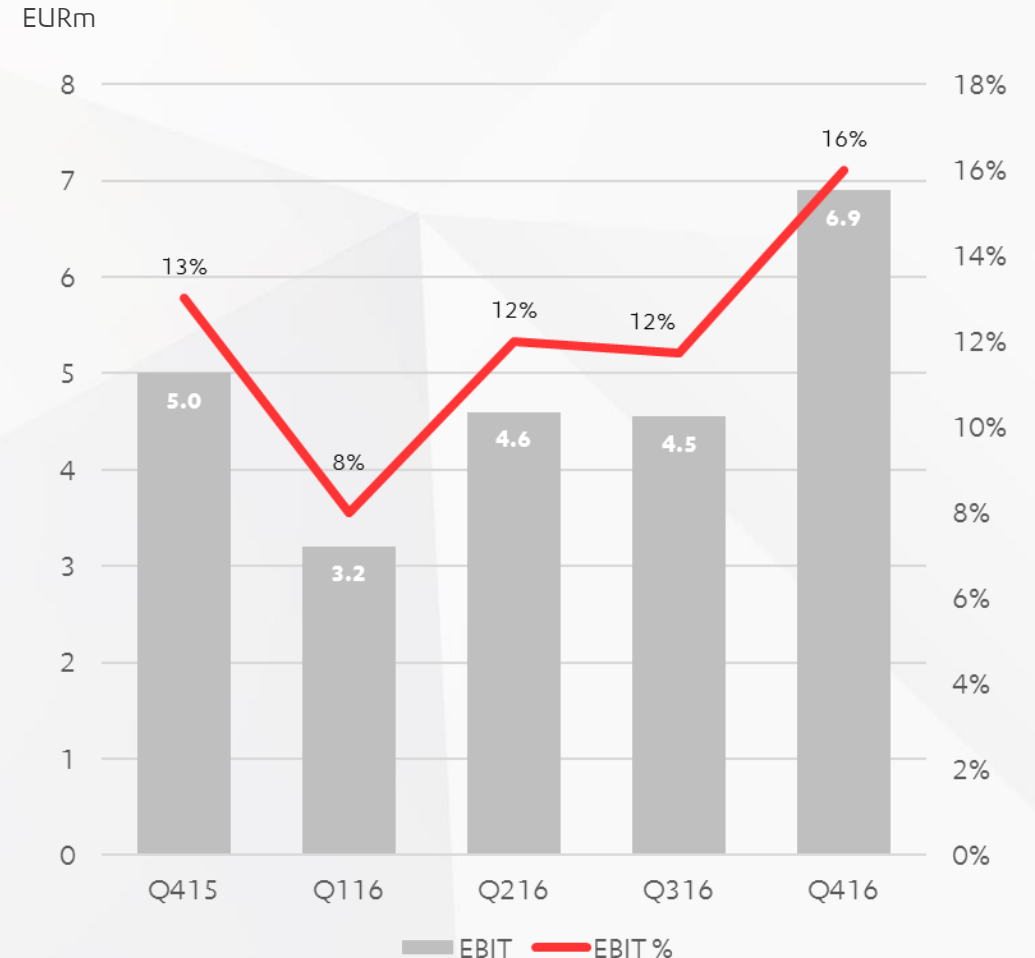
Operating profit

- EBIT 6.9m, 16% of revenues (Q415: 5.0m, 13%)
- Earnings per share (EPS) for continuing operations EUR 0.04 (EUR 0.00)
- EPS EUR 0.04 (EUR 0.00) for the Group including discontinued operations

January–December

Operating profit

- EBIT including the nSense acquisition-related costs (earn-out and deferred payment) was EUR 19.2 million, representing 12% (20.0m, 14%) of revenue
- EPS for continuing operations EUR 0.10 (0.08)
- EPS EUR 0.10 (0.14) for the Group including discontinued operations



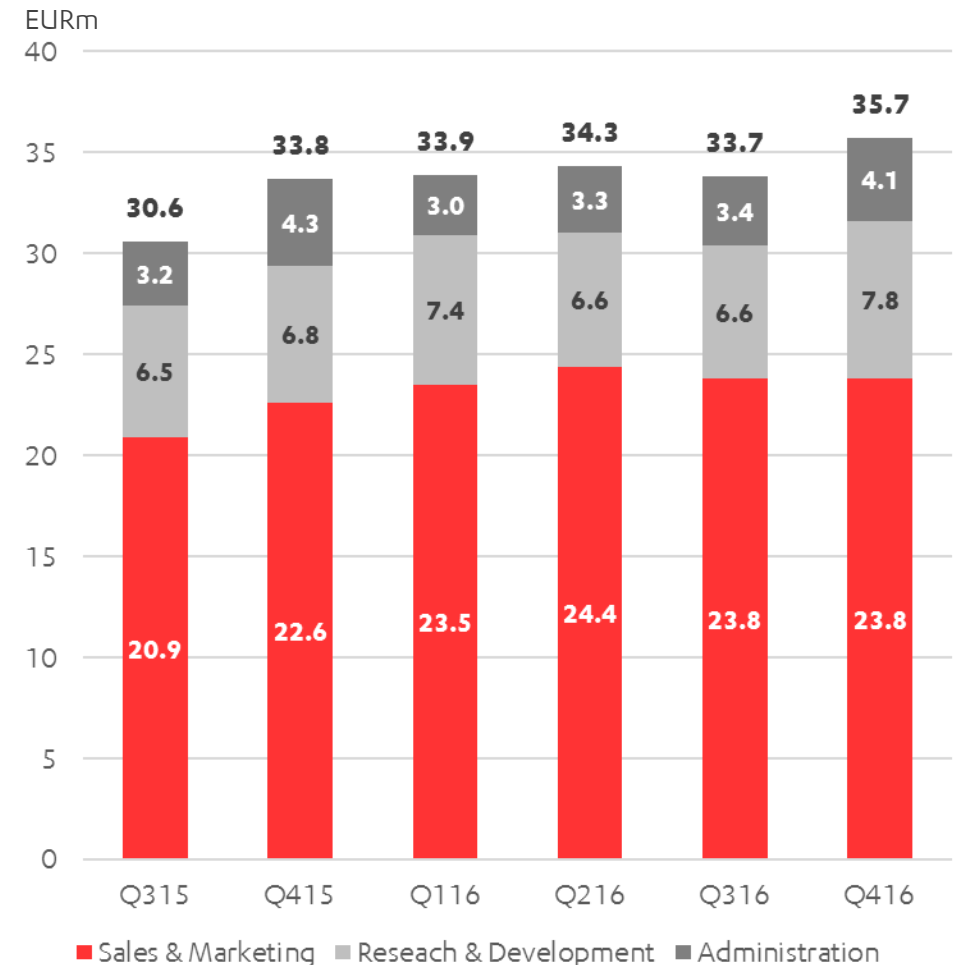
FIXED COSTS

October–December fixed costs 35.7m (Q415: 33.8m), +6% y-o-y

- The increase was driven by costs incurred as a result of significant recruitment in corporate security
- Depreciation and amortization decreased to 1.3m (Q415: 1.4m)
- Capitalized R&D expenses were 1.2m (Q415: 0.8m)

January–December fixed costs increased 9% to EUR 137.6 million (126.0 m)

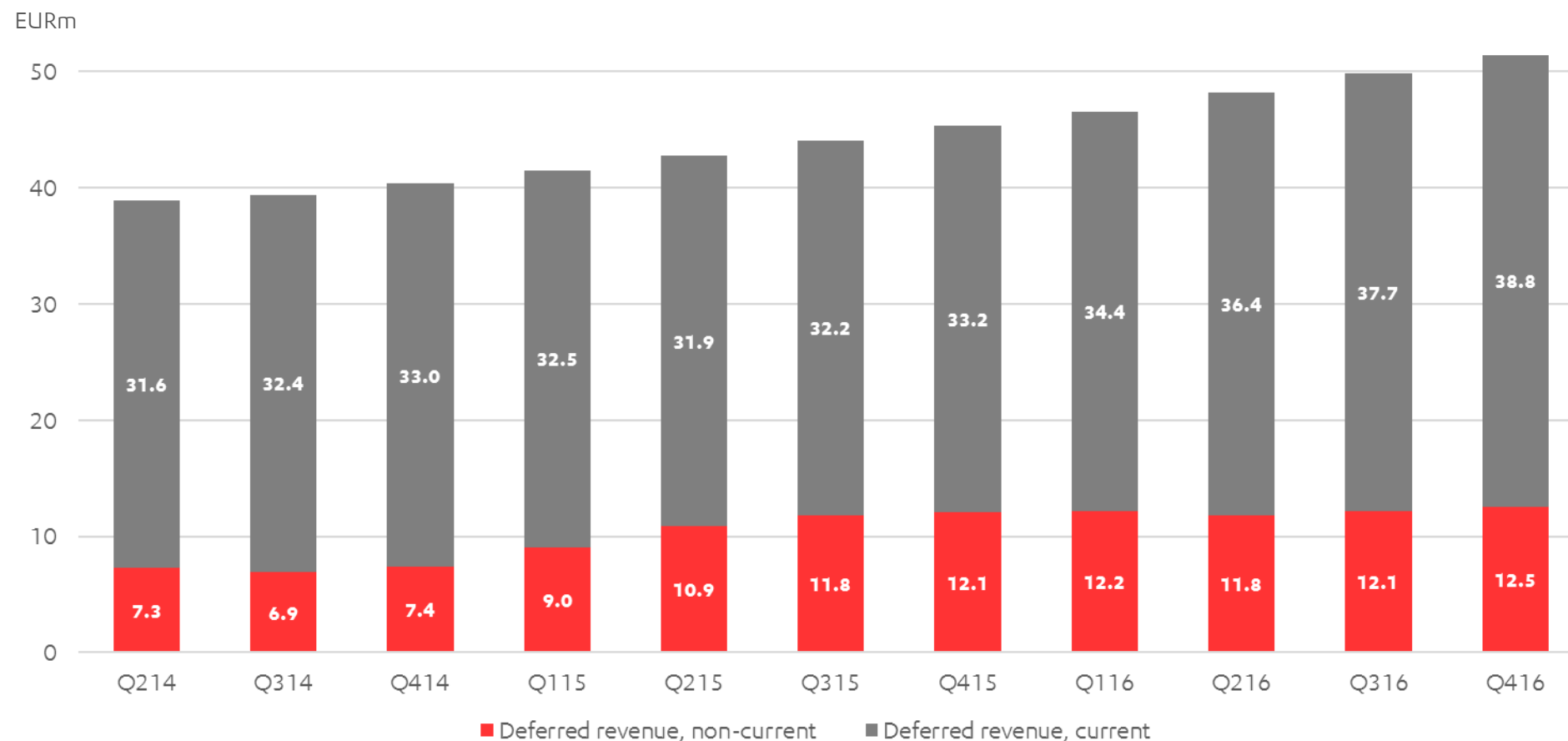
- The increase was driven by costs incurred as a result of significant recruitment in corporate security, as well as long-term incentive plan accruals reflecting the increase in F-Secure's share price during July–December
- Depreciation and amortization decreased to EUR 5.3 million (5.9m)
- Capitalized development expenses were EUR 3.2 million (2.3m)



DEFERRED REVENUE

October–December

- Deferred revenue increased by 13% to EUR 54.3m (EUR 48.1m), continuing positive development*



*figure shows 4-qtr rolling average deferred revenue

SOLID CASH POSITION

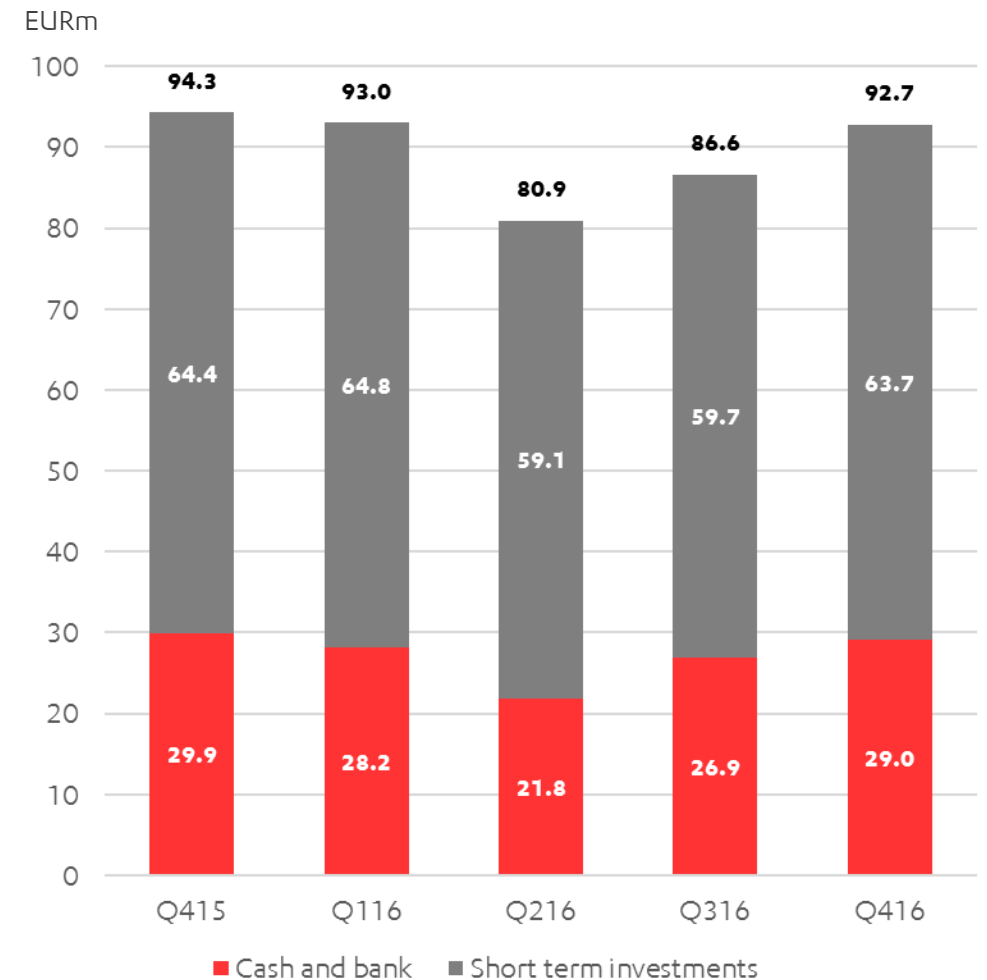
October–December

Q4 Cash flow from operations was EUR 9.6m (Q415: 14.3m)

- F-Secure's financial position remained solid.
- Gearing ratio was 122.1% negative (122.4% negative)

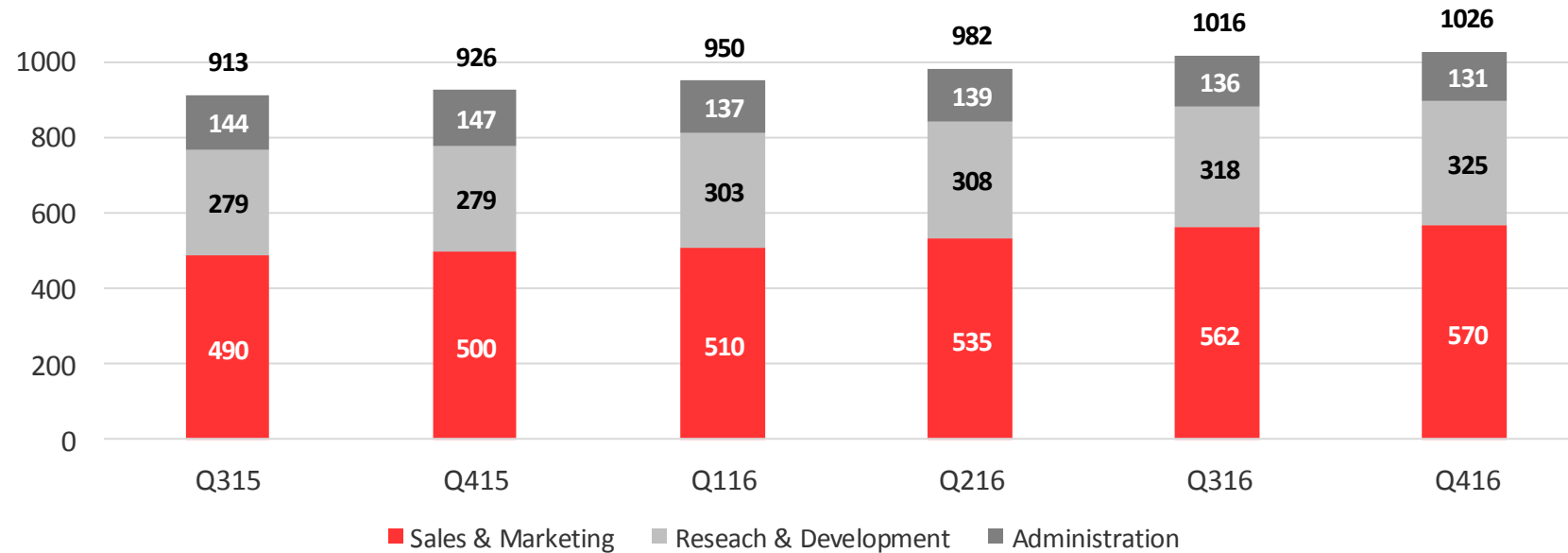
January–December

- Cash flow from operations was EUR 21.9m (28.9m)



NUMBER OF PERSONNEL

- F-Secure stated as its target to recruit over a hundred new employees in 2016 to support the Company growth.
- The company's headcount at the end of Q416 was 1,026 (+100 from Q415)



REGIONAL REVENUE

Growth in most regions in Q4

- Nordic region, rest of Europe and North America all grew in Q4
- Revenue in other regions decreased slightly

January–December saw growth in all regions

- Revenue in all regions grew compared to year 2015
- Nordic region revenue was EUR 57.4m (49.9m)
- Rest of Europe revenue was EUR 65.0m (63.7m)
- North America revenue was EUR 14.6m (13.1m)
- Other regions amounted to EUR 21.2m (20.9m)

