

A photograph of a modern glass skyscraper with a city skyline visible in the background. The building's glass facade reflects the surrounding urban environment, creating a complex pattern of lines and colors. The sky is a pale, hazy blue.

A STRONG QUARTER **FOR CORPORATE AND** **CONSUMER SECURITY**

Samu Konttinen, CEO

Interim Results Q1 2017

AGENDA

- Key takeaways from Q1
- Financials
- Business updates
- Outlook

KEY TAKEAWAYS FROM Q1

- ✓ Corporate security in double-digit growth, new products performing well
- ✓ Cyber security services in very fast double-digit growth, supports product business
- ✓ Consumer security showing steady progress, both operator channel business and direct sales growing

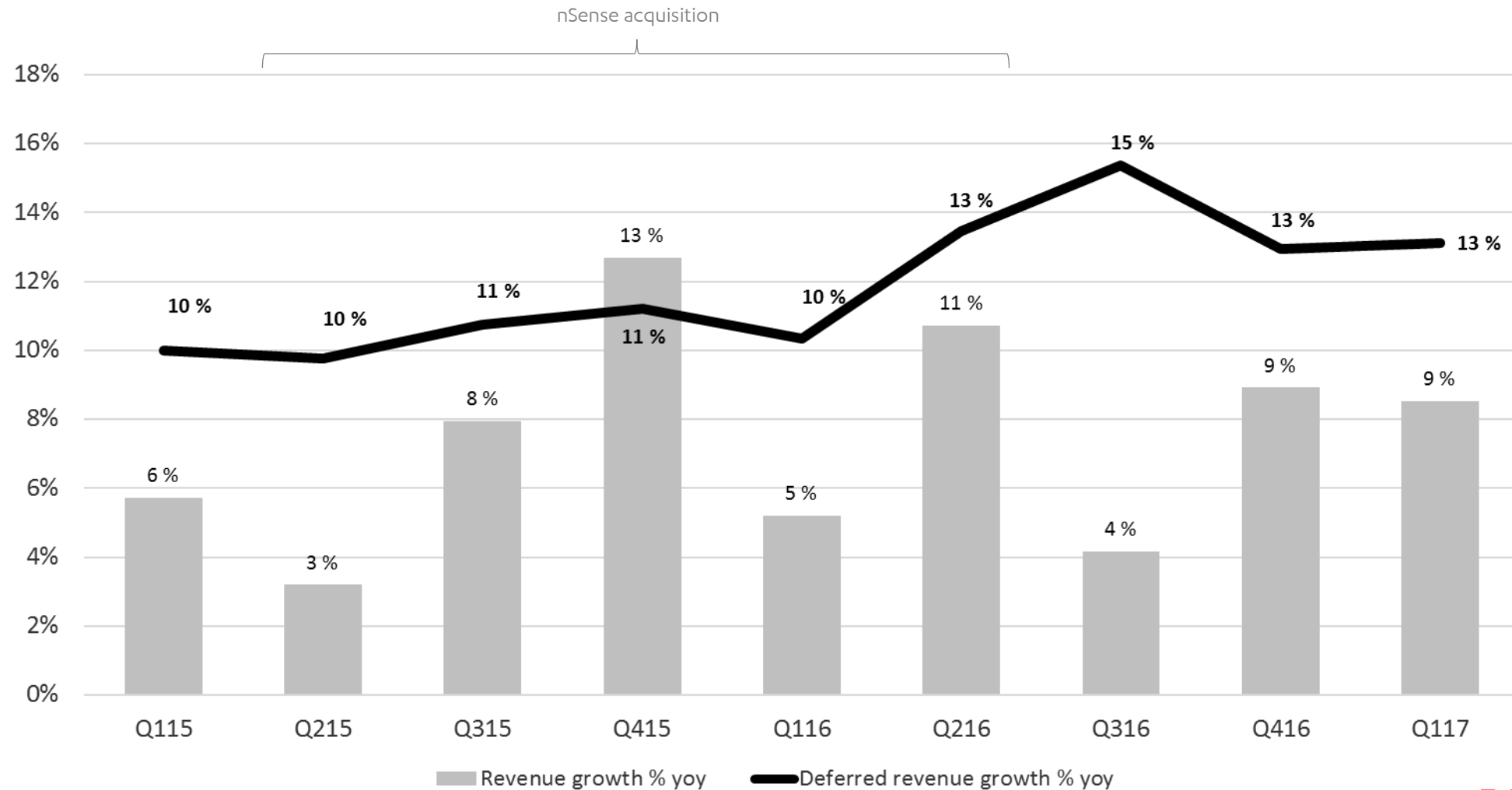
= We are performing as planned

FINANCIAL HIGHLIGHTS

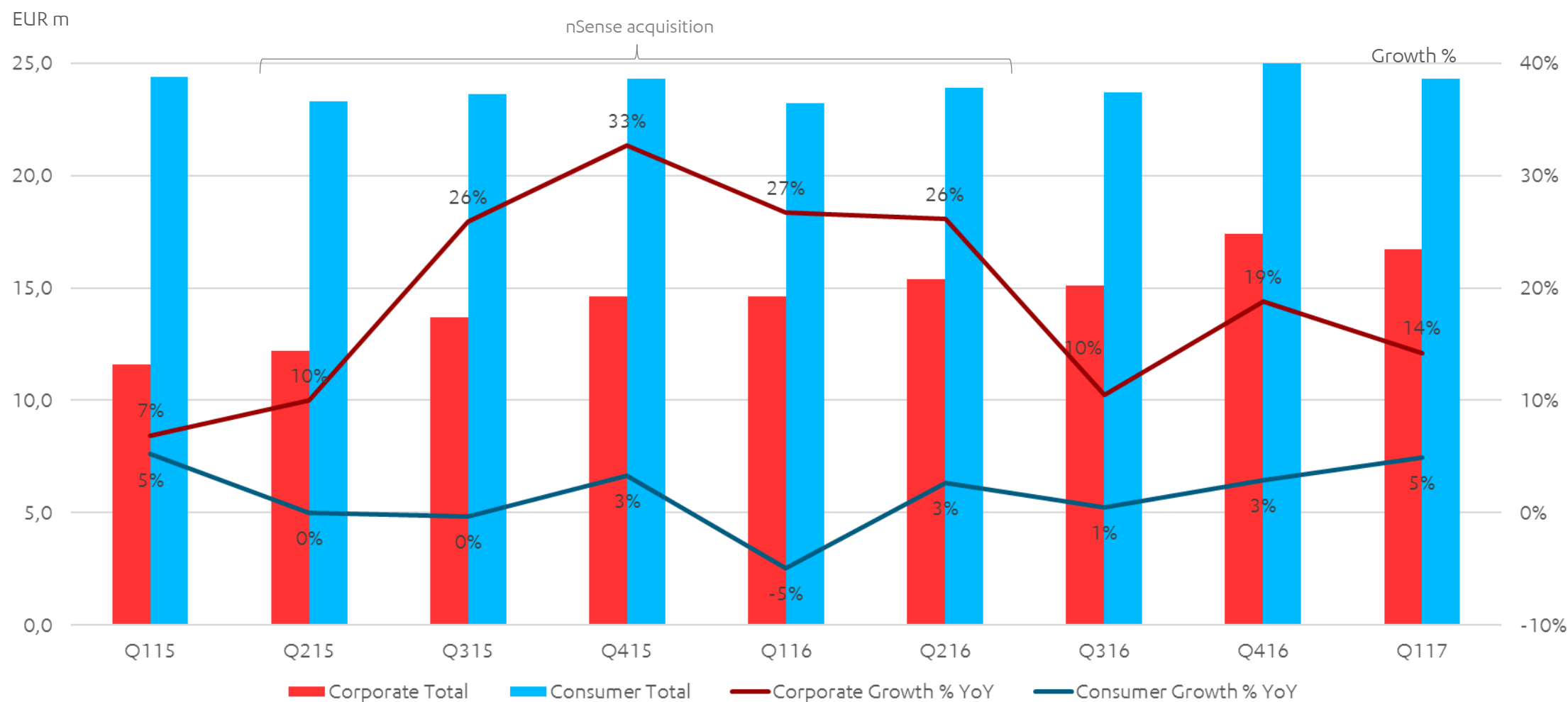
January–March(Q1)

- **Total revenue increased by 9% to EUR 41.0 million (37.8m);**
 - corporate security increased by 14% to EUR 16.7 million (14.6m)
 - consumer security increased by 5% to EUR 24.3 million (23.2m)
- **Deferred revenue continued to grow faster than revenue (+13%)**
- **EBIT was EUR 1.6 million, 4% of revenue (3.2m; 8%);** reflects high investment in corporate security
- **Cash flow from operations was EUR 5.5 million (-1.1m)**
- **F-Secure has today concluded cooperation negotiations announced on 20 March 2017**

DEFERRED REVENUE CONTINUES TO OUTPACE REVENUE GROWTH



BOTH BUSINESSES GROW AT ABOVE-MARKET RATES



CORPORATE SECURITY UP BY 14% IN Q1

CORPORATE SECURITY PRODUCTS

- Endpoint security product revenue in above-market growth
- New solutions (F-Secure Radar & RDS) performed well – Radar so far sold to Nordics, Germany, France, the UK & the US
- F-Secure Cloud Protection for Salesforce launched
- Renewals and upselling, new customer acquisition and number of active resellers all increased

CYBER SECURITY CONSULTING

- Services revenue in very strong, double-digit growth
- Deal sizes are increasing
- Continued recruitment
- Organic expansion continues in Sweden & Norway
- Acquisition of Inverse Path in February

CONSUMER SECURITY UP BY 5% IN Q1

OPERATOR SALES

- Regional growth evenly distributed; Finland, several key markets in Europe as well as North and South America developing favorably
- Increasing product activation rates as a result of continued efforts to improve operational excellence with partners

DIRECT SALES & RETAILERS

- Continued strong growth, driven by online sales of Freedom
- Increasing interest towards VPN & Privacy solutions
- Regionally, the majority of absolute growth came from the Nordics, Germany, the UK and the US
- Retail sales increased

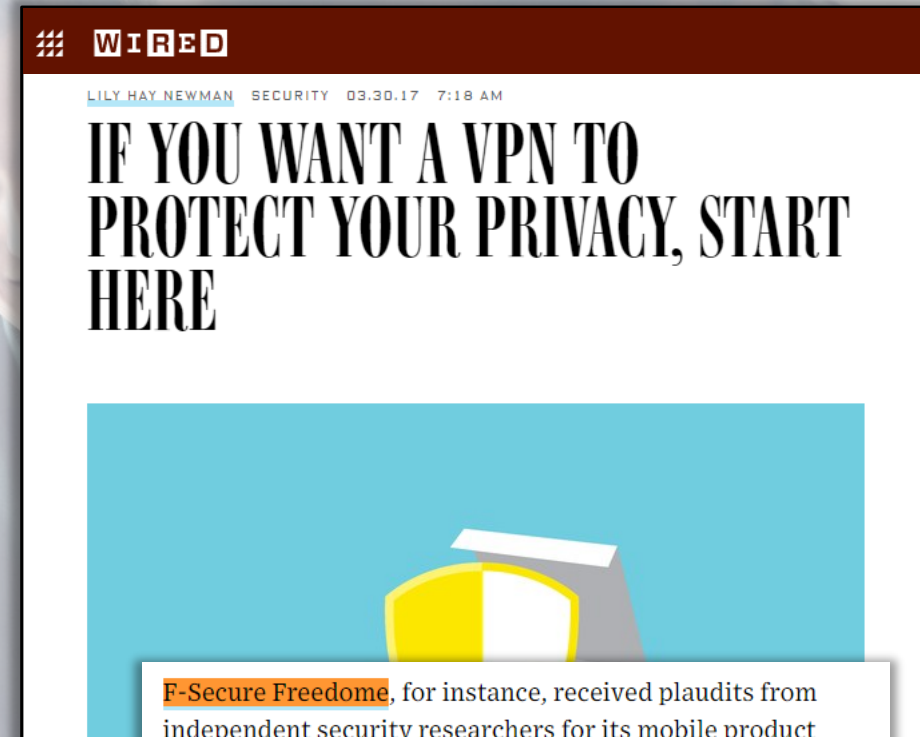
*The Company continued to prepare for the first deliveries of **F-Secure Sense**, an innovative security solution for connected home devices, expected by the end of the second quarter in 2017*

DEMAND RISING FOR VPN & PRIVACY SOLUTIONS



Which VPN should I get?

Ms. Sandvik recommended [Freedome by F-Secure](#) and said [TunnelBear](#) was another popular option.



F-SECURE SENSE

PROTECTING YOUR CONNECTED HOME



**PROTECT YOUR
CONNECTED HOME**



**PRIVACY FOR YOUR
CONNECTED HOME**



**EASY TO CONTROL
AND MONITOR**



**PROTECTION
ON THE GO**



WE CONTINUE WITH OUR INVESTMENTS

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



OUTLOOK FOR 2017 UNCHANGED

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

FINANCIALS

Q1 2017

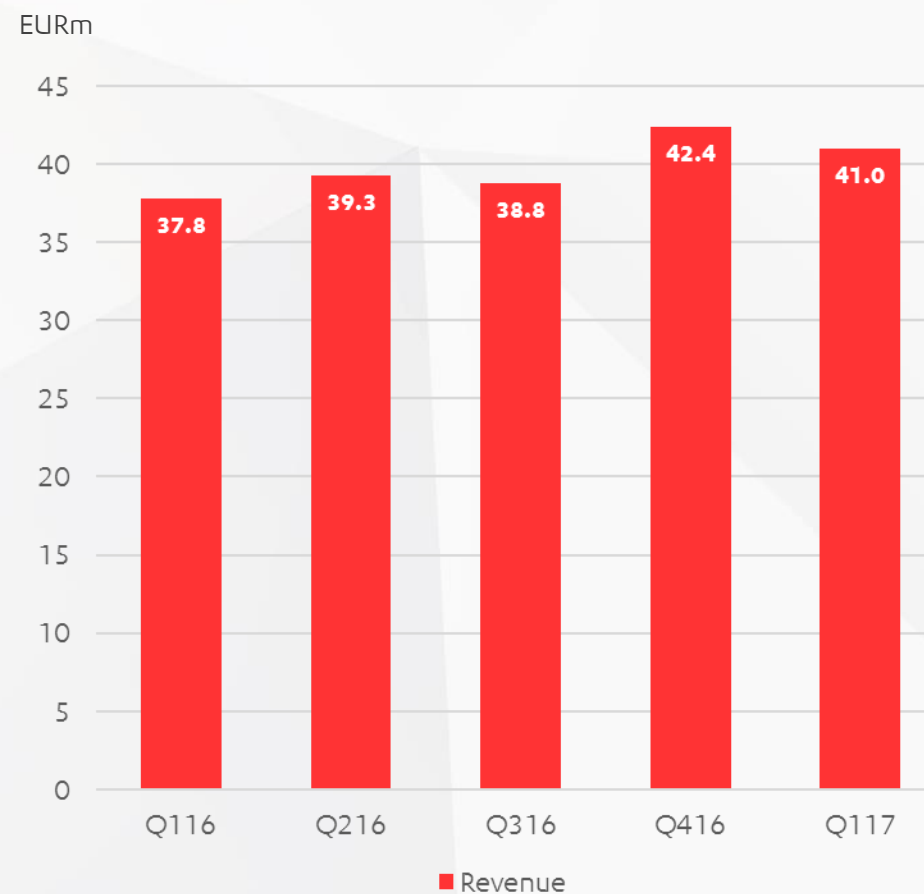
All income statement figures refer to continuing operations, and figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.
F-Secure's personal cloud storage business (younited) was sold to Synchronoss Technologies in February 2015 and is reported as discontinued operations 2015–2016.



REVENUE

January–March

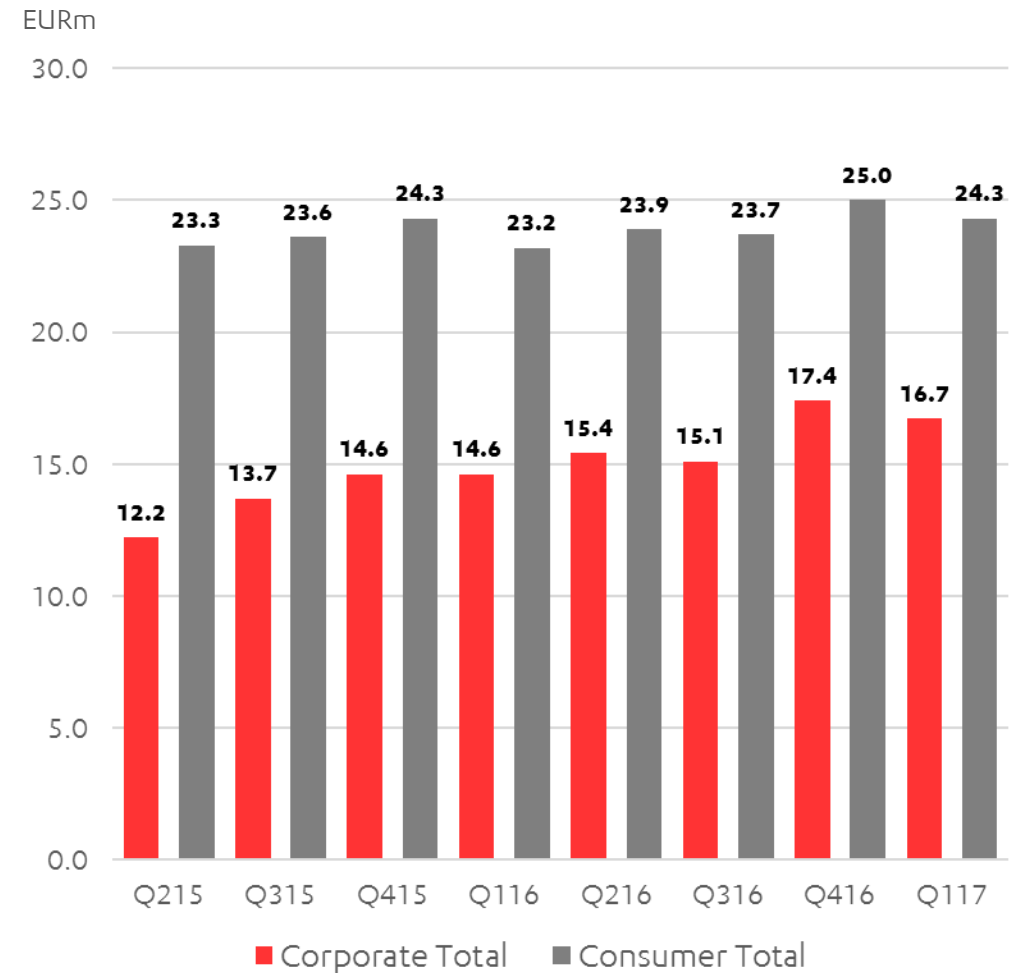
- Revenue increased by 9% y-o-y
- Total quarterly revenue 41.0m (Q116: 37.8m)



REVENUE SPLIT

January–March

- Revenue from corporate security increased by 14% totalling EUR 16.7 million (14.6m)
- Revenue from consumer security increased by 5% and was EUR 24.3 million (23.2m)
- Corporate and consumer security represented 41% (39%) and 59% (61%) of total revenue respectively



PROFITABILITY

January–March

- EBIT 1.6m, 4% of revenues (Q116: 3.2m, 8%)
- Earnings per share (EPS) for continuing operations EUR 0.01 (EUR 0.01)
- EPS EUR 0.01 (EUR 0.02) for the Group including discontinued operations

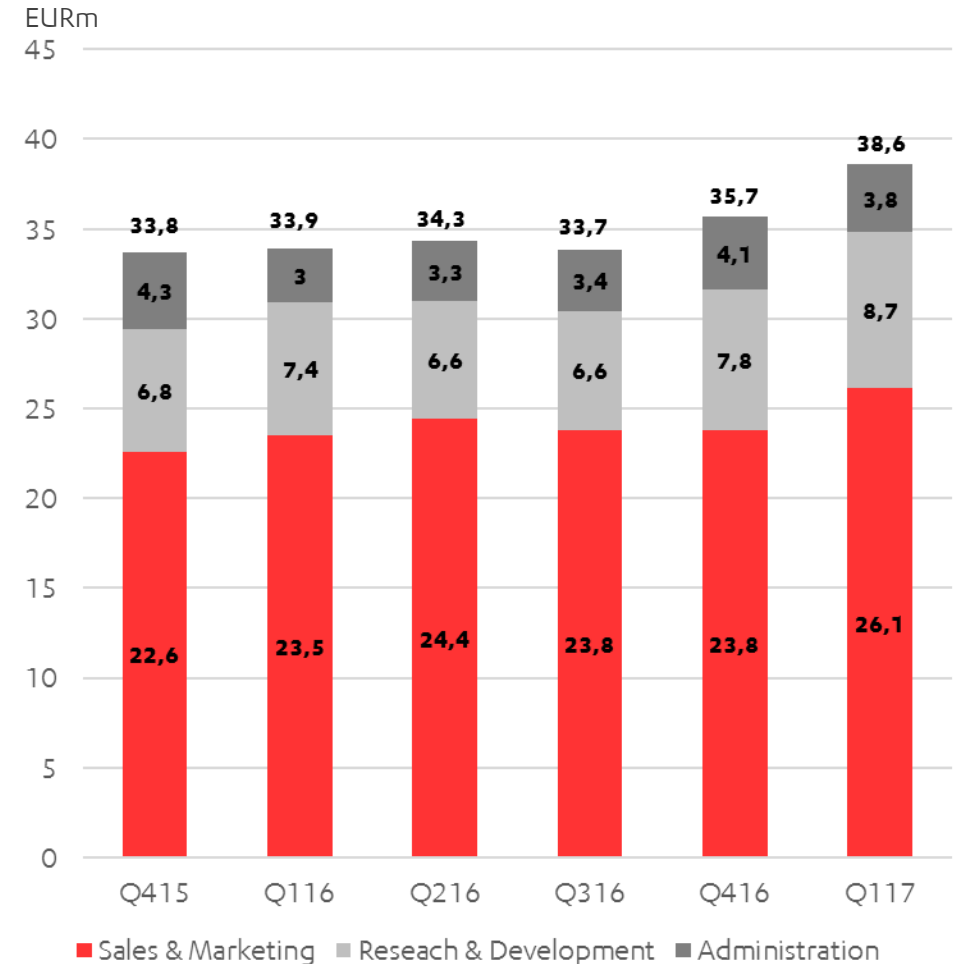


FIXED COSTS

January–March

Fixed costs 38.6m (Q116: 33.9m), +14% y-o-y

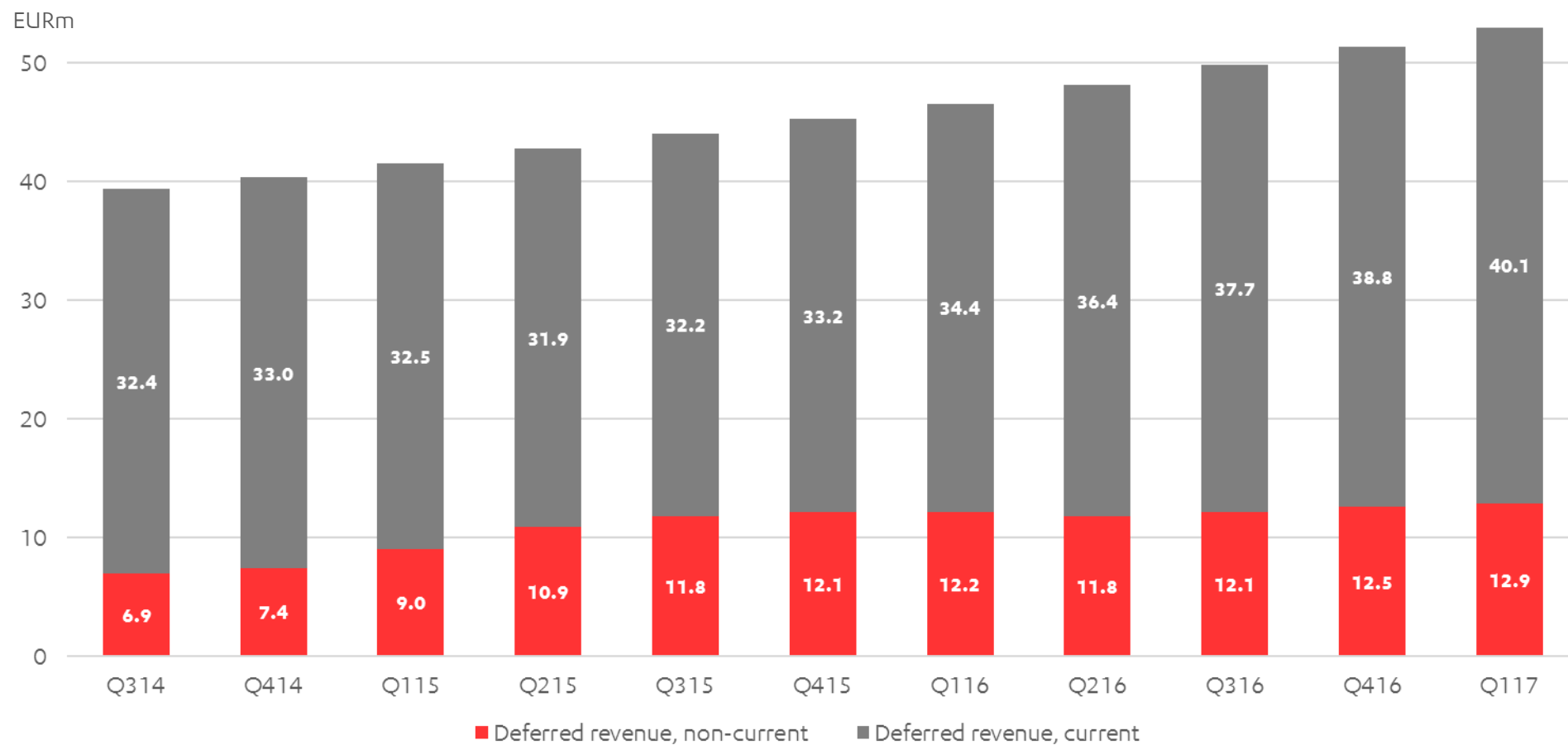
- The increase was driven by costs incurred as a result of significant recruitment in corporate security
- Depreciation and amortization increased to 1.4m (Q116: 1.3m)
- Capitalized development expenses were 0.7m (Q116: 0.4m)



DEFERRED REVENUE

31 March 2017

- Deferred revenue increased by 13% to EUR 56.3m (EUR 49.7m), continuing positive development*



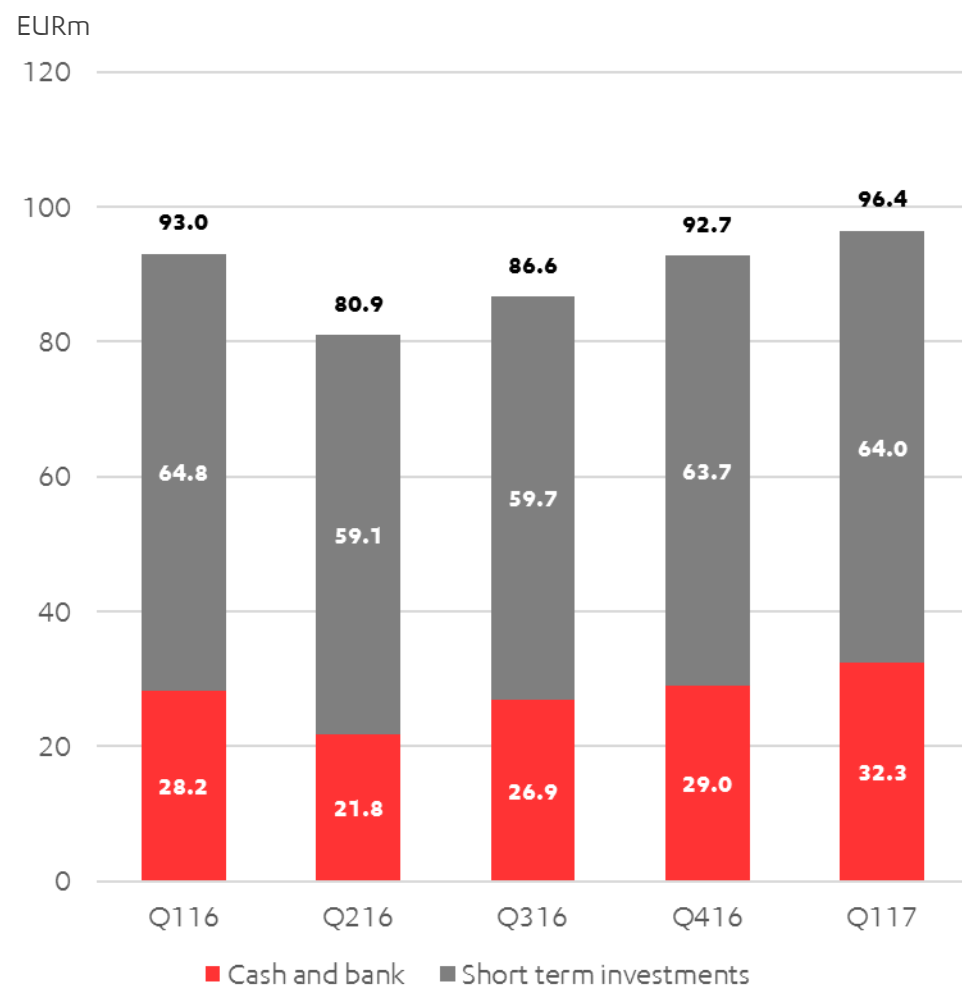
*figure shows 4-qtr rolling average deferred revenue

SOLID CASH POSITION

January–March

Q1 cash flow from operations was EUR 5.5m (Q116: -1.1m)

- F-Secure's financial position remained solid.
- Gearing ratio was 124.5% negative (116.2% negative)
- Net working capital developed positively during the reporting period, whereas the comparison period cash flow was negatively impacted by repayments of foreign tax credits on withholding taxes from 2009–2011.

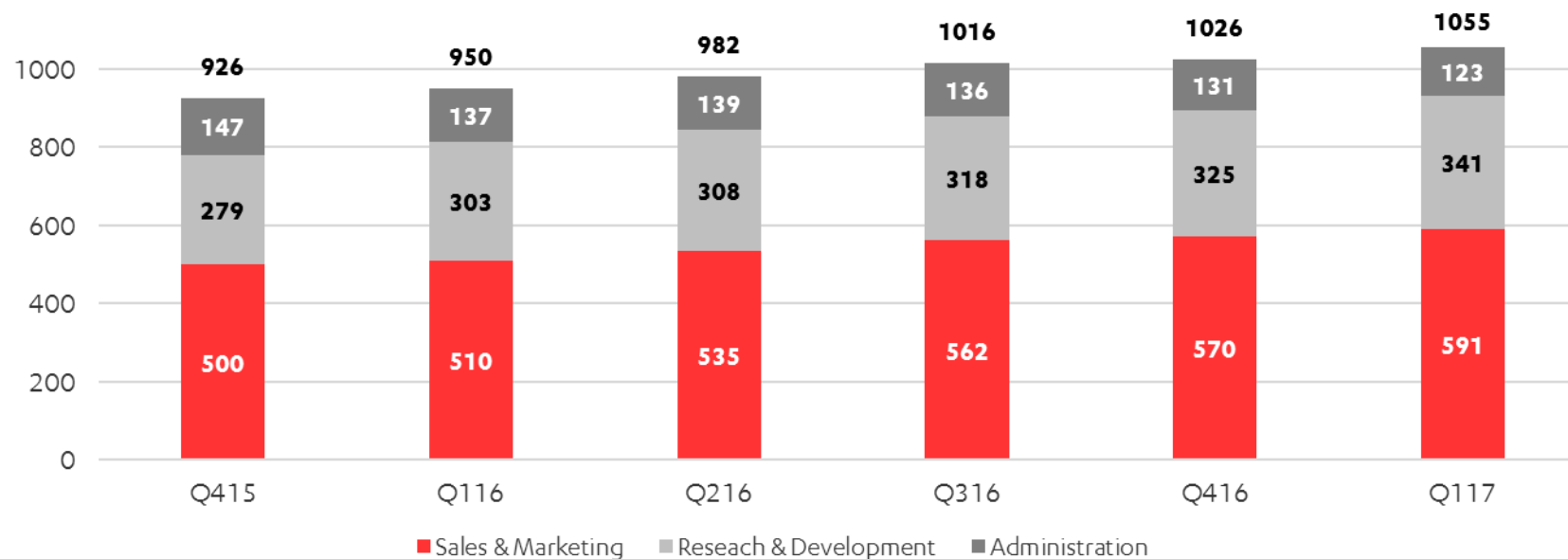


NUMBER OF PERSONNEL

January–March

Investments reflected in headcount growth

- F-Secure's substantial investments reflected in the headcount development in Q1
 - Net headcount increase during Q1 +29 personnel
- The company's headcount at the end of Q117 was 1,055 (+105 from Q116)

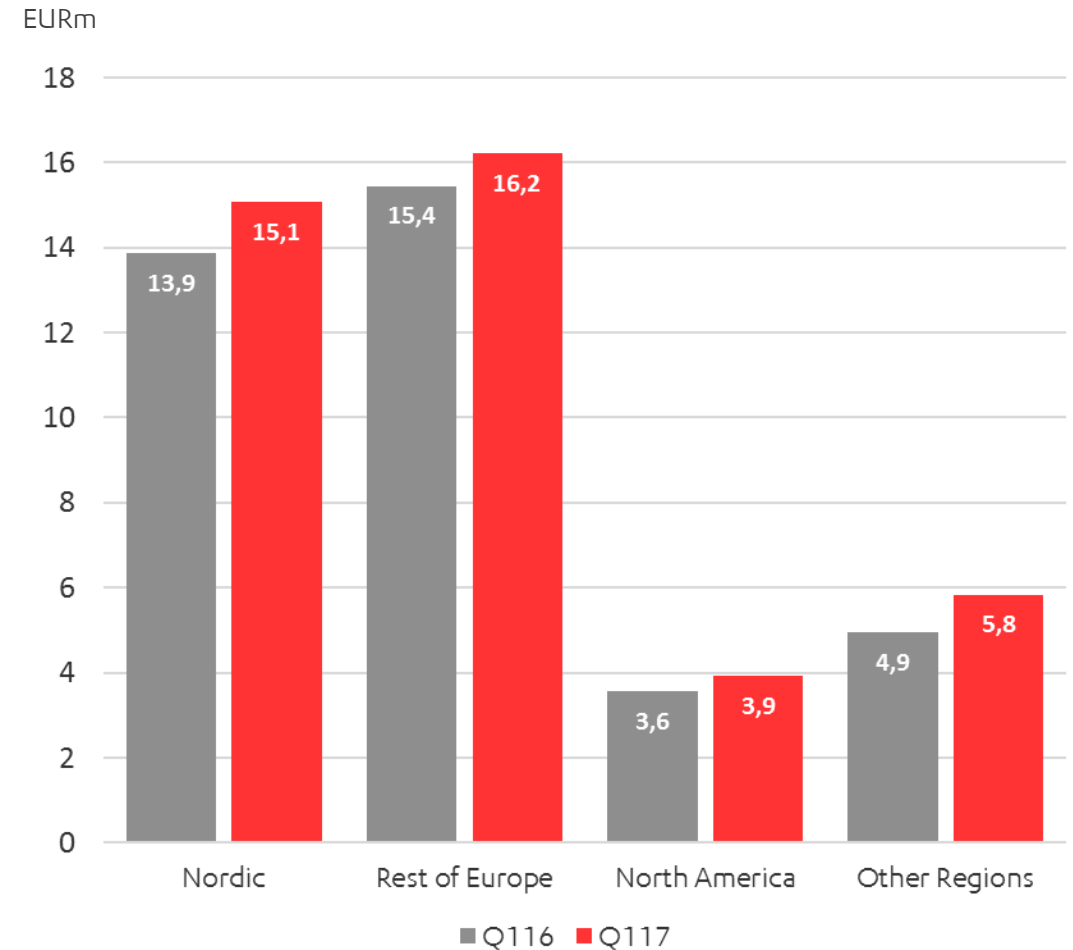


REGIONAL REVENUE

January–March

Revenue growth across all regions

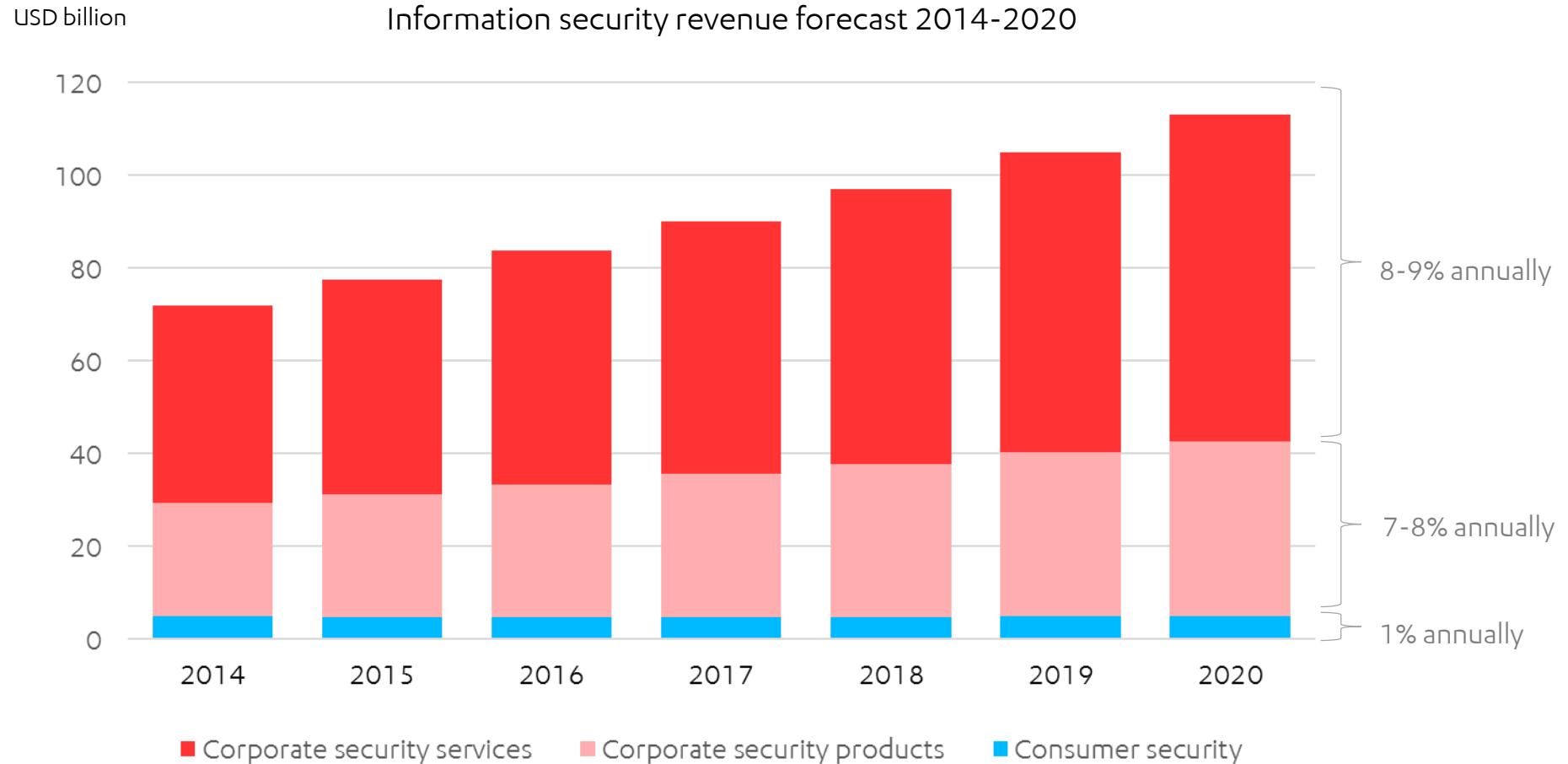
- Revenue in the Nordic countries grew more than EUR 1 million relative to the comparison period
- All other regions saw growth between EUR 0.4m (North America) and 0.9m (Rest of the world)



FREQUENTLY USED SLIDES

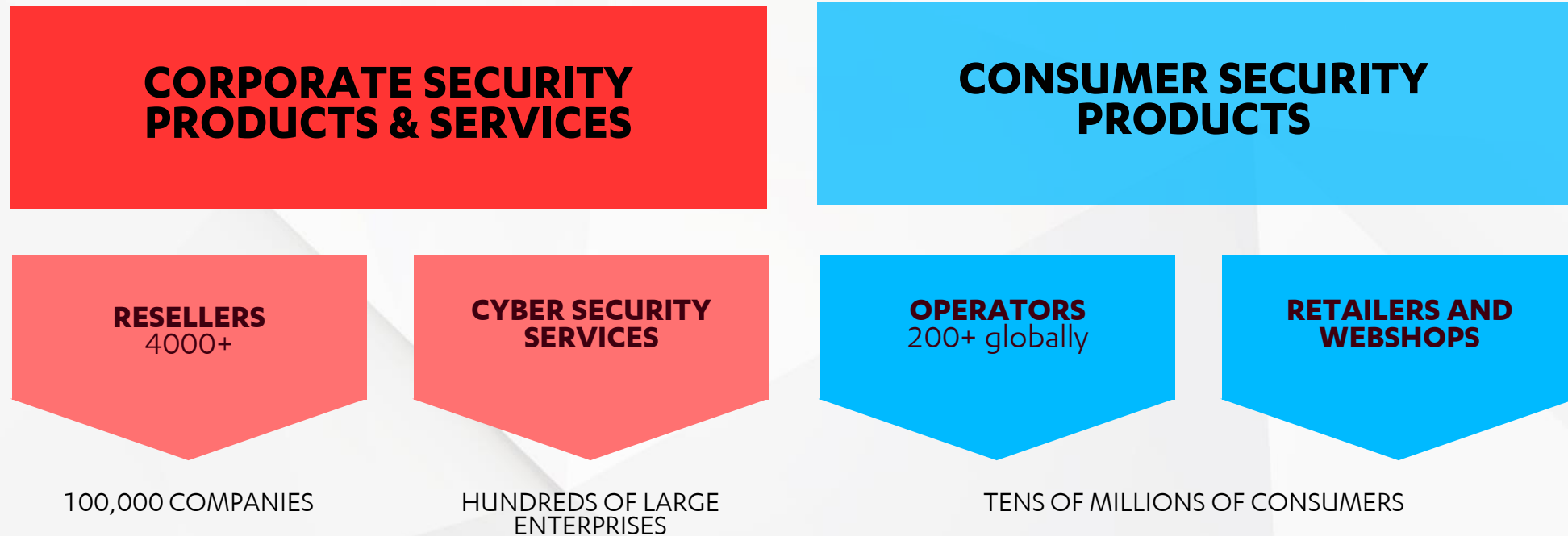


CORPORATE SECURITY CONTINUES TO DRIVE THE GROWTH



Source: Gartner, January 2017

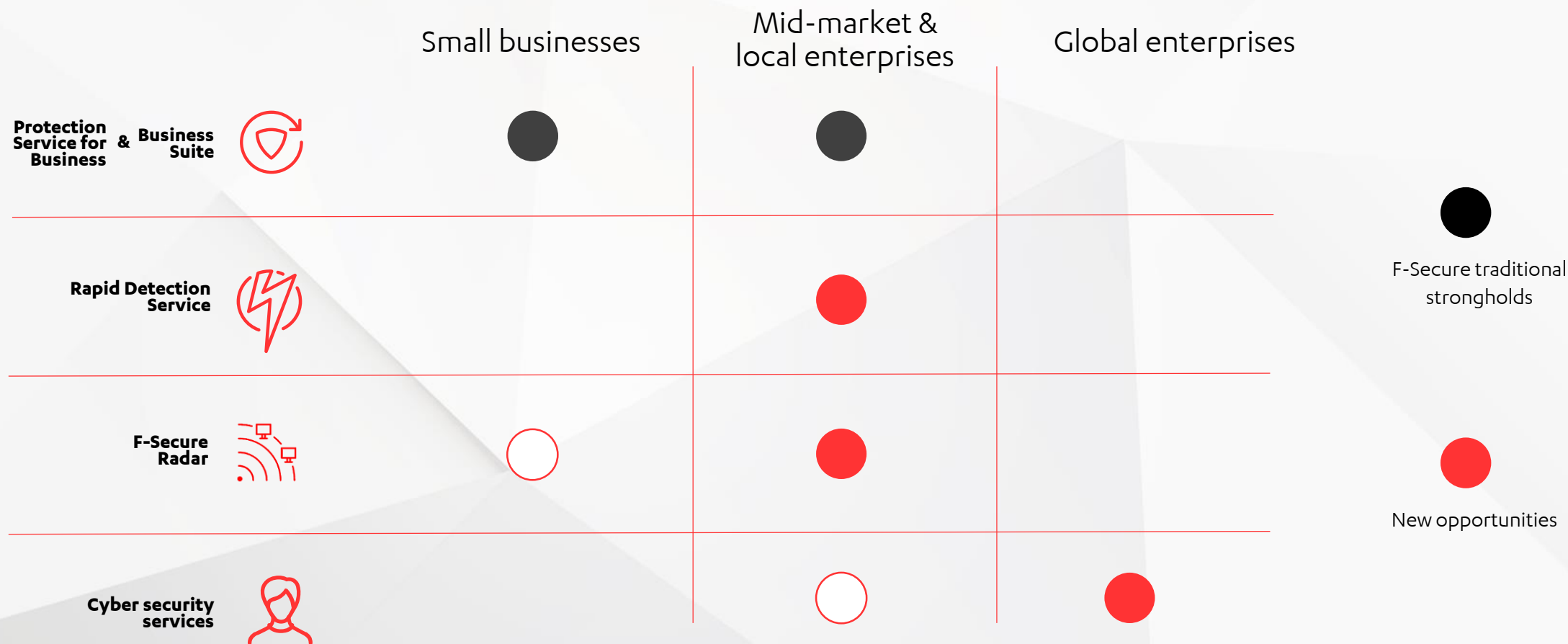
WE HAVE A STRONG SCALABLE BUSINESS MODEL



EXTENDED OFFERING ENABLES CROSS-SELLING AND SUPPORTS PRODUCT DEVELOPMENT



EXPANDED OFFERING ALLOWS US TO EXPAND INTO NEW CORPORATE CUSTOMER SEGMENTS



INCREASING FOCUS ON DETECTION CREATES NEW OPPORTUNITIES IN THE ENDPOINT MARKET



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