Samu Konttinen, CEO

Q3 / 2017

CORPORATE SECURITY REVENUE UP BY 11% – GOOD GROWTH CONTINUED

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AGENDA

Key takeaways from Q3

Key figures

Business updates

Outlook

Financials

FAQ

All figures refer to continuing operations unless otherwise stated.

F-Secure.

REVENUE INCREASES BY 6% IN Q3

"Good progress with new corporate security products underlined our on-going transformation."

CORPORATE SECURITY UP BY 11%

- Product sales in above market growth, new solutions performed well
- Services in very fast double-digit growth, gained new customers and expanded existing accounts
- Order intake growing clearly faster than revenue

CONSUMER SECURITY UP BY 2%

- Direct sales in accelerating growth, good performance with Freedome and F-Secure Total
- Operator revenue flat, weakening in South America

F-Secure.

KEY FIGURES

EUR m	7–9/2017	7–9/2016	Change	1–9/2017	1–9/2016	Change	1–12/2016
Revenue	41.0	38.8	6 %	125.3	115.9	8 %	158.3
of which corporate security	16.8	15.1	11 %	52.3	45.1	16 %	62.5
of which consumer security	24.2	23.7	2 %	72.9	70.8	3 %	95.8
Operating profit (EBIT)	3.3	4.5	-27 %	7.2	12.3	-42 %	19.2
% of revenue	8 %	12 %		6 %	11 %		12 %
Profit before taxes	3.5	4.5	-23 %	8.4	13.2	-36 %	20.8
Earnings per share (EUR) [1]	0.02	0.02	4%	0.05	0.06	-13%	0.10
Deferred revenue				56.0	50.4	11 %	54.3
Cash and available-for-sale financial assets				81.1	86.6	-6 %	92.7
Personnel, end of period [1]				1,060	1,016	4 %	1,026

[1] Includes both continuing and discontinued operations

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EXPANDED PORTFOLIO OF PRODUCTS AND SERVICES CREATES BUSINESS OPPORTUNITIES

KEY TRENDS

- ✓ New regulation
- ✓ Cyber attacks increasing in volume and complexity

CUSTOMER NEED

- ✓ Robust threat prevention
- ✓ Real-time threat detection and incident response
- ✓ Vulnerability assessment
- ✓ Cyber security expertise
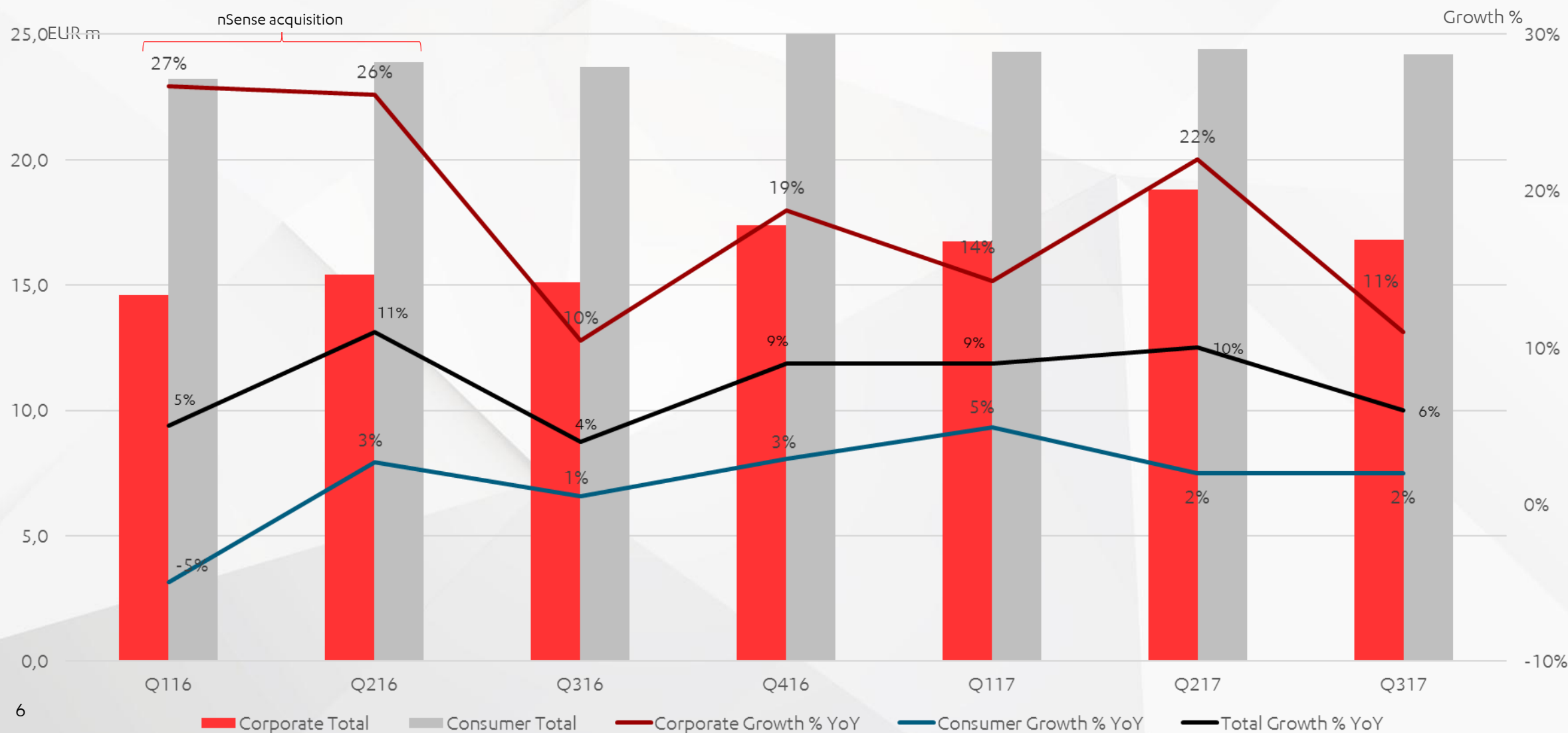
INCREASING DEMAND FOR

- Endpoint protection
- Rapid Detection Service
- F-Secure Radar
- Cyber security services

CORPORATE SECURITY CONTINUES TO DRIVE GROWTH DESPITE SEASONALITY

nSense acquisition

25,0 EUR m

Growth %

Corporate Total   Consumer Total   Corporate Growth % YoY   Consumer Growth % YoY   Total Growth % YoY

Q116   Q216   Q316   Q416   Q117   Q217   Q317

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DEFERRED REVENUE GROWS FASTER THAN REVENUE

Growth %

Revenue growth % yoy   Deferred revenue growth % yoy

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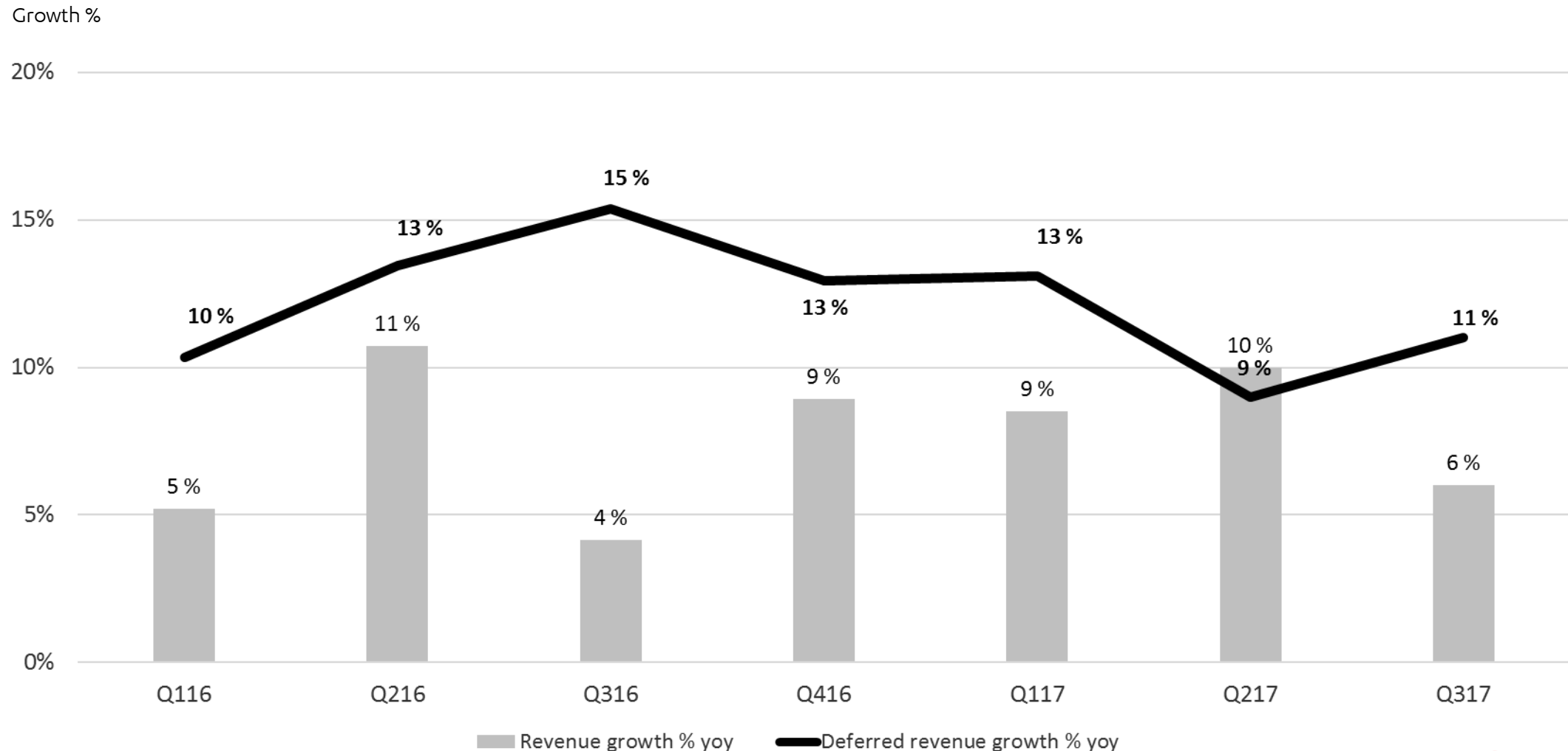
INVESTMENTS ARE VISIBLE IN OUR PROFITABILITY

EUR million

% of revenue

Announced in Q4/2016: *"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"*

Legend: ■ EBIT — EBIT, % of revenue

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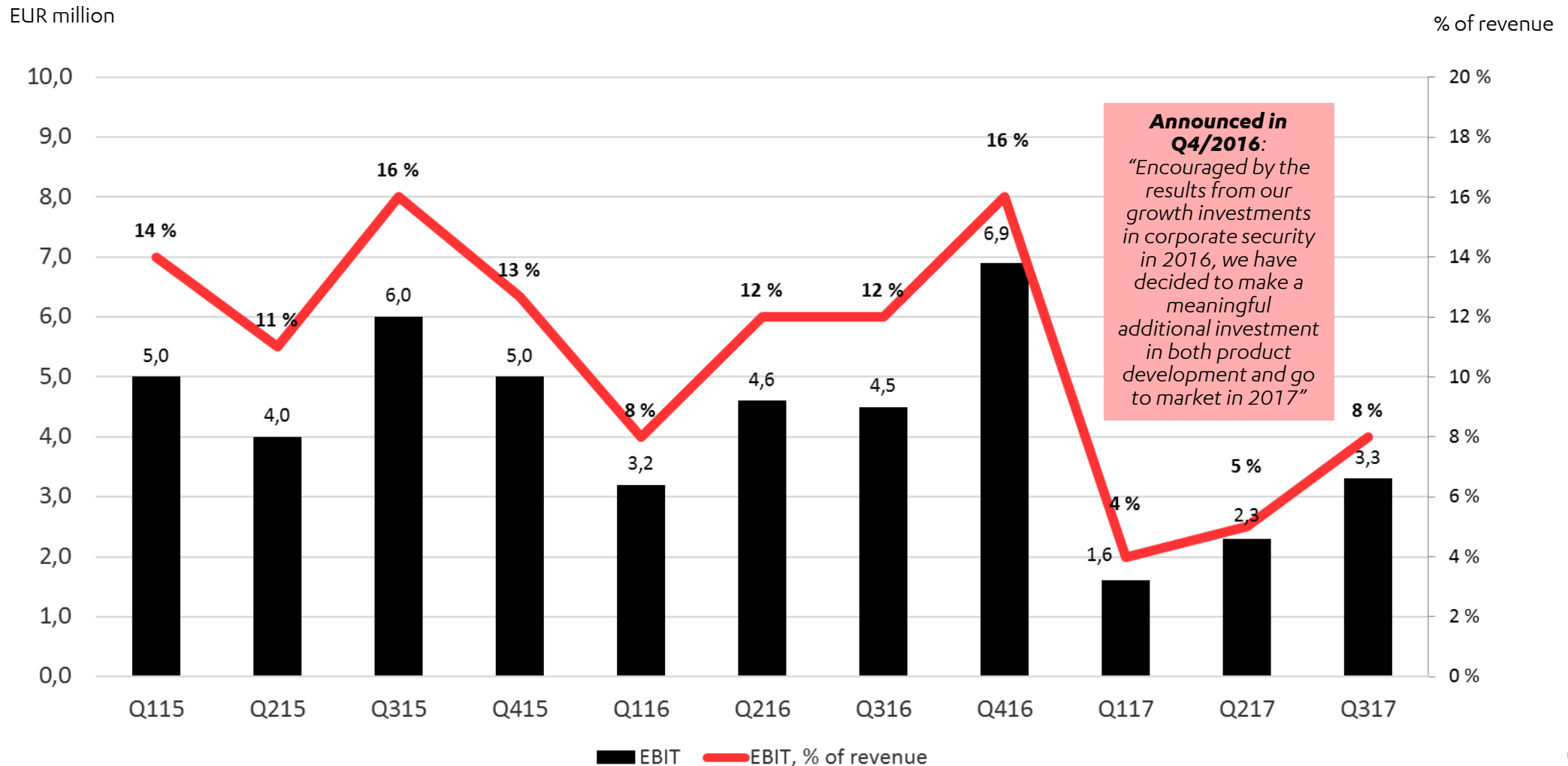
CORPORATE SECURITY REVENUE UP BY 11% IN Q3

CORPORATE SECURITY PRODUCTS

- Endpoint security product revenue in above-market growth, but country-level performance mixed

- Customer acquisition continued at a solid pace, renewals and upsells slightly above last year's level

- Positive progress with Rapid Detection Service (RDS), significant win in Germany

- Regional sales expansion continued with F-Secure Radar, first deals in Italy and India

CYBER SECURITY SERVICES

- Very strong double-digit revenue growth

- New significant wins and expanded accounts with existing customers

- Majority of revenue coming from Denmark, Finland and UK – share of order intake coming from other countries also increasing

F-Secure.

CONSUMER SECURITY UP BY 2% IN Q3

OPERATOR CHANNEL

- Revenue at previous year's level
- Overall improvement of product activation rates continues
- Weakening in South America

DIRECT SALES

- Revenue growth continues to outpace the market – order intake growth accelerated for the 10th consecutive quarter
- Growth driven by F-Secure SAFE and FREEDOME – both separately as well as combined into F-Secure TOTAL
- F-Secure SENSE continued progress – good media reviews, but revenue impact limited

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F-SECURE CONTINUES ITS TRANSFORMATION

OUR HISTORY

F-SECURE TODAY

Pure
endpoint
protection
player

✓ **Broad offering of cyber security services and corporate security products**

✓ **Continued investments in sales & marketing and product development to support growth**

✓ **Expansion of the partner network**

F-SECURE HAS A STRONG EMPLOYER BRAND

IT-ala		
Yritys	Sijoitus 2017	Sijoitus 2016
Google	1.	1.
Kone	2.	9.
Reaktor	3.	2.
F-Secure	4.	6.
Supercell	5.	3.
Suunto	6.	16.
OP Ryhmä	7.	12.
Vincit	8.	7.
Rovio	9.	17.
Siili Solutions	10.	18.

"In the IT sector, companies which improved most were **F-Secure**, Suunto and OP Group."

TOP10 employers in IT:
https://universumglobal.com/rankings/finland/

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

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FINANCIALS
Q3 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.

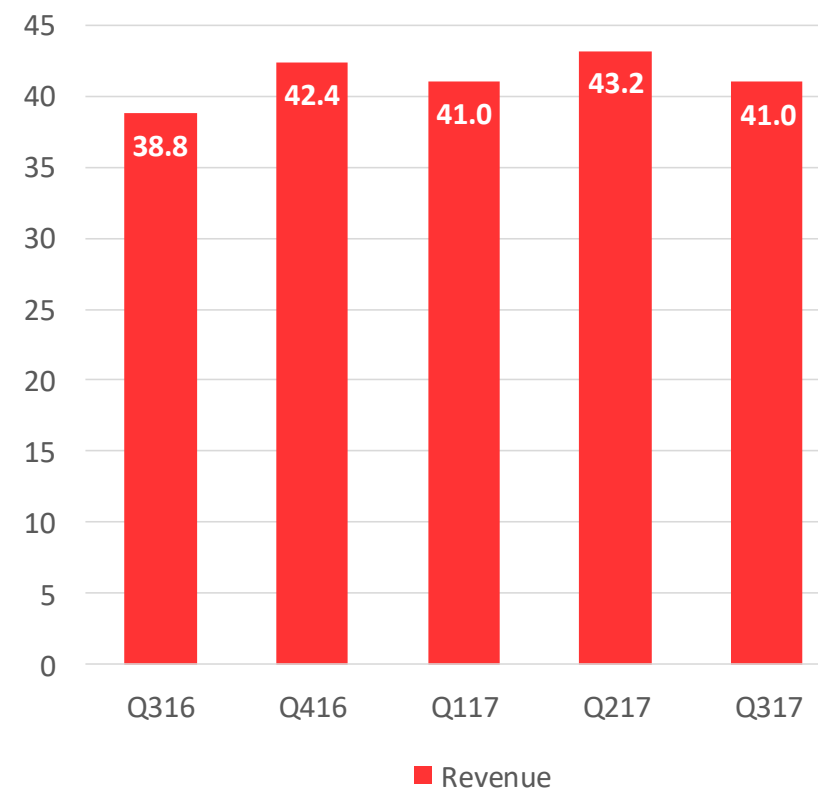**F-Secure.**

REVENUE

July–September

- Revenue increased by 6% y-o-y
- Total quarterly revenue 41.0m (Q316: 38.8m)

January–September

- Revenue increased by 8% y-o-y
- Total revenue 125.3m (115.9m)

EURm

Quarter	Revenue
Q316	38.8
Q416	42.4
Q117	41.0
Q217	43.2
Q317	41.0

■ Revenue

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F-Secure.

REVENUE SPLIT

July–September

- Revenue from corporate security increased by 11% totalling EUR 16.8 million (15.1m)

- Revenue from consumer security increased by 2% and was EUR 24.2 million (23.7m)

- Corporate and consumer security represented 41% (39%) and 59% (61%) of total revenue respectively

January–September

- Revenue from corporate security increased by 16% totalling EUR 52.3 million (45.1m)

- Revenue from consumer security increased by 3% and was EUR 72.9 million (70.8m)

- Corporate and consumer security represented 42% (39%) and 58% (61%) of total revenue respectively

EURm

	Q116	Q216	Q316	Q416	Q117	Q217	Q317
Corporate Total	14.6	15.4	15.1	17.4	16.7	18.8	16.8
Consumer Total	23.2	23.9	23.7	25.0	24.3	24.4	24.2

■ Corporate Total   ■ Consumer Total

F-Secure.
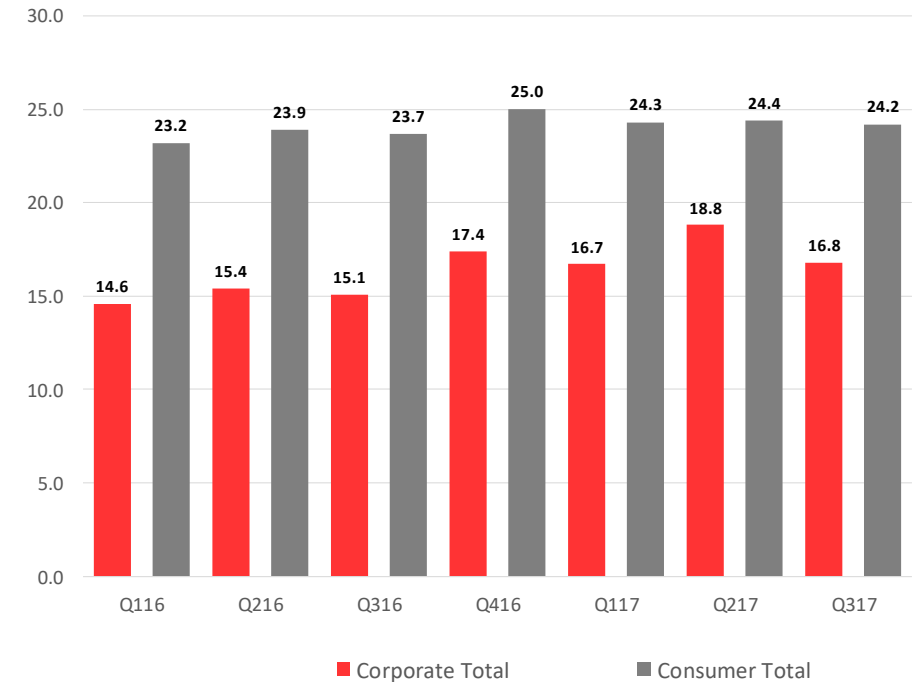
PROFITABILITY

July–September

- EBIT 3.3m, 8% of revenue (4.5m, 12%)
- Earnings per share (EPS) EUR 0.02 (EUR 0.02, EUR 0.02 including discontinued operations)

January–September

- EBIT EUR 7.2m, representing 6% of revenue (12.3m, 11%)
- Earnings per share (EPS) EUR 0.05 (EUR 0.06, EUR 0.06 including discontinued operations)

EURm

	Q316	Q416	Q117	Q217	Q317
EBIT	4.5	6.9	1.6	2.3	3.3
EBIT %	12 %	16 %	4 %	5 %	8 %

EBIT   EBIT %

F-Secure.
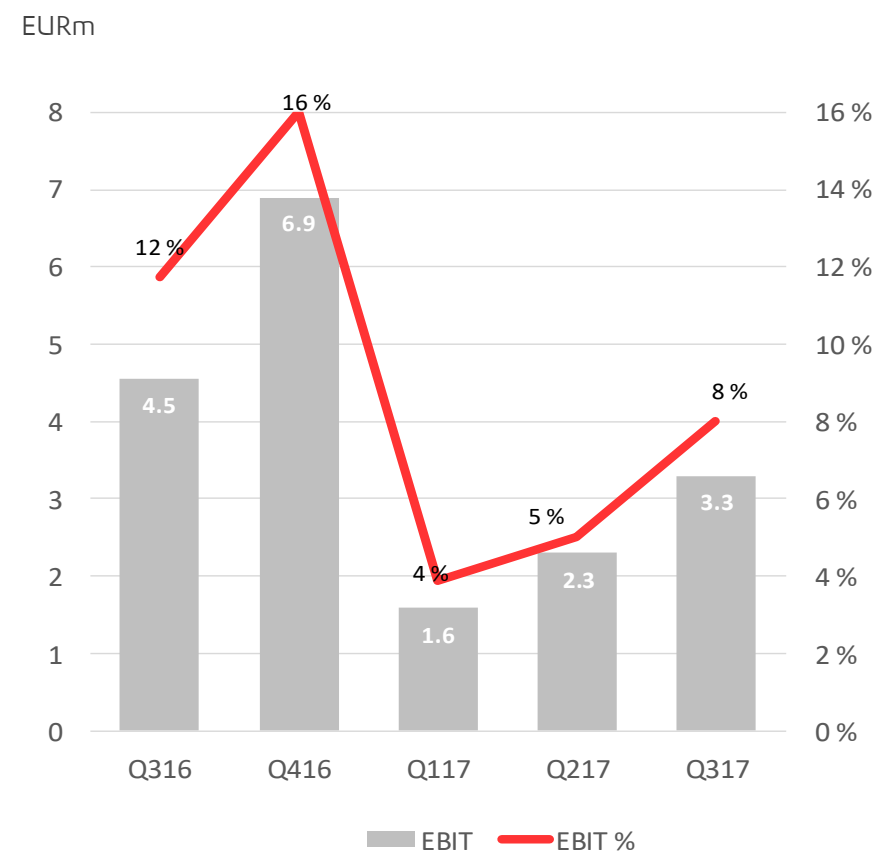
FIXED COSTS

July–September

Fixed costs 35.9m (Q316: 33.7m), +6% y-o-y

- Key drivers behind the increase were recruitments in corporate security, the impact of share-based incentive programs
- Depreciation and amortization increased to 1.7m (Q316: 1.3m)
- Capitalized development expenses were 1.1m (Q316: 0.7m)

January–September

Fixed costs 114.4m (Q316: 101.9m), +12% y-o-y

- Key drivers behind the increase were recruitments in corporate security and the impact of share-based incentive programs
- Depreciation and amortization increased to 4.5m (Q316: 4.0m)
- Capitalized development expenses were 2.9m (Q316: 2.1m)

EURm

	Q316	Q416	Q117	Q217	Q317
Total	33,7	35,7	38,6	39,9	35,9
Administration	3,4	4,1	3,8	3,9	3,3
Research & Development	6,6	7,8	8,7	8,8	8,6
Sales & Marketing	23,8	23,8	26,1	27,3	24,0

■ Sales & Marketing ■ Reseach & Development ■ Administration

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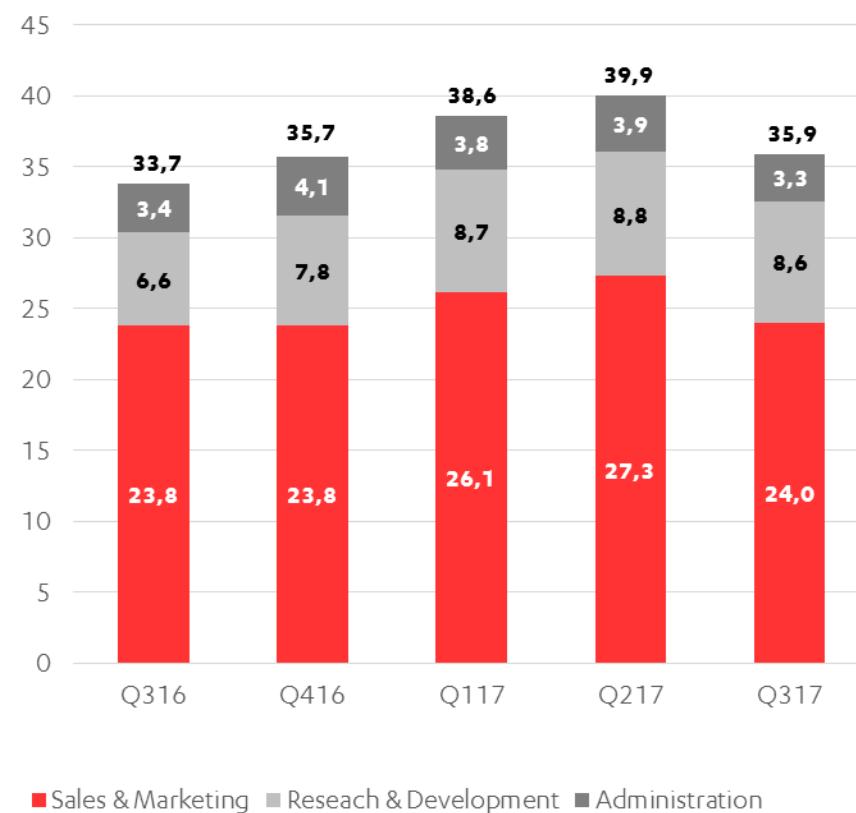
DEFERRED REVENUE

30 September 2017

- Deferred revenue increased by 11% to EUR 56.0m (EUR 50.4m), continuing positive development*

EURm

	Q315	Q415	Q116	Q216	Q316	Q416	Q117	Q217	Q317
Deferred revenue, current	32.2	33.2	34.4	36.4	37.7	38.8	40.1	40.3	40.7
Deferred revenue, non-current	11.8	12.1	12.2	11.8	12.1	12.5	12.9	13.9	14.8

■ Deferred revenue, non-current   ■ Deferred revenue, current
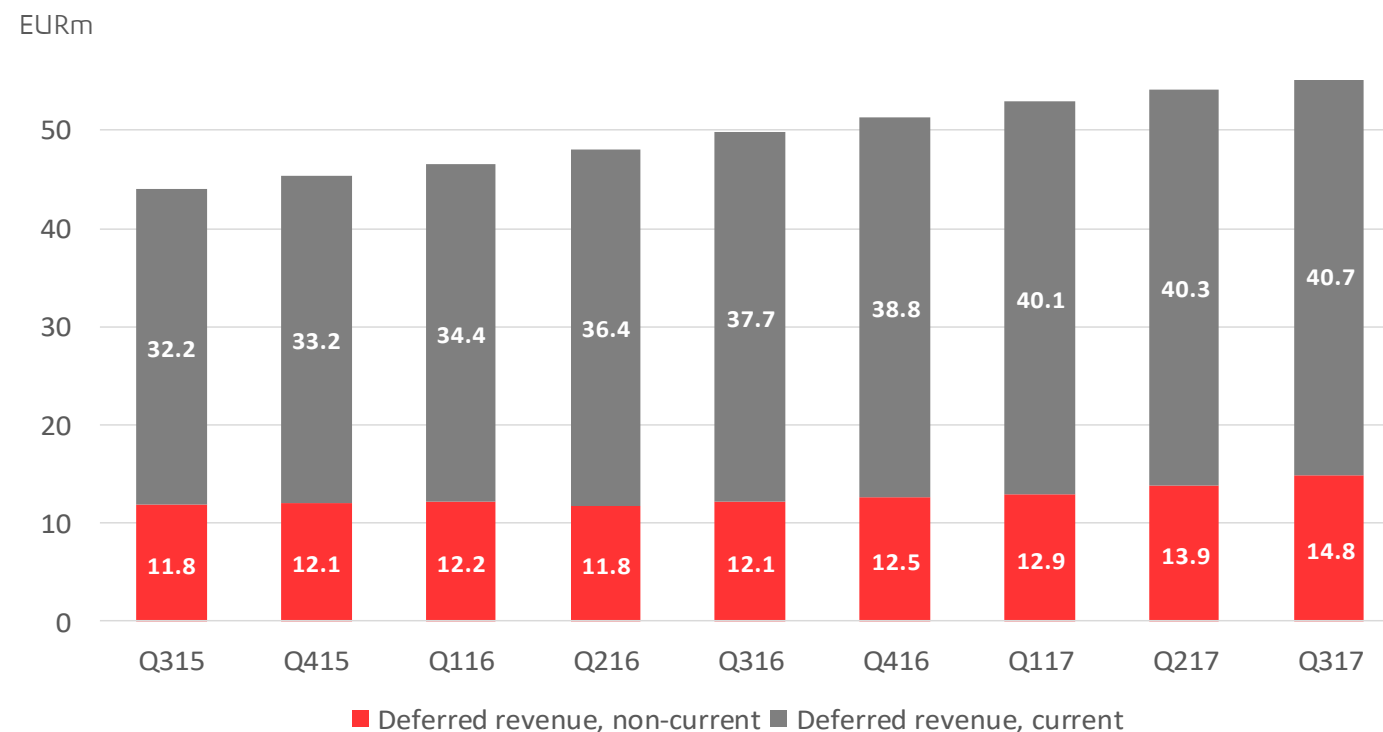
*figure shows 4-qtr rolling average deferred revenue

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SOLID CASH POSITION

July–September

Cash flow from operations was EUR 1.3 million (6.8m)

- F-Secure's financial position remained solid

- The decline in cash flow compared to comparison period in 2016 was mainly due to M&A related payments

- Gearing ratio was 121.6% negative (123.4% negative)

January–September

Cash flow from operations was EUR 14.7 million (12.3m)

EURm

	Q216	Q316	Q416	Q117	Q217	Q317
Total	80.9	86.6	92.7	96.4	80.7	81.1
Short term investments	59.1	59.7	63.7	64.0	54.6	53.8
Cash and bank	21.8	26.9	29.0	32.3	26.1	27.3

■ Cash and bank   ■ Short term investments

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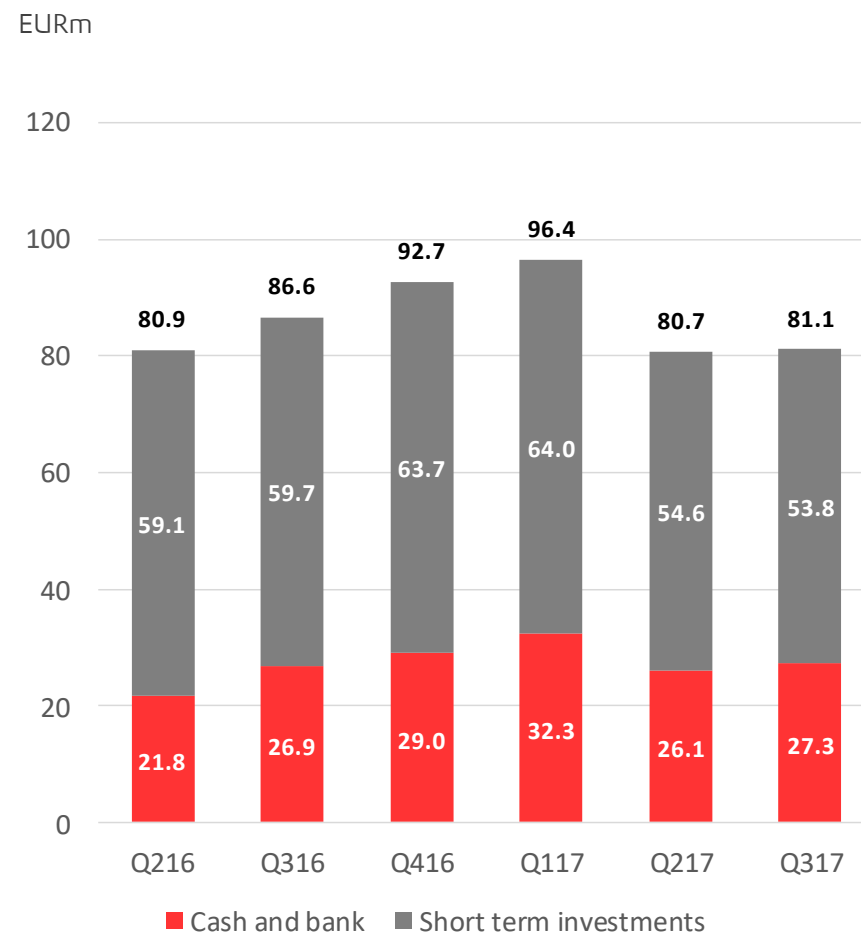
NUMBER OF PERSONNEL

July–September

- Net headcount decrease during Q3 was -31 persons
- The company's headcount at the end of Q317 was 1,060 (+44 from Q316)

	Q116	Q216	Q316	Q416	Q117	Q217	Q317
Total	950	982	1016	1026	1055	1091	1060
Administration	137	139	136	131	123	121	107
Research & Development	303	308	318	325	341	350	344
Sales & Marketing	510	535	562	570	591	620	609

■ Sales & Marketing ■ Reseach & Development ■ Administration

F-Secure.
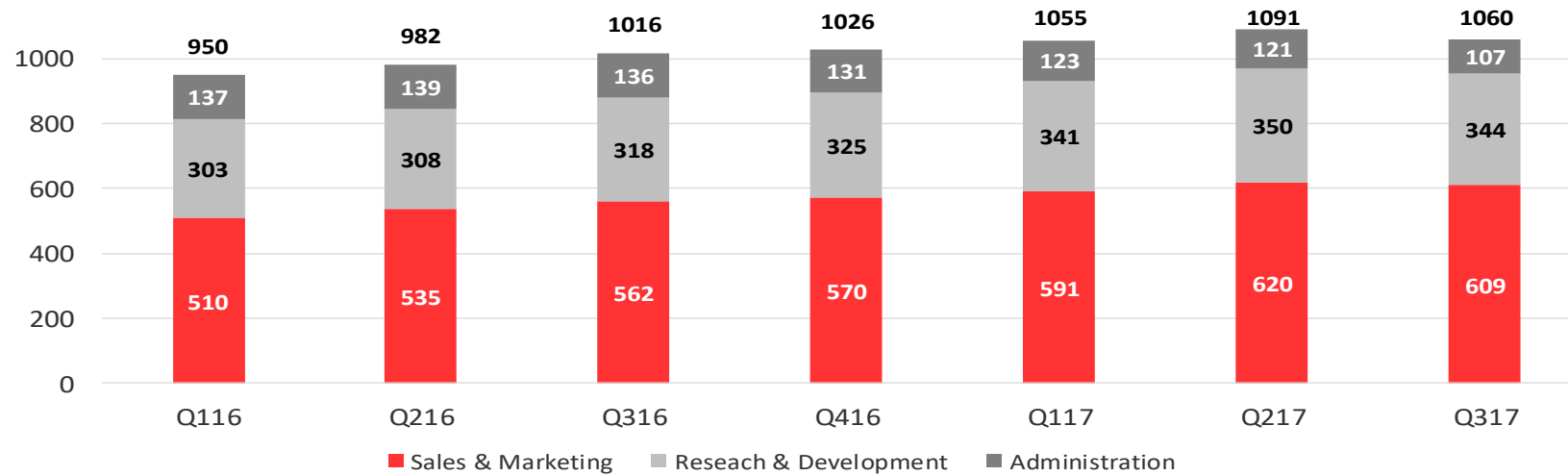
REGIONAL REVENUE

July–September

Revenue growth across all regions

▪ Revenue growth in European countries was EUR 2.1m relative to the comparison period

EURm

Chart showing regional revenue (EURm) for Q316 and Q317:

Region	Q316	Q317
Nordic	13.7	14.7
Rest of Europe	16.1	17.3
North America	3.5	3.8
Other Regions	5.4	5.2

■ Q316 ■ Q317

F-Secure.
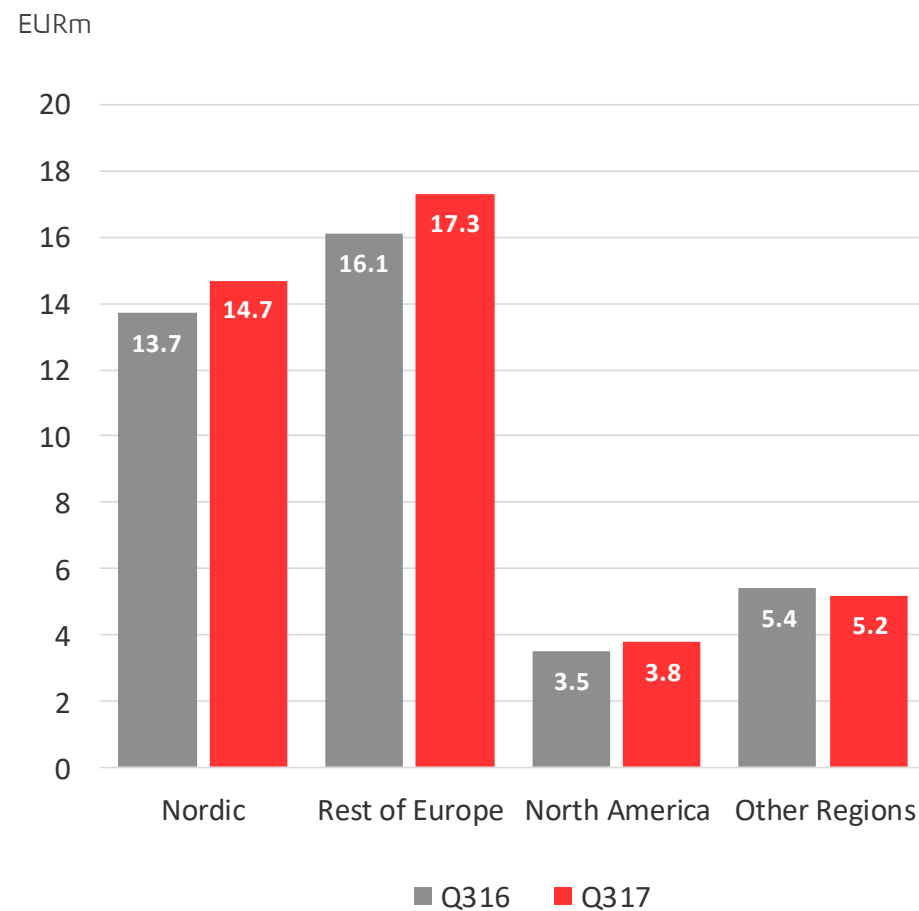
FREQUENTLY USED SLIDES

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HIGH LEVEL TRENDS IN SECURITY

EXPANDING ATTACK SURFACE

DISAPPEARING PERIMETERS

SOPHISTICATED ATTACKS

HIGHTENED RISK AWARENESS

F-Secure.

SEVERAL FACTORS DRIVE DEMAND

Targeted attacks - almost anything seems possible

The cloud industry grows – vulnerable with simple encryption

Email continues to be a popular attack vector

Ransomware for the cloud era and IoT?

Emerging attacks for IoT

Governmental cyber strikes

EU's General Data Protection Regulation (GDPR) - increasing fines for poor security governance

CORPORATE SECURITY CONTINUES TO DRIVE THE GROWTH

USD billion

Information security revenue forecast 2015-2021

+9% annually

+7% annually

1-2% annually

■ Corporate security services   ■ Corporate security products   ■ Consumer security
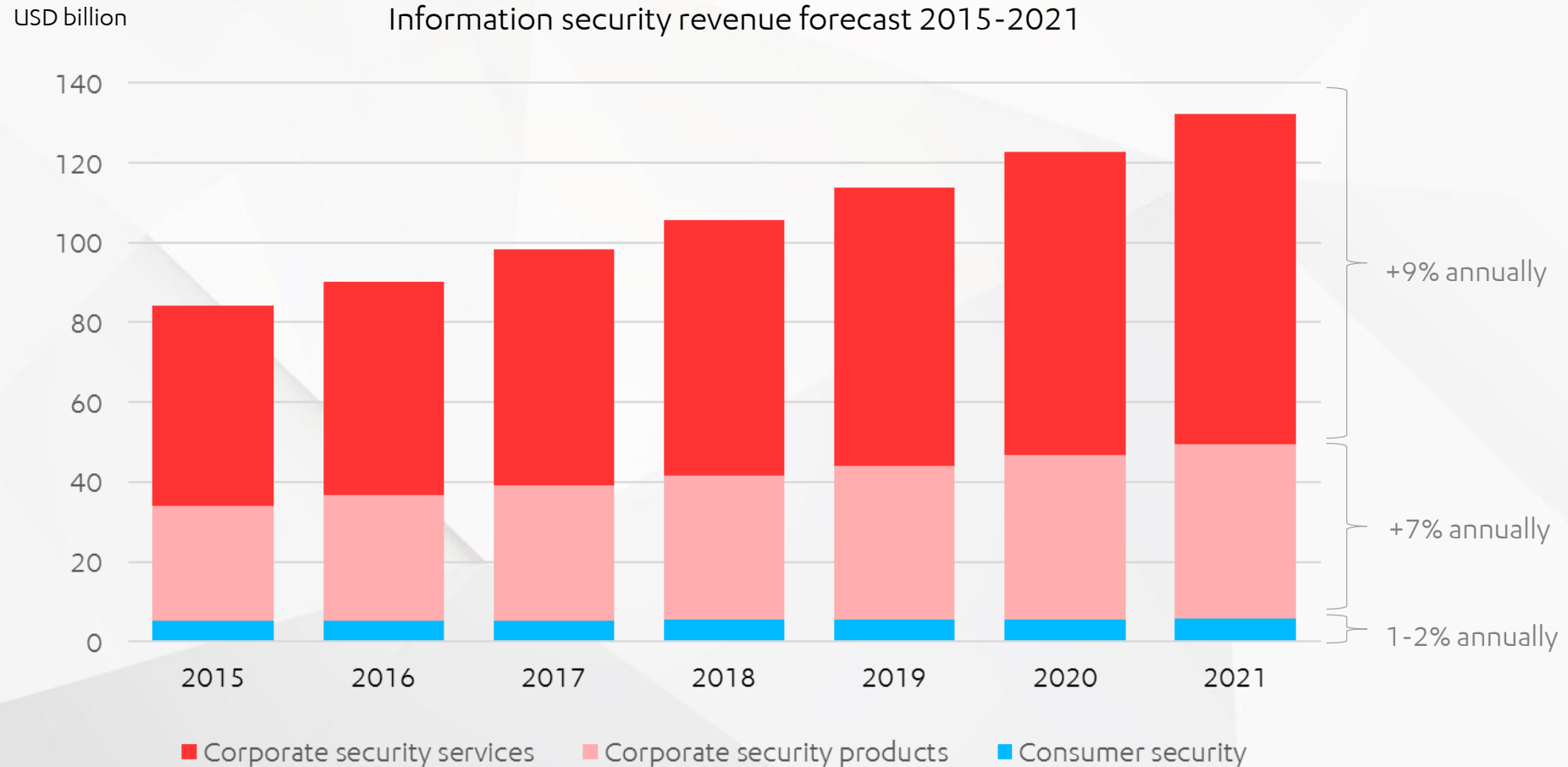
Source: Gartner, August 2017

F-SECURE'S APPROACH TO CYBER SECURITY

Understand your risk, know your attack surface, uncover weak spots

Minimize attack surface, prevent incidents

React to breaches, mitigate the damage, analyze and learn

Recognize incidents and threats, isolate and contain them

PREDICT

PREVENT

RESPOND

DETECT
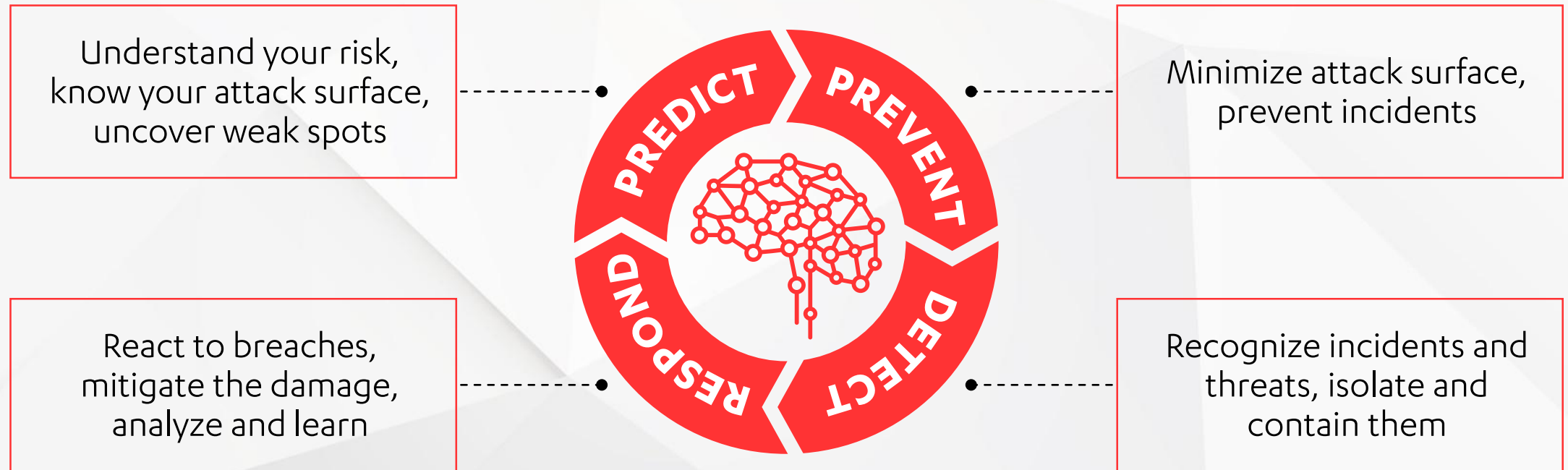
EXTENDED OFFERING ENABLES CROSS-SELLING AND SUPPORTS PRODUCT DEVELOPMENT

CYBER SECURITY EXPERTS

SECURITY TECHNOLOGY

Our world-renowned labs research team, security consultants and ethical hackers constantly feed new lessons, insights and tactics from their frontline experiences into our solutions

Our **Live Security-**approach combines the latest human expertise with scalable, automated software to rapidly and continuously improve the security of Europe's fastest growing businesses.

Our tens-of-millions of security solutions out in the field detect and block known and unknown threats. They feed real-time threat information back to our Security Cloud, to ensure it is immediately available to all our products and services

F-Secure.

WE HAVE A STRONG SCALABLE BUSINESS MODEL

CORPORATE SECURITY PRODUCTS & SERVICES

CONSUMER SECURITY PRODUCTS

RESELLERS
4000+

CYBER SECURITY SERVICES

OPERATORS
200+ globally

RETAILERS AND WEBSHOPS

100,000 COMPANIES

HUNDREDS OF LARGE ENTERPRISES

TENS OF MILLIONS OF CONSUMERS
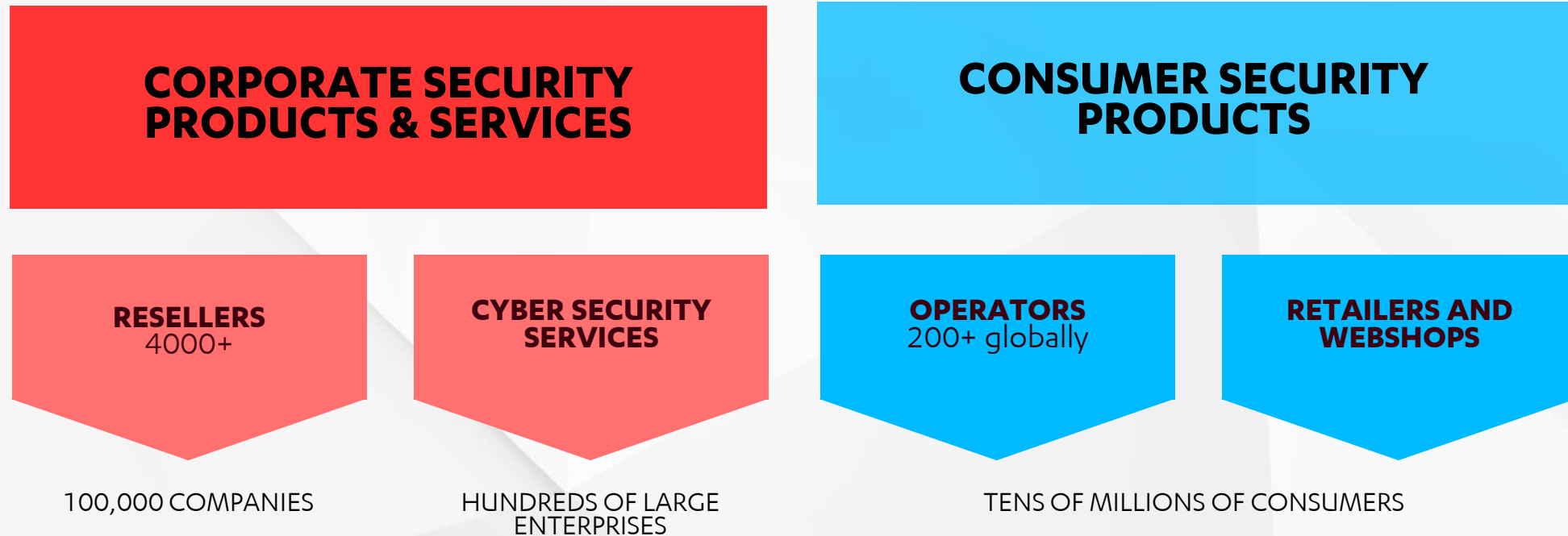
F-Secure.®

F-SECURE'S CYBER SECURITY OFFERING FOR COMPANIES

EXPANDED OFFERING ALLOWS US TO EXPAND
INTO NEW CORPORATE CUSTOMER SEGMENTS

	Small businesses	Mid-market & local enterprises	Global enterprises
Protection Service for Business & **Business Suite**	●	●	
Rapid Detection Service		🔴	
F-Secure Radar	⚪	🔴	
Cyber security services		⚪	🔴

● F-Secure traditional strongholds

🔴 New opportunities

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INCREASING FOCUS ON DETECTION CREATES
NEW OPPORTUNITIES IN THE ENDPOINT MARKET

Endpoint Protection
Platforms (EPP)
market

**Protection
Service for
Business** & **Business
Suite**

Endpoint Detection &
Response (EDR)
market

**Rapid
Detection
Service**

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

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F-SECURE'S CYBER SECURITY OFFERING FOR CONSUMERS

Endpoint Security
- F-Secure SAFE

Password Management
- F-Secure Key

VPN
- F-Secure Freedome

IoT – Connected homes
- F-Secure SENSE

IN CONSUMER SECURITY INCREASED BUNDLING
WITH OPERATOR PARTNERS

TOTAL SECURITY AND PRIVACY

F-SECURE SAFE + **F-SECURE FREEDOME**

200+ OPERATOR PARTNERS

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

F-Secure.

HOW DOES SENSE PROTECT YOU?

At home
SENSE creates a secure network for all your connected things

On the go
your devices are protected with the SENSE app

Total privacy and security both at home and when on the go

F-Secure.

SENSE @ HOME

Own or operator provided router

Ethernet
OR
Wi-Fi connection

F-Secure SENSE

Ethernet
AND/OR
Wi-Fi connection

F-Secure.