

April 27, 2012 at 9.00

## F-SECURE CORPORATION - INTERIM REPORT JANUARY 1 – MARCH 31, 2012

**SOLID REVENUE GROWTH CONTINUED DRIVEN BY THE OPERATOR CHANNEL,  
GOOD INTERNET SECURITY SALES, PROFITABILITY SATISFACTORY**

### Highlights in Q1

- Total revenues grew by 12% reaching level of 38.4 million (Q12011: 34.1m)
- Revenue growth in the operator channel continued; grew 21% reaching revenues of 22.6 million (18.7m); revenue growth was driven by healthy internet security sales and content cloud subscriber sales
- EBIT was 5.4 million representing 14% of revenues (5.5m, 16% of revenues)
- Earnings per share was EUR 0.02 (EUR 0.02)
- Cash flow from operations was 7.7 million positive (7.1m)
- Content Cloud business progressed with a new contract with one major European operator and launch of Content Anywhere, a solution to save, sync and share digital content

Outlook for 2012 – the management has revised the annual estimation for the year.

- Annual revenue growth is expected to be between 5% and 10% and EBIT expected to be around 15% of revenues. This is due to possible delays in the content cloud business. (Previous guidance was the following: Annual revenue growth is expected to be around 10% and EBIT expected to be around 15% of revenues).

(This report is unaudited. Unless otherwise stated the comparisons refer to the corresponding period a year ago. The currency is euro. The Content Cloud business is included in the Operator channel figures.)

Key figures	2012	2011	2011
(Eur Million)	1-3	1-3	12m
Revenues	38.4	34.1	146.0
Operating profit	5.4	5.5	23.6
% of revenues	14%	16%	16 %
Profit before taxes	5.2	5.3	23.5
Earnings per share (Eur)	0.02	0.02	0.11
At the end of period:			
Deferred revenues			
Equity ratio, %	73%	60%	68%
Debt-to-equity ratio, %	-49%	-80%	-47%
Personnel	975	851	942

**President and CEO Christian Fredrikson:**

“Our financial performance in Q1 was satisfactory showing revenue growth of 12% and profitability of 14% of revenues. The growth was driven by the operator channel and supported by a slight increase in channel sales. This gives us a solid base for the whole year.

In Q1, we have signed a new content cloud delivery agreement with one of the major European operators. This service is expected to be launched to the public during latter half of 2012. Our content cloud revenue continues its growth. This was driven by subscriber based revenues while project revenue remained at same level as a year ago and was lower than anticipated. We see that the content cloud business offers us a substantial business opportunity longer term. On the other hand this business is still in its early stage; negotiations with operators, project deliveries and ramping up the subscriber volumes take time. This may delay or create fluctuations in our revenue growth.

Our security sales through operators progressed very well, showing a robust double digit revenue growth. Our entry in Latin America has been successful in security and content cloud businesses. We have experienced there faster take-up rate than in any other emerging market. We believe that our upcoming announcements with new Telefonica subsidiaries will support the continuation of solid security revenue growth in the coming quarters.

In my view, the Company is in a solid position to execute the strategy and to deliver profitable growth in the future.”

**F-Secure business during January – March 2012**

Total revenues for the first quarter of 2012 were 38.4 million representing growth of 12% (34.1m, 9%). Revenue growth through the operator channel continued strong with 21% growth from the previous year reaching revenues of 22.6 million (18.7m). Revenues through the other channels developed positively, grew by 2% totaling 15.8 million (15.4m). EBIT was 5.4 million (5.5m), representing 14% of revenues (16%). Earnings per share were EUR 0.02 (EUR 0.02). Cash flow from operations was 7.7 million positive (7.1m positive). Deferred revenues were 38.5 million at the end of March (37.5m) due to good sales in the license business.

Total fixed costs were 31.4 million (27.2m), 16% higher than in the previous year. In the first quarter, F-Secure also capitalized some of its R&D expenses according to accounting rules, totaling 1.8 million (1m). The cost increases were allocated to well progressing geographic expansion in Latin America, R&D to increase the competitiveness of security and content cloud solutions. The cost level was also impacted by increased depreciations from the past capitalized expenses (R&D activations, software, hardware) and decreased capitalization of development work (compared to Q4 2011).

At the end of March, the geographical breakdown of revenues was as follows: Finland and Scandinavia 31% (33%), Rest of Europe 45% (45%), North America 10% (10%) and Rest of the World 14% (12%).

### **Operator channel and its performance in Q1**

The Operator channel, which includes Internet service providers, mobile operators and cable operators, is the main channel through which F-Secure services are delivered. F-Secure has more than 200 partners in over 40 countries with an addressable market of over 250 million fixed and mobile broadband customers. The total number of F-Secure's operator partners is significantly larger than that of any other security service vendor.

F-Secure provides, through Operators, security and content cloud services that are easy and intuitive to use for mainstream consumers. This channel utilizes Operators' presence and brand to reach millions of consumers in a cost efficient and scalable way. F-Secure provides its Operator partners with services that enable them to compete with other Internet players. By selling and offering security and content cloud services, the Operator can improve its ARPU (average revenue per user) and margins and reduce churn.

F-Secure currently generates a majority of its revenues from the Security as a Service business where Operators sell security service subscriptions to protect their customers against Internet threats. The revenues are shared by F-Secure and the Operator. Revenue growth in this area has been driven by increasing security subscriber numbers within the existing and new operator partner customer base. This has been supported by the growth of fixed and mobile broadband connections, natural demand for security services as well as relatively low take-up rates. Internet security services for smartphones and tablet devices currently generate a small portion of F-Secure and market wide volumes. The mobile security landscape has started to change recently due to smartphone and tablet sales growth.

Content cloud services, for example cloud-based storage, sharing and synchronization, are expected to become a major business opportunity for the software industry. The use of social media is increasing and people seek services for sharing, storing and organizing their personal data. In the future, nearly every device that creates or stores data, including desktop and laptop computers, tablets, smartphones and digital cameras, will be backed up over the Internet. The overall interest in content cloud services among Operators is prominent as they have realized the business opportunity. To compete with other Internet players, Operators are looking for services that match the demand. Operators' advantage is their ability to manage the continuously diverging multi-device, multi-OS environment. Also, they are able to bring services to the masses and provide support for these services.

F-Secure's entry into content cloud services has strengthened the Company's position as a strategic partner to the Operators. Overall interest in the content cloud business among Operators is high. Currently, F-Secure has tens of Operators that are offering content cloud services, mostly standard

on-line backup. In addition, with regard to more advanced cloud services like file synchronization and sharing, F-Secure has several prospects in the pre-sales phase. This business model is evolving. Usually the Operator offers limited capacity for free to the end user and charges for premium services. F-Secure charges the Operator a per-user fee for subscribers to the services. In addition to subscriber based revenues, additional revenue streams originate from optional features and functionalities, capacity usage, project deliveries and related customizations. F-Secure's revenues from content cloud subscriber services is at a relatively low level, but the management expects revenues to gradually increase as a growing number of operators will offer content cloud services to their customers together with increasing take-up rates.

F-Secure has increased its investments, mostly in the content cloud business but also in security services. In addition to new mainstream operating systems, such as Android, iOS and Windows, the Company is investing in platform development. These investments ensure the scalability and competitiveness of these services and allow Operators to offer F-Secure services, both PC and mobile, to a wide subscriber base.

During Q1, security sales developed strong in several European countries, APAC and Latin America showing robust double-digit revenue growth. Additional operator partner launches in several Latin America countries are expected to take place in the coming quarters. These long-term regional partnerships enable F-Secure to reach major wireless and mobile broadband markets with its Internet protection and content cloud services.

During Q1, the Company signed a new content cloud delivery agreement with one of the major European operators. This service is expected to be launched to the public during the latter half of 2012. In Q1, this had only a minor impact on the project revenues. The Company's co-operation with AT&T works well while experiencing delays with the launch. The Q1 financials include some revenues from the AT&T project revenues and the initial commitment of subscriber revenues. The total revenue growth (YoY) of the content cloud business comes from the growth of subscriber revenues. The project revenues were at the same level as a year ago.

In the first quarter of 2012, sales through Operator business partners continued buoyant and totaled 22.6 million (18.7m), representing 59% of F-Secure's total revenues (55%). Revenue growth was 21% compared to the corresponding quarter in 2011 and negative 7% to the previous quarter as project revenues were substantially lower than in Q4.

### **Other channels in Q1**

Other channels consist mainly of traditional license sales to consumers through eStore and retail, i.e. new licenses and renewals of Internet security and online backup for PCs and mobile devices. The other channels business also includes a wide range of Internet security services to corporate customers through the global reseller network. Sales in traditional channels continued slightly better

than anticipated; especially eStore business grew well. Customer satisfaction in security services continued at a high level, which was visible in healthy license renewal sales.

During the first quarter, revenues grew by 2% reaching 15.8 million (15.4m). These other channels represented 41% of F-Secure's total revenues (45%).

### **Products, services and technologies**

F-Secure develops and sells Internet security and content cloud services that support personal computers, servers and an increasing set of major smartphone and tablet operating systems. Services include broad security suites like anti-virus, anti-theft, browsing protection and parental control as well as content cloud services like on-line back-up, syncing and sharing.

F-Secure is investing further in the content cloud business and in security services. In addition to mainstream operating systems, such as Android, iOS and Windows, the Company is investing in platform development. These investments ensure the scalability and competitiveness of services and allow Operators to offer F-Secure services, both PC and mobile, to a wide subscriber base.

Cloud computing has for the past few years been at the center of the company's technology strategy and choices. F-Secure uses cloud for two purposes: for Real-time Protection Network and for content cloud. Real-time Protection Network moves certain processing and memory intensive functions from the end-user device to the cloud, making the client software one of the fastest in the industry. Furthermore, by harnessing the collective intelligence of client systems, the real-time protection network is able to detect and react to new emerging threats a magnitude faster, and to provide protection to different device categories, such as smartphones. This technology provides reputations of files, sites and URLs and is utilized broadly in F-Secure solutions.

F-Secure has made significant investments in content cloud technology. F-Secure's carrier-grade cloud storage platform gives F-Secure the scalability and flexibility to tackle even the most complex requirements of the largest operators in the world, while at the same time making small deployments feasible to enable new solutions to be trialed in a fast and incremental manner.

The combination of security and content cloud-based technologies will in the future allow F-Secure to create new and innovative solutions for personal computers, smartphones and other devices.

F-Secure puts emphasis on user experience design when developing services. User experience designers, marketers and developers utilize consumer research, focus groups and usability tests to explore consumer needs and validate new product and service prototypes with consumers, thereby ensuring that they are appealing and usable when introduced to the public. User experience along with technical performance are crucial for the commercial success of solutions and services.

During the first quarter of 2012 the key product announcements were as follows:

In March, F-Secure introduced Safe Infinity, which is offered through operator partners. F-Secure Safe Infinity safeguards irreplaceable content while enabling a secure online life. Safe Infinity covers all the functionalities available from F-Secure's Internet security service such as anti-virus, firewall, spam protection and parental control as well as backup and restore functionality via the cloud.

In March, F-Secure launched Safe Anywhere, a unique offering which allows consumers to obtain full protection of their computers, smart phones and tablets in one single service through their local operators. Safe Anywhere is embedded with F-Secure's protection from viruses, spam, phishing and other kinds of malware and cyber attacks. F-Secure Safe Anywhere combines F-Secure Protection Service for Consumers and F-Secure Mobile Security. Safe Anywhere supports PCs, Macs and mobile devices running Android, Blackberry, iOS and Symbian.

In February, F-Secure introduced its entry into the content cloud space with its F-Secure Content Anywhere. F-Secure Content Anywhere synchronizes a user's content in the cloud, making it accessible on any device including PC's, smart phones, tablets and connected digital TV's, anywhere and anytime of the day. Consumers' ease of use is paramount when accessing their content from more than one device and therefore the user interface will be uniform across all connected devices. Operators will be able to offer a safe personal cloud to their customers to save, sync and share their digital content.

### **Awards**

F-Secure's products and services succeeded well in tests run by various test reviewers. F-Secure Client Security received the AV-TEST Best Protection 2011 award in the corporate product category in January 2012. F-Secure Internet Security 2012 received the AV-Comparatives Top Rated award in January 2012. F-Secure also got excellent results in AV-TEST's Malware Protection for Android -test run in March 2012.

### **Market situation**

During the quarter the internet security space experienced no significant changes in the competitive landscape or in pricing levels. Usual signs of price competition are evident in some countries in the security market, especially in traditional license business. Commercial interest in the content cloud business is picking up with the introduction of new cloud services to the market. Many of F-Secure's traditional competitors are also entering the content cloud business.

F-Secure's competitive position in the Operator channel has remained strong. The growth of fixed and mobile broadband access supports the position of Operators in providing internet security and content cloud services.

## Personnel and organization

F-Secure's personnel totaled 975 at the end of Q1 (851). The number of personnel has continued to increase especially in sales and marketing, project delivery and R&D in respect to content cloud business.

Currently, the Executive Team consists of the following persons: **Christian Fredrikson** (President and CEO), **Ari Alakiuttu** (Vice President, Human Resources), **Tuomas Hyyryläinen** (Vice President, Strategy and M&A), **Samu Konttinen** (Vice President, Sales and Marketing), **Maria Nordgren** (Vice President, Channels), **Pirkka Palomäki** (Chief Technology Officer), **Kari Penttilä** (Vice President, R&D), **Patrik Sallner** (Vice President, Professional Services) and **Taneli Virtanen** (Chief Financial Officer).

## Financing and capital structure

F-Secure's financial position remained solid. F-Secure's equity ratio at the end of year was 72% (60% and 69% if dividend was paid in March) and gearing ratio was 49% negative (80% negative).

Cash flow from operations for the quarter was 7.7 million positive (7.1m positive). Net financial income was slightly negative at 0.2m, impacted by low interest income and exchange rates losses (negative 0.2m).

The Company's cash position has developed according to the longer term efficient capital management objectives. The market value on March 31, 2012 of the liquid assets of F-Secure was 31.2 million (37.1m). Changes in exchange rates did not have material impact on sales and costs.

## Capital expenditure

F-Secure's capital expenditure for the quarter was 3 million (2.5m), consisting mainly of capitalization of development expenses for Operator platforms and applications for both security and content cloud services. The capitalized development expenses were 1.8m (1m in Q1) and have decreased from Q4 (3.1m) as anticipated.

## Capital management and own shares

The objective of F-Secure's capital management is to achieve an efficient capital structure that ensures the functioning of business operations and promotes the increase of shareholder value.

Currently, the total number of own shares held at the end of March 2012 was 3,732,390 shares, corresponding to approximately 2.4% of the Company's shares and voting rights. The shares were

purchased through public trading on the NASDAQ OMX Helsinki Ltd. in accordance with its rules and at market price. These own shares were purchased in order to improve the Company's financial structure, to be used as part of the incentive compensation plan, or to be used for the purpose of making acquisitions or implementing other arrangements related to the Company's business, or otherwise assigning or cancelling the shares.

In January 2012, the company assigned a total of 274,923 shares to the 21 participants of the F-Secure share-based incentive program as a reward payment based on the achievements in the earning criteria for the 2008 earning period. The criteria set for the earnings period were Revenues and EBIT. The handover date for the shares was January 13, 2012. After the transfer, F-Secure Corporation holds a total of 3,732,390 of its own shares.

### **Shares, shareholders' equity and option programs**

During the first quarter, there were no shares subscribed with options.

The total number of Company shares is currently 158,798,739. The corresponding number of shares diluted is 160,940,348 including all stock option programs. The Company's registered shareholders' equity is EUR 1,551,311.18. More information on the stock option programs is available on the Company's Investors web pages.

### **Share-based incentive program**

In January 2012, F-Secure announced that the Board of Directors established a new share-based incentive program with earning period 2011-2013 for key employees. The purpose of these programs is to support company's strategy by aligning the interests of shareholders and key employees in order to increase the value of the company and to commit key employees to the company. The Board determines the metrics of the share-based program and may change them according to the terms and conditions of the program. Metrics for the earning period are based on results in growth of new businesses, stock performance against peer group and earnings per share against predefined objectives.

Participants in the share-based incentive program have the possibility to receive a reward of F-Secure shares and cash to cover taxes. There shall be a maximum total of 2,500,000 shares and a cash payment corresponding to the registration date value of the shares. The participants in the share-based incentive program are recommended not to sell more than 50% of the received shares and to cumulate the shares from the incentive programs until the value of the shares received from the share programs equals the annual gross base salary of the employee.

F-Secure Board of Directors established a share-based incentive program, with earning periods 2008-2010, for the company's key employees in 2008. Based on this program, reward payment from 2008 period was executed on January 13, 2012 as explained above.

## Corporate Governance

F-Secure complies with the Corporate Governance recommendations for public listed companies published by the Securities Market Association, a body established by the Confederation of Finnish Industries EK, the Central Chamber of Commerce and NASDAQ OMX Helsinki Ltd., as explained on F-Secure's web pages. F-Secure published a corporate governance statement for 2011 in the annual report and on the Company website in March 2012.

## Annual General Meeting

The Annual General Meeting of F-Secure Corporation was held on April 3, 2012. The Meeting confirmed the financial statements for the financial year 2011. The members of the Board and the President and CEO were granted a discharge from liability.

The Annual General Meeting decided to distribute a dividend of EUR 0.06 per share, which was paid to those shareholders that on the record date of April 10, 2012 were registered in the Register of Shareholders held by Euroclear Finland Ltd. The dividend was paid on April 17, 2012.

It was decided that the annual compensation remain on a previous years' level; for the chairman is EUR 55,000, for the chairmen of Executive and Audit Committee EUR 40,000 and for members EUR 30,000. Approximately 40% of the annual remuneration will be paid as company shares.

It was decided that the number of Board members would be six. The following members were re-elected: Jussi Arovaara, Sari Baldauf, Pertti Ervi, Juho Malmberg, Anu Nissinen and Risto Siilasmaa. The Board elected in the first meeting Mr. Siilasmaa as the Chairman of the Board. The Board nominated Ms. Baldauf as the Chairman of the Executive Committee and Mr. Siilasmaa and Ms. Nissinen as members of the Executive Committee. Mr. Ervi was nominated as the Chairman of the Audit Committee and Mr. Arovaara and Mr. Malmberg were nominated as members of the Audit Committee.

It was decided that auditors fee will be paid against approved invoice. Ernst & Young Oy was elected the Groups auditors. APA, Mr. Erkkä Talvinko is acting as responsible partner.

It was decided that the Board of Directors may pass a resolution to purchase a maximum of 10.000.000 shares of the Company. The amount represents approximately 6.3% of all the shares issued by the Company. The authorization would be valid for one year. The Board of Directors shall have the right to decide on other matters related to the purchase of the Company's own shares.

The Annual General Meeting authorized the Board of Directors to decide on a transfer of a maximum of 13.732.390 own shares of the Company either against consideration or without payment. The authorization would be valid for one year. The Board of Directors is authorized to transfer the shares in deviation from the shareholders pre-emptive rights (directed transfer) subject to the provisions of the

applicable law. The Board of Directors shall have the right to decide on other matters related to a transfer of own shares.

It was decided by the Annual General Meeting that the Board of Directors is authorized to decide on the issuance of shares. The amount of shares to be issued based on this authorization shall not exceed 40.000.000 shares. Board of Directors decides on all the conditions of the issuance of shares. The authorization is valid for 18 months. In connection with registering this authorization, the authorization by the AGM 2011 for a directed share issue shall be reversed.

### **Risks and uncertainties**

F-Secure has not seen material changes in risks and uncertainties during the reporting period. Uncertainty in the economic environment may impact on the growth of broadband connections and on Operators' willingness to invest in new services and may also create pricing pressure. These may have negative impact on F-Secure's security and content cloud sales. The Company continues to monitor closely the development in the economic and financial markets.

F-Secure's risks and uncertainties are related to, among other things, the competitiveness of F-Secure's product portfolio, competitive dynamics in the industry, pricing models (e.g. free services, cost of content cloud services), impact of changes in technology, timely and successful commercialization of complex technologies as new products and solutions, the ability to protect own intellectual property (IPR) in F-Secure's solutions as well as the use of third party technologies on reasonable commercial terms, subcontracting relationships, regional development in new growth markets, sustainability of partner relationships, compromising stored personal data, service quality related penalties, risk exposure from increasing contractual liability requirements and forming of the new business areas.

Due to the longevity and complexity of project deliveries in the content cloud business, project completion timelines and related revenues are more unpredictable by nature than in the traditional security services business. This may cause risks for delivery delay penalties and may cause more variability in revenue forecasts.

### **Events after period-end**

No material changes regarding the Company's business or financial position have materialized after the end of March 2012.

### **Market view**

The long term market opportunities are attractive for F-Secure. The growth of Internet users and Internet connected devices will drive demand for security and content cloud services.

The number of Internet users is growing and has passed 2 billion. The global Internet penetration has kept growing and is now over 30%; in Asia 24%, in Europe close to 60%, and in North America close to 80% (source: Internet World Stats, U.S. Census Bureau, estimated in Mar. and Dec.2011). The growth of smartphones and other Internet connected devices is expected to accelerate to tens of billions during next 10 years (source: Gigaom/ Ericson)

The global security software revenues were estimated to be \$18.8 billion in 2011 (Gartner 2011). Forecasted growth 2010-2015 for the industry is estimated to be close to 10% (CAGR). However, growth across the security segments varies greatly. The security market is undergoing rapid evolution in terms of both new delivery models with Security as a Service showing increasing popularity and new technologies being introduced (Gartner July 2011).

The volume of user generated digital content is expected to continue to increase rapidly during coming years, driven by digital photos and music. The use of social media is increasing and people look for services to share, store and control of their personal data. Parks Associates forecasts that operators providing security, storage and sharing value-added services have a revenue opportunity of \$1.03b 2012, increasing to \$4.82b during 2015.

Based on several industry analyst estimates, the Software as a Service business model is expected to continue to grow strongly and to gain more market share over traditional license sales. For Operators the Software as a Service model is a natural expansion to their other service offerings. The SaaS business offers Operators the opportunity to replace revenues lost from the provision of commoditized services and to increase loyalty in the face of competitive threats from over-the-top providers and third parties.

### **Long term objectives and strategy summary for 2012 - 14**

F-Secure's first priority is to drive growth and market expansion. F-Secure is a pioneer in Security as a Service (SaaS) business with Operators. This channel has been driving the Company's revenue growth over 10 years. Based on the company's strong technology assets in security, cloud computing and content cloud, F-Secure continues to create new innovative offerings to augment traditional security services, especially in the content cloud space.

F-Secure works together with Operators by providing security and content cloud services with which Operators can compete with Internet players. The Company's large operator network covers over 200 operator partners in over 40 countries with an addressable market of over 250 million fixed and mobile broadband customers. In addition, F-Secure's close co-operation with major mobile phone vendors and mobile phone operators provides good opportunities to benefit from the growth of the mobile Internet.

F-Secure focuses on increasing the penetration within the current operator base and continues to selectively seek partner expansion globally, especially in emerging markets. The penetration rates vary by operator; overall penetration levels are relatively low leaving substantial opportunity for growth.

The Company has revised its strategy for the next three years as, announced in February 1, 2012. The strategy forms solid ground for continuous growth and improving profitability.

Operators, including Internet service providers, mobile operators and cable operators, are the main channel for F-Secure services. F-Secure provides, through Operators, security and content cloud services that are easy and intuitive to use for mainstream consumers. This channel utilizes the presence and brand of Operators to reach millions of consumers in a cost efficient and scalable way.

Operators are competing with other Internet players and device manufacturers for consumers' share of mind. Operators' advantage is their ability to manage the continuously diverging multi-device, multi-OS environment. Also, they are able to bring services to masses and are able to support them.

The sources of F-Secure's competitive advantage include the existing operator and service provider network and relationships built over the years. Key assets include security research, experience in service provisioning in the Operator network environment and Operators' growing user base. Differentiation builds on top of the ability to combine security into storage and the Operator channel at large. By helping operators to establish local, secure and trustworthy Internet services the Company enhances its position as Operators' long-term partner.

During the strategy period the Company is aiming for double digit revenue growth (CAGR), driven by the Operator channel. The growth is expected to come from the western world and some emerging markets like Latin America.

The Company will continue its investments in the content cloud business and also in security services. In addition to mainstream operating systems, such as Android, iOS and Windows, the Company is investing in platform development. These investments ensure the scalability and competitiveness of the services and allow Operators to offer F-Secure services, both PC and mobile, to a wide subscriber base. Profitability is targeted to develop towards the 25% level at the end of strategy period due to improving scalability in content cloud business. F-Secure's longer term profitability level continues to be driven by revenue growth and scalable operations.

## **Outlook for 2012**

F-Secure's Operator channel business (SaaS) is expected to continue with healthy growth rates driven by good security sales and content cloud projects with subscriber-based revenues. The traditional license business is expected to continue to decline slightly as in 2011.

As overall uncertainty in the global economy and financial markets is expected to continue, this may have impact on Operators' interest to invest in new services, especially in new content cloud projects.

F-Secure has several content cloud prospects in the pre-sales phase. However, there are increased risks of delays in content cloud contract negotiations and in ramping up the subscriber volumes. This is likely to have an impact on the annual revenue growth.

The management has revised the guidance; the annual revenue growth is estimated to be between 5% and 10% compared to 2011. The annual profitability is estimated to remain around 15% of revenues.

The financial performance will follow the usual seasonality although Q4 is expected to show lower revenue growth and profitability than traditionally. The Company has changed its vacation accrual accounting due to operational reasons, which balances costs between Q2 and Q3 by decreasing Q2 costs and increasing Q3 costs by approximately 400k.

The guidance given at the beginning of the year was the following: The annual revenue growth is estimated to be around 10% and the annual profitability is expected to be around 15% of revenues and is expected to follow the usual seasonality with a better second half.

The revenue estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts as well as current exchange rates. The Company continues to prioritize growth over short-term profitability and plans to invest the majority of the improved earnings back to growth opportunities in its core business.

The actual operational cost increases are fairly limited, and they are targeted to drive product portfolio competitiveness, build the scalability of the content cloud services and support geographical expansion. A notable part of the annual cost increase is arising from the end of development activations of new platforms and increased depreciations.

### **News conference today at 11 am**

A news conference for analysts and press is arranged today, on April 27, at 11 am Finnish time at F-Secure's Headquarters, address: Tammasaarenkatu 7, Ruoholahti, Helsinki. In the news conference, President & CEO Christian Fredrikson will present the Q1 financial results. A conference call for international investors and analysts is arranged at 14.00 Finnish time (EEST) (13.00 CEST, 12.00 UK time). To participate in the call, please dial in and register 5-10 minutes prior to the event through the following number: +44 20 7162 0077, password: F-Secure. The Q1 financial results presentation material will be available on our Investors web pages at [www.f-secure.com](http://www.f-secure.com) under About F-Secure, Investors before the call begins.

## **Financial calendar for 2012**

F-Secure will publish the interim report for the second quarter of 2012 on July 25, 2012. The quarterly interim report for the third quarter of 2012 will be published on October 25. On the publication date a stock exchange release will be published at approximately 9 am Finnish time on the NASDAQ OMX Helsinki Ltd., a press and analyst conference will be arranged at 11 am Finnish time in Helsinki, and an international conference call will be arranged in the afternoon.

## **F-Secure Corporation**

### **Additional information**

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This interim report is prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2011.

Key figures (unaudited):				
Euro million				
INCOME STATEMENT	2012	2011	Change	2011
	1-3	1-3	%	1-12
Revenues	38.4	34.1	12	146.0
Cost of revenues	1.9	1.8	2	8.0
Gross margin	36.5	32.3	13	138.1
Other operating income	0.3	0.4	-18	1.4
Sales and marketing	16.9	14.8	15	64.7
Research and development	11.5	9.4	22	39.3
Administration	3.0	3.0	2	11.9
Operating result	5.4	5.5	-2	23.6
Financial net	-0.2	-0.2		-0.1
Result before taxes	5.2	5.3		23.5
Income taxes	-1.4	-1.5		-7.1
Result for the period	3.8	3.8		16.4

Other comprehensive income:				
Exchange diff. on translating foreign operations	0.0	-0.1		0.0
Available-for-sale fin. assets	0.2	0.0		0.1
Income tax rel. to components of other comprehensive income	-0.1	0.0		0.0
Total compr. income (owners)	3.9	3.7		16.4
Earnings per share. e	0.02	0.02		0.11
EPS diluted. e	0.02	0.02		0.10

BALANCE SHEET ASSETS	31/3/2012	31/3/2011	31/12/2011
Intangible assets	26.4	16.5	25.3
Tangible assets	9.0	7.7	9.1
Goodwill	19.4	19.4	19.4
Other financial assets	5.2	5.9	5.5
Non-current assets total	60.0	49.6	59.2
Inventories	0.3	0.3	0.4
Other receivables	34.5	26.9	37.9
Available-for-sale financial assets	16.2	18.2	16.0
Cash and bank accounts	15.1	19.0	12.2
Current asset total	66.1	64.4	66.4
Total	126.1	114.1	125.7

SHAREHOLDERS' EQUITY AND LIABILITIES	31/3/2012	31/3/2011	31/12/2011
Equity	63.6	46.1	59.6
Other non-current	1.6	2.2	1.6
Deferred revenues	7.8	7.9	8.4
Non-current liabilities total	9.4	10.1	10.1
Other current	22.3	28.4	26.2
Deferred revenues	30.7	29.6	29.8
Current liabilities total	53.1	57.9	56.1
Total	126.1	114.1	125.7

CASH FLOW STATEMENT	31/3/2012	31/3/2011	31/12/2011
Cash flow from operations	7.7	7.1	20.8
Cash flow from investments	-4.6	-2.6	-16.7
Cash flow from financing activities 1)	0.0	0.0	-9.1
Change in cash	3.1	4.5	-5.0
Cash and bank at 1 Jan	27.9	32.5	32.9
Change in net fair value of Available-for-sale	0.2	0.0	0.1
Cash and bank at end of period	31.2	37.1	28.1

### Statement of changes in shareholders' equity

	Share capital	Share premium fund	Un-restricted equity-reserve	Treasury shares	Retained earnings	Assets avail. f.sale	Transl. diff.	Total
Equity on: 31.12.2011	1.6	0.2	5.1	-9.0	61.8	0.1	-0.2	59.6
Total comprehensive income for the year					3.8	0.2		4.0
Dividend								
Other change								
Exercise of options								
Treasury shares								
Cost of share based payments					0.1			0.1
Equity on 31.3.2012	1.6	0.2	5.1	-9.0	65.8	0.3	-0.2	63.6

### NOTES

1) Cash flow from financing

Dividend for year 2011 0.06 euro per share totaling 9.303.980.94 euro was paid on 17<sup>th</sup> April 2012. In 2011 paid dividend totaled 9.253.915,80 euro.

Key ratios	2012	2011	2011
	3 m	3 m	12 m
Operating result. % of revenues	14.1	16.2	16.2
ROI. %	37.5	47.6	44.3
ROE. %	24.6	31.1	29.5
Equity ratio. %	72.7	60.4	68.1
Debt-to-equity ratio. %	-49.0	-79.7	-47.1
Earnings per share (EUR)	0.02	0.02	0.11
Earnings per share diluted	0.02	0.02	0.10
Shareholders' equity per share. e	0.40	0.29	0.38
P/E ratio	20.5	23.6	19.0
Capitalized expenditures (Me)	3.0	2.5	18.7
Contingent liabilities	18.6	16.5	18.7
Personnel. average	970	830	878
Personnel. end of period	975	851	942

### Segment information

The Group has only one segment; data security.

Quarterly development	1/11	2/11	3/11	4/11	1/12
Revenues	34.1	35.3	36.6	40.0	38.4
Cost of revenues	1.8	1.9	2.0	2.2	1.9
Gross margin	32.3	33.4	34.6	37.8	36.5
Other operating income	0.4	0.4	0.2	0.4	0.3
Sales and marketing	14.8	16.2	15.8	18.0	16.9
Research and development	9.4	9.9	9.4	10.5	11.5
Administration	3.0	3.0	2.8	3.1	3.0
Operating result	5.5	4.6	6.9	6.5	5.4
Financial net	-0.2	0.0	0.0	0.1	-0.2
Result before taxes	5.3	4.6	7.0	6.6	5.2

### Geographical information

Revenue	1-3/2012	1-3/2011
Nordic countries	12.0	11.4
Rest of Europe	17.4	15.3
North America	3.6	3.4
Rest of the world	5.3	4.0
Total	38.4	34.1