F-SECURE CORPORATION

Interim Report
Q4 2013 (unaudited)
HIGHLIGHTS IN Q4

• **Strong profitability and cash flow**
  • Revenues flat at 40 million (Q412: 40.1m)
  • EBIT 8.8 million, 22% of revenues (Q412: 7.4 m, 18% – excl. 7 m one-off costs)
  • Cash flow from operations 9.3 million positive (Q412: 7.8 m positive) ; change of cash 8.5 million positive (Q412: 6.1 m positive)

• **Entering to the Cloud continued strong**
  • revised strategy 2014-16 focuses on cloud based initiatives

• **New cloud based products pre-launched**
  • younited, personal cloud for consumers, in October
  • Freedome, security from the cloud, in December

• **New launches**
  • Content Cloud: Belgacom (Belgium), Tango (Luxemburg), Eastlink (Canada) and SFR (France)
  • Security: American Moviles – Telcel (Mexico), Telenor Group, Comcast (USA), Virgin Media (UK), Ono (Spain), Toya (Poland) and Tiscali (Italy)
HIGHLIGHTS IN 2013

• **Solid profitability and cash flow**
  - Total revenues declined by 1% to 155.1 million (2012:157.2m)
  - EBIT was 27.1 million, representing 17% of revenues (2012: 27.3 m, 17% excl. 7 m one-off costs)
  - Financials in line with revised Q2 guidance: Rev growth at a level of 2012 and profitability around 15%
  - Improved Cash flow from operations 28.4 million positive (2012: 25.6 m positive); change of cash 24.5 million positive excl. dividend of 9.3 million (2012: 14.4 m positive excluding dividend of 9.3m)

• **Key achievements**
  - Revamping of product development led several new product releases like IS 14, Safe, PSB, younited, Lokki, Freedome, Key
  - Latin America expansion continued: Telefonica, American Moviles
  - Tens of new operator partners with Content Cloud / younited and Safe Avenue
NEW LAUNCHES

F-Secure Freedome
Your secure, private cloud

F-Secure Key
Assistant for any password needs

younited by F-Secure

F-Secure SAFE
Multi-device protection for a worry-free online life
Security software market is in change

- Software-as-a-Service business model and cloud-based delivery are rapidly disrupting the traditional way of doing business
- Cloud is a scalable way to cover security of the ever-growing variety of devices
- New device sales will come from post-PC mobile devices; PC sales declining
- Protecting the irreplaceable; digital memories, privacy, reputation and time, is even more relevant than physical devices as everything is in the cloud
- Security is over $20B market and growing
- Personal cloud business emerging, multibillion market
TRENDS

Mobility and new devices rule in post PC-era. Consumerization and BYOD change business IT. Everything goes to cloud; both data and security.
“We’ll keep your stuff private, Chancellor Merkel”
SECURITY FROM THE CLOUD:


New
- Secure connections
- Anti-tracking
- Thin clients

Traditional
- Browsing protection
- Private data leakage prevention
- Anti-malware

F-Secure Privacy Protection keeps your identity and Internet connection safe.

F-Secure Cloud Security protects your business from Internet threats allowing you to safely embrace the full potential of mobility and cloud applications.
PERSONAL CLOUD ADOPTION IS DRIVEN BY GLOBAL TRENDS

CONSUMER

MULTI-DEVICE WORLD
SOCIAL NETWORKS/CLOUDS
GROWTH OF STORED DATA
STORE, SEARCH, STREAM, SHARE

BUSINESS

BYOD (Bring Your Own Device)
FROM INTERNAL IT TO CLOUD
CONSUMERIZATION OF IT
FROM EMAIL TO COLLABORATION
After Snowden’s revelations of NSA’s surveillance program, people and companies are aware of the need for security.
Secure and engaging personal cloud
Replaces old “glorified file managers”
**F-SECURE’s GO TO MARKET**

- **Resellers channel: small & medium business drive revenues**
- **Direct sales: free customers drive brand and conversion to paid**
- **200 Operators in over 40 countries provide a solid base**
Outlook for 2014

• The management’s estimation for the year:
  • The annual revenue is estimated to grow from 2013 with stronger second half.
  • The annual profitability is estimated to be around 15% of revenues excluding one-off costs.

  • The company expects overall one-off costs to be less than 3 million related to efficiency improvements and reorganization in F-Secure SDC (France).

• Change in guidance for strategy period 2014-2016
  • the Company aims to grow the overall subscriber base by tens of millions of users
  • the Company seeks accelerating revenue growth
  • the relative profitability remains at its current level
  • longer-term profitability continues to be driven by revenue growth and scalable operations

The estimates are based on the sales pipeline at the time of publishing, existing subscriptions, support contracts and exchange rates previous experience
Thank You!

Forward-looking statements:

Certain statements in this presentation are forward-looking, and the actual outcome could be materially different. Such forward-looking statements are based on F-Secure’s present plans, estimates, assumptions, projections and expectations and are subject to risks and uncertainties. In addition to the factors explicitly discussed, other could have a material effect on the actual outcome. Such factors include, but are not limited to, general economic and political conditions, fluctuations in exchange rates, interest rates, outcome of external research studies, technological issues, interruptions of business, products, actions of courts, regulators, government agencies, competitors, customers, suppliers, employees and all other parties.
Revenues

Q4 Revenues flat YoY

- Total quarterly revenues 40.0m (Q412: 40.1 m)
- Operator revenues grew by 1% to 24.8m; (Q412: 24.5 m)
- Other channels declined by 3% to 15.2m (Q412:15.6 m)
Profitability

Q4 profitability at a record level

- EBIT 8.8m, 22% of revenues (Q412: 7.4 m, 19% excl. 7 m one-off)
- Earnings per share EUR 0.03 (EUR 0.00)
Costs

**Q4 costs declined by 21% and 4% excl. one-offs**

- Costs 30.1m (Q412: 31.2 m excl. 7 m one-off)
- Cost level was impacted by increased depreciations from past capitalized expenses; Q413: 2.3 m (Q412: 2.1m)
- Capitalized R&D expenses were 0 m (Q412: 0.7m)
- Operative costs and investments decreased

* Bordeaux one-off cost ~7m
Deferred Revenues

Q4 Deferred revenues 38.7m (37.7m)

Deferred revenues accrued in the balance sheet

- Dec 31, 2012 37.7 m
Cash position remains solid

Improved Cash flow in Q4

- from operations 9.3 m (Q412: 7.8m);
- Change in cash 8.5 m positive (Q412: 6.1m positive)

Market value of liquid assets 47.8m (Q412: 33.1m)

- Dec 31, 2012 33.1m
- Dividend of EUR 0.06 per share was paid in April, totally 9.3m
Number of personnel

At the end of December: 939 (Q412: 931)

- Decreases in India S&M and Malaysia R&D since Q313
Regional Revenue

1-12/2013

- Rest of Europe: 45%
- Nordic: 31%
- North America: 11%
- Rest: 13%

1-12/2012

- Rest of world: 14%
- Nordic: 31%
- North America: 10%
- Rest of Europe: 45%
Protecting the irreplaceable