WE FOCUS ON SECURITY

F-SECURE CORPORATION
INTERIM REPORT Q1 / 2015

April 23, 2015
CEO Christian Fredrikson
CONTENTS

• Q1 highlights
• Our strategy
• Key products
• Q1’15 financials
BUSINESS HIGHLIGHTS

- **Focus on security**: Personal cloud storage business sold to Synchronoss Technologies
- **Overall security revenue** grew by 6% y-o-y totaling 35.9 million
- **Operator security** sales grew by 3% y-o-y totaling 19.6 million, with sales of the multi-device offering SAFE offsetting declining traditional PC security sales
- Revenues through **resellers** and **direct to consumer** business increased by 9% totaling 16.4 million

As of the first quarter of 2015, the personal cloud storage business is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated to represent continuing security operations only. Unless otherwise stated the comparisons refer to the corresponding period of the previous year.
KEY FIGURES

Eur million

Q1'14 Q2'14 Q3'14 Q4'14 Q1'15

Revenues EBIT

Cash position Dividend/ Other
**KEY FIGURES**

![Graph showing Deferred Revenues over quarters Q114 to Q115 with values ranging from 0 to 50 million Euros.]

- **Q114**: 40 million Euros
- **Q214**: 35 million Euros
- **Q314**: 30 million Euros
- **Q414**: 35 million Euros
- **Q115**: 45 million Euros

- **Q214** to **Q414** show a steady decrease in Deferred Revenues.

![Graph showing Costs over quarters Q114 to Q115 with values ranging from 0 to 35 million Euros.]

- **Q114** Costs: 
  - Sales & Marketing: 15 million Euros
  - Administration: 5 million Euros
  - Restructuring: 5 million Euros
- **Q214** Costs: 
  - Sales & Marketing: 20 million Euros
  - Administration: 5 million Euros
  - Restructuring: 5 million Euros
- **Q314** Costs: 
  - Sales & Marketing: 25 million Euros
  - Administration: 5 million Euros
  - Restructuring: 10 million Euros
- **Q414** Costs: 
  - Sales & Marketing: 25 million Euros
  - Administration: 5 million Euros
  - Restructuring: 10 million Euros
- **Q115** Costs: 
  - Sales & Marketing: 30 million Euros
  - Administration: 5 million Euros
  - Restructuring: 10 million Euros

**Costs**

- **Q114**: Total Costs 50 million Euros
- **Q214**: Total Costs 45 million Euros
- **Q314**: Total Costs 40 million Euros
- **Q414**: Total Costs 45 million Euros
- **Q115**: Total Costs 50 million Euros

**Legend**

- Red: Sales & Marketing
- Light Blue: Administration
- Dark Blue: Restructuring
Personal cloud storage business sold to Synchronoss Technologies

- Price: USD 60 million
- Net profit from disposal in 2015 is EUR 18.6 million*
- The companies have established a partnership to sell services to operators

* Calculated as the difference between sales price and sold assets, including write-offs, transaction costs and impact of patent agreement
NEW DEALS AND LAUNCHES

- First operator deal with **Freedome**, our security and privacy app
- Several operator deals with **SAFE**: Viettel (Vietnam), Kabel Deutschland / Vodafone (Germany), NextGenTel (Norway), AMIS (Slovenia), GVT (Brazil) and CTBC (Brazil)
- Launch of **Booster**, a tune-up tool for PC and Android devices
- Launch of **Router (DNS) checker**
MARKET REVIEW

Threat landscape is getting more complex

Internet of things and new connected devices create new threats

Revelations on governmental surveillance continue

Targeted attacks threaten companies and private individuals

New opportunities 2015-2017
WE FOCUS ON SECURITY

Corporate and consumer security

NEW INITIATIVE

Corporate cyber threats

NEW INITIATIVE

Internet of Things
BEST PROTECTION

PROTECTION ABILITY % vs NUMBER OF TEST

- Symantec
- Panda
- McAfee
- Norton

BEST PROTECTION 2014

F-Secure Client Security
OUR CORE BUSINESS

CONSUMERS

PROTECT ALL DEVICES
ENSURE PRIVACY

BUSINESS

F-SECURE SAFE
F-SECURE FREEDOME
F-SECURE KEY

PROTECTION SERVICE FOR BUSINESS
F-SECURE FREEDOME
F-SECURE SAFE
PROTECT YOUR LIFE ON EVERY DEVICE

- **ANTI-VIRUS**
- **PARENTAL CONTROL**
- **APPLICATION PRIVACY**
- **BROWSING PROTECTION**
FREEDOME
PRIVACY ENSURED ON EVERY DEVICE

TELEPORT LOCATION

BECOME UNTRACKABLE

ANONYMOUS SURFING

WI-FI ENCRYPTION
FREEDOME MARKETING & COMMS ACTIVITIES

- Freedome for Mac launch in May: beta program ongoing, Republica event with keynote and stunt, online activation
- Privacy Hub and Privacy Checker for engaging content marketing
- PR & Social media, Youtuber collaboration
- Co-op marketing to maximise exposure
- Exclusive online campaign with Nano
- Online blogger campaigns
- Performance marketing towards paying customers

AVAILABLE On all major platforms (OSX in May 5)

AVAILABLE in retail and online retail stores

Morgan Mayhem
@headhonn · Feb 12
If you want an example of security JX done right, download @FreedomeVPN. pic.twitter.com/CQOh2AF136
PROTECTION SERVICE FOR BUSINESS

SECURE WI-FI

SECURE DATA SHARING & EASY COLLABORATION

CENTRALIZED MANAGEMENT

AUTOMATIC SOFTWARE UPDATER

SECURE DATA SHARING & EASY COLLABORATION

AUTOMATIC SOFTWARE UPDATER
OUTLOOK FOR 2015

The management’s estimation for the year is unchanged:

- **Overall security revenues** are anticipated to grow slightly in 2015 (2014: EUR 137.4 million)

- **Operating profit** is estimated to be around 15% of revenues (excluding the profit from the sale of the personal cloud storage business)

- Approximately EUR 6 million in revenue related to services provided to Synchronoss Technologies is anticipated to be recognized in **discontinued operations**

*The estimates are based on the sales pipeline at the time of publishing, existing subscriptions, support contracts and exchange rates previous experience*
FINANCIALS
Q1 2015
As of the first quarter of 2015, the personal cloud storage business is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated to represent continuing security operations only. Unless otherwise stated the comparisons refer to the corresponding period of the previous year.
REVENUES

Q1 Revenues increased by 6%

- Total quarterly revenues 35.9m (Q114: 34.0 m); positively impacted by FX rates
- Operator revenues increased by 3% to 19.6m; (Q114: 18.9 m)
- Other channels grew by 9% to 16.4m (Q114:15.1 m)
PROFITABILITY

Q1 Operating Profit

- EBIT 5.0, 14% (Q114*: 4.4m, 13%)
- Earnings per share for continuing operations EUR 0.04 (EUR 0.02)
- Earnings per share EUR 0.11 (EUR 0.01)

* Excluding non-recurring items of 0.4m
**COSTS**

**Q1 costs increased by 8%**
Costs 30.7m (Q114 *: 28.3m)

- Cost increase driven by Sales & Marketing activities; i.e. SAFE business, SMB focus in Germany, France and USA, and Freedome
- Depreciations from past capitalized expenses were 2.1m (Q114: 2.3m)
- Capitalized R&D expenses were 0.5m (Q114: 0.5m)

*excl. non-recurring items of 0.4m*
DEFERRED REVENUES

Q1 Deferred revenues grew to 44.9m (39.9m)

- Strong sales performance in Corporate and Direct Business
SOLID CASH POSITION

Solid Cash flow in Q1

- Cash flow from operations 4.6* m  
  (Q114: 6.1m)
- Change in cash 47.3* m positive  
  (Q114: 4.9m positive) primarily due to sale of personal cloud storage business

Market value of liquid assets 110.2* m  
(Q114: 53.0m)

* Including discontinued business
NUMBER OF PERSONNEL

- Number of personnel 841 (Q1/14: 941)* at the end of the quarter
- 50 F-Secure employees became employees of Synchronoss Technologies as of 25 February 2015

* Including discontinued business
REGIONAL REVENUE

1-3/2015

- Rest of Europe: 45%
- Nordic: 36%
- North America: 7%
- Rest: 12%

1-3/2014

- Rest of Europe: 45%
- Nordic: 32%
- North America: 9%
- Rest: 14%
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.
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