EXPANDING INTO CYBER SECURITY

F-SECURE CORPORATION
INTERIM REPORT Q2 / 2015

July 23, 2015
CEO Christian Fredrikson
CONTENTs

• Highlights
• Financials
• Acquisition of nSense
• Business updates
• Market review
Aiming to become the cyber security leader in Europe

- **Overall security revenue** +3 % y-o-y totaling EUR 35.5 million
- **Operator** security sales -2 % y-o-y totaling EUR 18.6 million
- **Corporate reseller** and **direct-to-consumer** revenues +10 % y-o-y totaling EUR 16.9 million
- **M&A**: F-Secure acquired nSense, the leading Nordic cyber security services provider in June

As of the beginning of 2015 the personal cloud storage business (younited), which was sold to Synchronoss Technologies in February, is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated. Comparison figures in the text refer to continuing operations only and the corresponding period of the previous year, unless otherwise stated.

As of 2 June 2015 the acquired cyber security services business (nSense) has been consolidated into the F-Secure Group accounts.
KEY FIGURES

Revenues

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenues (Eur million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2/2014</td>
<td>34.4</td>
</tr>
<tr>
<td>Q3/2014</td>
<td>34.5</td>
</tr>
<tr>
<td>Q4/2014</td>
<td>34.5</td>
</tr>
<tr>
<td>Q1/2015</td>
<td>35.9</td>
</tr>
<tr>
<td>Q2/2015</td>
<td>35.5</td>
</tr>
</tbody>
</table>

% of revenue

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operators</th>
<th>Direct-to-consumer &amp; Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2/2014</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>Q3/2014</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>Q4/2014</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Q1/2015</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Q2/2015</td>
<td>54%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Revenues by channel

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenues (Eur million)</th>
<th>EBIT (non-IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2/2014</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Q3/2014</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td>Q4/2014</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Q1/2015</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Q2/2015</td>
<td>4.1</td>
<td></td>
</tr>
</tbody>
</table>
Deferred revenues

Increase as a result of growth in license and renewal sales

Costs

The increase is mainly related to personnel related expenses, costs incurred by the acquired nSense business and investments in sales and marketing activities.
KEY FIGURES

Net cash

Cash position

1. Personal cloud storage business (younited) sold to Synchronoss Technologies for USD 60 million in February
2. Dividend of EUR 24.9 million paid in April
3. Acquisition of nSense in June: EUR 11 million in cash, EUR 4 million in shares (deferred) and max 3 million earn-out
## THE BIG TRENDS

<table>
<thead>
<tr>
<th>Trend</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EVERYTHING GOES INTO THE CLOUD</strong></td>
<td>Most of the data and services will be in the cloud - or rather, many clouds.</td>
</tr>
<tr>
<td><strong>INCREASING AMOUNT OF CONNECTED DEVICES</strong></td>
<td>Mobility and vast variety of connected devices is changing the Internet landscape rapidly.</td>
</tr>
<tr>
<td><strong>THREATS GETTING MORE COMPLEX</strong></td>
<td>Modern, advanced threats will continue to impact businesses and governments and require new ways of defense and expertise in cyber security</td>
</tr>
<tr>
<td><strong>ADVENT OF THE INTERNET OF THINGS</strong></td>
<td>Emerging Internet of Things opens new security, privacy and confidentiality concerns for consumers and businesses.</td>
</tr>
</tbody>
</table>
NSENSE - A FOUNDATION FOR BECOMING A EUROPEAN CYBER SECURITY LEADER

- Entry into the enterprise customer segment
  - Services and products to financial institutions, game and gambling companies, service providers and other large businesses with critical IT infrastructure

- Broadened corporate portfolio

- Deal structure
  - EUR 11 million cash consideration at closing
  - EUR 4 million deferred payment in F-Secure shares
  - Up to EUR 3 million earn-out element subject to achievement of certain milestones in 2015-16

FACTS
- Revenue EUR 7 million (2014)
- Profitable
- 69 employees
- Offices in Denmark, Finland, Poland and Norway
- Consultancy services and products
OUR CYBER OFFERING IN MORE DETAIL

- Cyber risk advisory
- Security advisory
- Security policies

- Vulnerability assessment, testing and management
- Compliance and security management
- Training and security culture

- Incident response
- Forensics

- End-point detection
- E-mail & web traffic scanning
VULNERABILITY SCANNING & SECURITY MANAGEMENT

- Centralized reporting platform
- Vulnerability management capabilities (ticketing system)
- API interface
- 3:1 scanning solution
- Cloud or private hosting

Certified as a PCI ASV scanning tool
Focus countries continued to show good progress

• Sales growth was driven by Protection Service for Business, while sales of traditional licenses slightly declined

New features added to Business Suite

• Blocking content (Java, flash or other web components) with Advanced Protection.
• Preventing employee exposure to malicious websites with Web Content Control
• Controlling access to potentially unsecure sites with Connection Control while performing business critical tasks
CONSUMER HIGHLIGHTS

SAFE
- Over half of operators making 90% of our operator revenue have launched SAFE
- New features: Windows 10 ready, new Network checker

FREEDOME
- New significant retail partnerships in Canada and in the Nordics
- First device manufacturer partnership signed
- All together 3 operators deals now

BOOSTER
- Launched in April
- Solid performance and showing clear potential

F-SECURE BUDDY
- Launched in May
- The market’s most advanced Bluetooth tracking device
- Red Dot Award in 2014
FREEDOME – NEW PROTECTION LOG FEATURE

SEE HOW YOU’RE TRACKED WHILE SURFING

AVAILABLE
On all significant platforms (OSX launched in May)

AVAILABLE from retailers and webshops

NEW!
Elkjöp (Nordics) & Staples (Canada)

To be launched in September
MARKET REVIEW

Consumer security

• **Short-term growth** challenged by declining PC-related sales
• **Churn between operators** creates sales opportunities
• **App stores** continue to change the market
• **Market for privacy** solutions still developing
• **Broadband and mobile subscriptions** flat in the Western world, but growth in developing countries

Corporate security

• **Cloud-based delivery** disrupting the way of selling security
• Especially the **cyber security** market is offering growing opportunities. Growth in related **consultancy services** limited mainly by lack of resources
• **Rush to cyber** has created some hype among investors
• **Geopolitics**
OUTLOOK

- The business outlook has not changed

- Change in phrasing: Guidance for operating profit has been revised due to the IFRS accounting of the deferred payment and earn-out elements of the nSense acquisition as expense

- The current outlook is:
  - Overall security revenue growth for continuing operations is anticipated to be at or above 5% in 2015 (2014: EUR 137.4 million).
  - Operating profit (non-IFRS) for continuing operations is estimated to be around 15% of revenues. The guidance excludes the profit from the sale of the personal cloud storage business and the cost impact of the acquisition of nSense.
  - Approximately EUR 6 million in revenues from services sold to Synchronoss is anticipated to be recognized in discontinued operations.

Previous guidance for operating profit was “Operating profit for continuing operations is estimated to be around 15% of revenues (excluding the profit from the sale of the personal cloud storage business)”.
THANK YOU!

Questions?

F-Secure
As of the beginning of 2015 the personal cloud storage business (younited), which was sold to Synchronoss Technologies in February, is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated. Comparison figures in the text refer to continuing operations only and the corresponding period of the previous year, unless otherwise stated.

As of 2 June 2015 the acquired cyber security services business (nSense) has been consolidated into the F-Secure Group accounts.
REVENUES

Q2 Revenues increased by 3% y-o-y

- Total quarterly revenues 35.5m (Q214: 34.4 m)
- Operator revenues declined by 2% to 18.6m (Q214: 19.1 m)
- Corporate and direct to consumer channels grew by 10% to 16.9m (Q214:15.3 m)
PROFITABILITY

Q2 Operating Profit
- EBIT (non-IFRS) 4.1m, 12% of revenues
- EBIT (IFRS) 4.0m, 11% (Q214: 5.2m, 15%)
- Earnings per share for continuing operations EUR 0.02 (EUR 0.02)
- Earnings per share EUR 0.02 (EUR 0.02)
COSTS

Q2 costs
Costs 31.0m (Q214: 27.9m), +11% y-o-y
- The increase is mainly related to personnel related expenses, costs incurred by the acquired nSense business and investments in sales and marketing activities
- Depreciations from past capitalized expenses were 1.4m (Q214: 2.0m)
- Capitalized R&D expenses were 0.5m (Q214: 0.6m)
DEFERRED REVENUES

Q2 Deferred revenues increased to 44.8m (39.9m)

- Continued growth in Corporate and Direct Business
SOLID CASH POSITION

- Solid operational cash flow in Q2
  - Cash flow from operations 4.2m* (Q214: 6.0m)
- Change in cash -33.9m*
  - Dividend payment of 24.9m
  - Cash consideration of 11m for nSense acquisition
- Market value of liquid assets on 30 June 76.3m (Q214: 47.7m)

* Including discontinued business
Number of personnel 901 (Q214: 951) at the end of the quarter

- 69 nSense employees became F-Secure employees as of 2 June 2015
REGIONAL REVENUE

<table>
<thead>
<tr>
<th>Region</th>
<th>01-06/2014</th>
<th>01-06/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic</td>
<td>35%</td>
<td>32%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>46%</td>
<td>45%</td>
</tr>
<tr>
<td>North America</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Rest</td>
<td>12%</td>
<td>14%</td>
</tr>
</tbody>
</table>