

**HALF YEAR REPORT 1 JANUARY – 30 JUNE 2016**

**SECOND QUARTER REVENUES  
INCREASE BY 11% FROM PREVIOUS YEAR**



## HIGHLIGHTS IN APRIL–JUNE (Q2)

- Revenues from continuing operations increased by 11% year-on-year to EUR 39.3 million (35.5 m)
- Revenues from corporate security increased by 26% totaling EUR 15.4 million (12.2 m) and representing 39% (34%) of all revenues
- Revenues from consumer security increased by 3% and amounted to EUR 23.9 million (23.3m)
- EBIT (IFRS) was EUR 4.6 million, representing 12% (4.0 m, 11%) of revenues and reflecting investments in sales growth and product development
- Earnings per share (EPS) for continuing operations was EUR 0.03 (0.02) and EUR 0.03 (0.02) for the Group including discontinued operations
- Deferred revenues increased by 14% and amounted to EUR 51.1 million (44.8m) at the end of the quarter
- Cash flow from operations was EUR 6.6 million (4.3 m)
- Samu Konttinen was appointed F-Secure's President and CEO as of 1 August 2016 following Christian Fredrikson's resignation in June

## HIGHLIGHTS IN JANUARY–JUNE (H1)

- Revenues from continuing operations increased by 8% year-on-year, totaling EUR 77.1 million (71.4 m)
- Revenues from corporate security increased by 26% totaling EUR 30.0 million (23.7 m)
- Revenues from consumer security decreased by 1% and amounted to EUR 47.1 million (47.7m), reflecting temporary challenges in the operator business during the first quarter
- EBIT (IFRS) was EUR 7.8 million, representing 10% (9.0 m, 13%) of revenues and reflecting investments in sales growth and product development
- Earnings per share (EPS) for continuing operations was EUR 0.04 (0.06) and EUR 0.04 (0.12) for the Group including discontinued operations
- Cash flow from operations was EUR 5.5 million (8.9 m), reflecting the repayment of foreign tax credits on withholding taxes from 2009–2011 based on debit decisions by the Finnish tax authority

## OUTLOOK FOR 2016

The Company's outlook for 2016 remains unchanged.

- F-Secure anticipates its overall security revenues to grow in 2016 compared to the year before (2015: EUR 148 million)
- EBIT for continuing operations is estimated to be EUR 17–21 million (2015: EUR 20 million)

## CONTENTS

- 02 Highlights
- 02 Outlook for 2016
- 03 Key figures
- 04 CEO Samu Konttinen
- 05 Financials
- 07 Business overview
- 13 Tables

The reporting currency is Euro. This interim report is unaudited. Figures in brackets refer to the corresponding period in the previous year.

F-Secure acquired nSense in June 2015 and has consolidated it into the F-Secure Group accounts since Q2 2015. F-Secure's personal cloud storage business (younited) was sold to Synchronoss Technologies in February 2015 and is reported as discontinued operations.

# KEY FIGURES

(EUR million)	2016	2015	Change	2016	2015	Change	2015
	4–6	4–6		1–6	1–6		1–12
Revenues	39.3	35.5	11%	77.1	71.4	8%	147.6
Operating profit (IFRS)	4.6	4.0	15%	7.8	9.0	–13%	20.0
% of revenues (IFRS)	12%	11%		10%	13%		14%
Profit before taxes	5.7	3.9	46%	8.6	11.0	–22%	20.7
Earnings per share (EUR)*	0.03	0.02		0.04	0.12		0.14
Earnings per share for continuing operations (EUR)*	0.03	0.02		0.04	0.06		0.08
Depreciation	1.4	1.3		2.7	2.9		5.9
<b>At the end of period:</b>							
Deferred revenues	51.1	44.8	14%				48.1
Liquid assets, total	80.9	76.3					94.3
ROI%	26.4%	53.3%					52.1%
Equity ratio, %	69.7%	68.4%					64.1%
Debt-to-equity ratio, %	–120.9%	–102.2%					–122.4%
Personnel	982	901	9%				926

\*Based on the average adjusted number of shares during the period 155,822,686

## CEO SAMU KONTTINEN



As F-Secure's new CEO I'm pleased that the results from the second quarter confirm F-Secure is now clearly on a path of sustained growth. In recent years, we have been increasingly investing in new product development and effective commercialization. As a result, we now saw accelerated revenue growth in corporate security, where demand for cyber security solutions remains strong. I am confident this growth trend in the market will continue over the next years. We also saw modest growth in consumer security over the quarter, despite the market being essentially flat or even declining. Our corporate security and consumer security businesses both won market share by outpacing the market growth, signaling of solid go-to-market execution as well as strong products and services.

The investments we are making are inevitably impacting our short-term profitability, but they are justified to enable profitable growth in the longer term through our scalable business model. We intend to continue our growth investments for the foreseeable future and we are also looking for attractive acquisition targets to support our ambition to become the leading European cyber security company.

Overall, F-Secure had a solid second quarter and our performance year-to-date is in line with our full year plans. Our revenues increased by 11% compared to the previous year, amounting to EUR 39.3 million. Revenues from corporate security increased by 26%, with product sales through the reseller channel and cyber security services both performing very well. Consumer security revenues grew by 3%. Despite investments in growth, our profitability remained healthy at 12% of revenues, with operating profit amounting to EUR 4.6 million.

In corporate security, we expanded our product and service offering in May by launching Rapid Detection Service. The new service combines effective sensors along with 24/7 expert service to detect and respond to complicated cyber attacks quickly and accurately. We have already signed the first contracts since launching, proving a clear market need for this solution. Through our service partnerships we will be able to offer Rapid Detection Service along with our end-point protection and vulnerability management solutions to a wide range of medium sized businesses as well as large enterprises.

The demand for security services and consulting remains very strong across multiple industry verticals. We have been successful in increasing our security consultancy team's headcount to meet the growing demand. We have also regionally expanded the Company's operations in Norway and Sweden, as well as diversified into new verticals such as aviation.

In consumer security, our operator business recovered from the temporary challenges experienced in the first quarter and achieved quarter-on-quarter growth in all regions. We are focusing on operational excellence and on further improving cooperation with our partners, and remain confident we will maintain the business at last year's levels, as expected.

**“RESULTS FROM THE SECOND QUARTER CONFIRM THAT WE ARE NOW ON A PATH OF SUSTAINED GROWTH.”**

# FINANCIALS

As of Q4 2015, F-Secure reports its revenue divided into consumer security revenue (including operator and direct-to-consumer businesses) and corporate security revenue (including corporate reseller and cyber security services business).

## Consumer security and corporate security:

Revenue (EUR million)	2016 4–6	2015 4–6	Change	2016 1–6	2015 1–6	Change	FY2015
Corporate security	15.4	12.2	26%	30.0	23.7	26%	52.1
Consumer security	23.9	23.3	3%	47.1	47.7	-1%	95.5
<b>Total</b>	<b>39.3</b>	<b>35.5</b>	<b>11%</b>	<b>77.1</b>	<b>71.4</b>	<b>8%</b>	<b>147.6</b>

## April–June (Q2)

In the second quarter, F-Secure's overall revenues grew by 11% year-on-year, totaling EUR 39.3 million (35.5 m). Organic revenues grew by 7% year-on-year.

Revenues from corporate security increased by 26% totaling EUR 15.4 million (12.2 m) and representing 39% (34%) of F-Secure's total revenues. Revenues from both product sales through the reseller channel and from cyber security services continued to grow strongly. In the comparison period, revenues relating to cyber security services were only included for the month of June following the acquisition of nSense.

Revenues from consumer security increased by 3% and amounted to EUR 23.9 million (23.3m), representing 61% (66%) of F-Secure's total revenues. Direct-to-consumer sales continued to grow faster than the underlying market in April–June, with positive contribution from the steadily increasing sales of F-Secure Freedom. Revenues from the operator channel remained at previous year's levels, but increased from the previous quarter.

The geographical breakdown of revenues in the second quarter was as follows: Finland and Scandinavia EUR 14.1 million (11.6 m), Rest of Europe EUR 16.3 million (15.7 m), North America EUR 3.7 million (3.3 m) and Rest of the World EUR 5.3 million (4.9 m).

Deferred revenues increased by 14% and amounted to EUR 51.1 million (44.8m) at the end of the quarter, driven primarily by growth in the sale of corporate security products and services with contracts extending to one year or beyond.

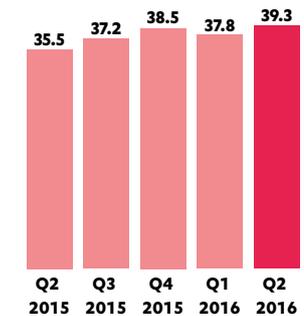
Total fixed costs were EUR 34.3 million (31.0 m), an increase of 11% from the previous year. The increase largely reflects costs incurred by corporate security as a result of successful recruiting as well as expenses relating to product development and marketing. In the comparison period, costs relating to cyber security services were only included for the month of June following the acquisition of nSense. Depreciations (capitalized R&D, software, hardware) were EUR 1.4 million (1.3 m). The capitalized development expenses for the quarter were EUR 1.0 million (0.5 m).

EBIT (IFRS) including the allocation of the nSense acquisition related costs (earn-out and deferred payment) was EUR 4.6 million, representing 12% (4.0 m, 11%) of revenues. The acquisition-related costs for the period amounted to EUR 0.7 million.

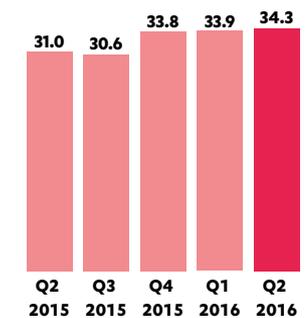
Earnings per share (EPS) for continuing operations was EUR 0.03 (0.02) and EUR 0.03 (0.02) for the Group including discontinued operations.

Cash flow from operations was EUR 6.6 million (4.3 m), impacted partly by the release of the EUR 4.5 million escrow account relating to the sale of the personal cloud storage business to Synchronoss and the residual tax payment of EUR 6.1 million resulting from the positive net impact of said divestment and the nSense acquisition in 2015.

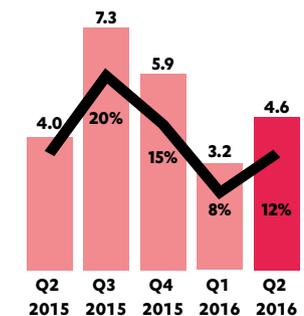
## Revenues, MEUR



## Fixed costs, MEUR



## EBIT (IFRS), MEUR



## January–June (H1)

In the first half of the year, F-Secure's overall revenues grew by 8% year-on-year, totaling EUR 77.1 million (71.4 m). Organic revenues grew by 3% year-on-year.

Revenues from corporate security increased by 26% totaling EUR 30.0 million (23.7 m) and representing 39% (33%) of F-Secure's total revenues. The growth stemmed both from product sales through the reseller channel and from cyber security services. In the comparison period, revenues relating to cyber security services were only included for the month of June following the acquisition of nSense.

Revenues from consumer security decreased by 1% and amounted to EUR 47.1 million (47.7m), representing 61% (67%) of F-Secure's total revenues. The decrease in revenues year-on-year was caused by temporary challenges in the operator business during the first quarter. Direct-to-consumer sales continued to grow faster than the underlying market, with positive contribution from the steadily increasing sales of F-Secure Freedom.

The geographical breakdown of revenues in the first quarter was as follows: Finland and Scandinavia EUR 27.9 million (23.1 m), Rest of Europe EUR 31.7 million (31.9 m), North America EUR 7.3 million (6.4 m) and Rest of the World EUR 10.2 million (10.1 m).

Deferred revenues increased by 14% and amounted to EUR 51.1 million (44.8m) at the end of the period, driven primarily by growth in the sale of corporate security products and services with contracts extending to one year or beyond.

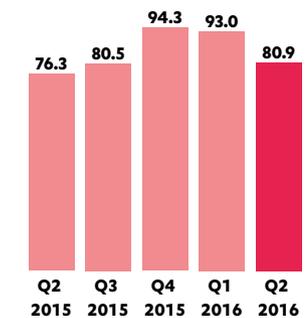
Total fixed costs were EUR 68.2 million (61.6 m), an increase of 11% from the previous year. The increase largely reflects costs incurred by corporate security as a result of successful recruiting as well as expenses relating to product development and marketing. In the comparison period, costs relating to cyber security services were only included for the month of June following the acquisition of nSense. Depreciations (capitalized R&D, software, hardware) decreased to EUR 2.7 million (2.9 m). The capitalized development expenses for the first half were EUR 1.4 million (1.0 m).

EBIT (IFRS) including the allocation of the nSense acquisition related costs (earn-out and deferred payment) was EUR 7.8 million, representing 10% (9.0 m, 13%) of revenues. The acquisition-related costs for the period amounted to EUR 1.4 million.

Earnings per share (EPS) for continuing operations was EUR 0.04 (0.06) and EUR 0.04 (0.12) for the Group including discontinued operations.

Cash flow from operations was EUR 5.5 million (8.9 m), reflecting the repayment of foreign tax credits on withholding taxes from 2009–2011 based on debit decisions by the Finnish tax authority. F-Secure has appealed the decisions with the Tax Administration's Board of Adjustment. In addition, cash flow was impacted by the release of the EUR 4.5 million escrow account relating to the sale of the personal cloud storage business to Synchronoss and the residual tax payment of EUR 6.1 million resulting from the positive net impact of said divestment and the nSense acquisition in 2015.

Liquid assets, MEUR



## Financing and Capital Structure

On 30 June the market value of F-Secure's liquid assets, including cash and cash equivalents and short term investments in interest rate funds classified as Available-for-sale assets, was EUR 80.9 million (31 December 2015: 94.3 m).

In January-June the Company's capital expenditure amounted to EUR 3.2 million (12.7 m). The capitalized development expenses were EUR 1.4 million (1.0 m).

F-Secure's financial position remained solid. The Company's equity ratio on 30 June was 70% (68%) and its gearing ratio was 121% negative (102% negative).

## Shares, Shareholders' Equity, Own Shares

The total number of Company shares is currently 158,798,739. The Company's registered shareholders' equity is EUR 1,551,311.18. The Company currently holds 2,639,627 of its own shares.

## Acquisitions and disposals

F-Secure acquired nSense, a privately held Danish company providing security consultation and vulnerability assessment services and products primarily to large enterprises, in June 2015. nSense has been consolidated into F-Secure Group accounts as of the second quarter of 2015. For more information, see Note 3 in the table section.

F-Secure sold its personal cloud storage business to Synchronoss Technologies in February 2015. As of the beginning of 2015, the personal cloud storage business is reported as discontinued operations. For more information, see Note 2 in the table section.

## Market overview

The growing number and variety of connected devices as well as digital services continues to create security challenges for both businesses and individuals. Combined with the increasing complexity of IT systems, these trends are driving demand for security services. While dedicated cyber attacks are becoming more prevalent and advanced, criminals are targeting companies of all sizes along with consumers by taking advantage of vulnerabilities in popular software and online services. Apart from pure criminal activity, governments and hacktivists are abusing vulnerabilities and malware e.g. for espionage and surveillance.

Companies and other organizations increasingly seek for managed security services and cloud-based delivery to help them maintain control of their security. Larger organizations are interested in securing their mobile device fleets and the demand for incident detection and response services remains very high, as attacks often remain unnoticed for months.

The consumer security software market continues to be impacted by the changing device landscape. Global PC shipments declined by 5.2% in the second quarter of 2016 (Gartner, July 2016). The decline is anticipated to be reflected in the market for security products, but there are nonetheless opportunities to capture market share from the competition. Furthermore, the number of connected smart home devices is growing rapidly. It is expected that there are over 4 billion connected “things” in the consumer market by the end of 2016, which opens opportunities for new innovative security products (Gartner, November 2015).

In 2015, the worldwide security software market was worth USD 22.9 billion. The consumer security software market was worth USD 5.1 billion in 2015, and it is expected to grow by 2.8% annually in 2015–2020. The security services market for enterprises was worth USD 49.6 billion in 2015, and it is expected to grow by 9.9% annually in 2016–2019. Within this, the IT outsourcing market including managed security services was worth USD 15.6 billion in 2015 and it is expected to grow by 14.9% annually in 2015–2020. All expected growth rates are in constant US dollars. (Gartner, May 2016)

## Business in April–June

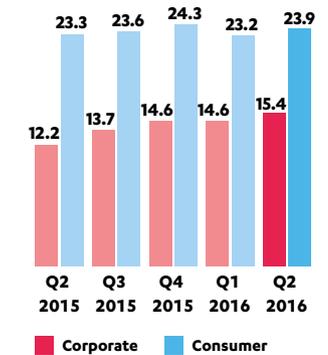
### Corporate security

In corporate security, F-Secure provides a broad offering of cyber security products and managed services through a large network of resellers and service partners. Whilst the partner network already provides for a scalable business model, F-Secure invests in further expanding the network to enable efficient and geographically broad distribution of its end point protection solutions (Protection Service for Business and Business Suite) as well as the solutions targeted at detecting and responding to advanced attacks (Rapid Detection Service) and vulnerability management (F-Secure Radar).

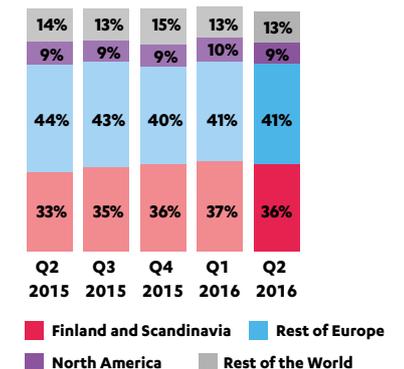
At present, the majority of revenues comes from the sale of end-point protection solutions through the reseller channel. In the second quarter, revenues from end point protection continued to show strong growth, significantly outpacing the market and reaching an all-time-high for a second quarter. The main part of the absolute growth came from the focus markets of Germany, France and Japan, where also the majority of the sales and marketing investments have been made. The Company is also making good progress in many other markets including North America and several countries in Europe. Both new customer acquisition and renewals with existing customers developed favorably during the quarter.

F-Secure continued to invest in strengthening its regional sales teams. This included setting up a new local corporate security sales team in Spain. Overall, the Company expects to add around 50 new sales people in 2016, increasing the sales headcount by over a third compared to the previous year. The increased salesforce will serve the reseller channel and focus on growing the number of active resellers from the present level of approximately 3,500.

Revenue per business, MEUR



Regional revenue split, %



New reseller contracts for distributing F-Secure Radar were signed in Germany adding to the previous contracts in the Nordics. Additionally, a consortium comprising of F-Secure and Kupari Data signed a multi-year contract with Valtori, the Finnish government's ICT Center.

In May, F-Secure launched the new Rapid Detection Service (RDS) for detecting and responding to advanced threats (for further information see the Product and services highlights section). The service has been well received and at the time of this announcement the first customer contracts have already been signed, which proves that there is clear market need for a solution that swiftly addresses the most complicated cyber attacks.

With the introduction of RDS, F-Secure is now successfully selling cyber security products and managed services generating six figure revenues per customer annually. The Company continues to invest significantly in related product and service development.

The demand for security services and consulting remained strong across multiple industry verticals. In the quarter, F-Secure was able to attract talented new consultants to support the services business and enabling expansion of operations in Norway and Sweden. Sales increased both to existing and new customers, and were successfully diversified into new verticals such as aviation. The majority of consulting revenues continued to come from Finland and Denmark.

## Consumer security

In consumer security, the majority of revenue comes from the sales of end-point protection products (mainly F-Secure SAFE) through the operator channel, with F-Secure Freedome and the password manager F-Secure Key increasingly being part of the offering. The Company also sells consumer products through various online and retail partners as well as F-Secure's own webshop.

In the operator channel, F-Secure focuses on operational excellence and further improvement of cooperation with key partners, including joint activities aimed at improving the customer experience. Consequently, sales improved in all regions from the previous quarter, especially in North America, which has now shown a consistent positive sales trend for several quarters. Overall, the operator business outlook remains stable.

The roll-out of the Company's multi-device security solution, F-Secure SAFE, continued with several operators, including Elisa/Appelsin (Finland), XS4ALL (Netherlands) and Voo (Belgium). New partnership deals were also signed during the quarter, including NetCologne (Germany) and Vinaphone (Vietnam).

The direct-to-consumer business continued to develop positively, outpacing the underlying market growth. Particularly, online sales and sales through previously announced Nordic retail partnerships made good progress. F-Secure SAFE delivered the majority of revenues in the direct-to-consumer channel supported by steadily increasing revenues from F-Secure Freedome. F-Secure continued to sign new partnerships for distributing Freedome.

Preparations for the first deliveries of F-Secure Sense, a new security product for connected home devices, continued as planned. As previously communicated, first deliveries are expected to take place by the end of the year.

## Product and services highlights

During the quarter, F-Secure continued to invest in security excellence, go-to-market activities and product development for both consumer and corporate products and services.

In May, F-Secure introduced the new **Rapid Detection Service (RDS)** aimed at businesses with critical IT systems. RDS is a managed security service that combines best-in-class cyber security experts, the latest threat intelligence and new security technology to allow for customers to be notified within 30 minutes of a breach detection. The service includes a manned 24/7 monitoring center with a team of cyber security experts to ensure both the elimination of false positives as well as rapid response. More information is available at [https://www.f-secure.com/en/web/business\\_global/rapid-detection-service](https://www.f-secure.com/en/web/business_global/rapid-detection-service)

Other updates for corporate security products:

- **F-Secure Business Suite** (end-point security solution) was updated with new security features in June, including Botnet Blocker which stops criminals from getting control of compromised assets. The solution helps prevent network activity relating to known botnets by blocking access to malicious domains.

Updates for consumer security products:

- **F-Secure Key** (password manager) received a new browser extension allowing better auto-fill capabilities for popular browsers in April. The new version also allows for easy storage of different types of data beyond passwords, including credit card information.

Additionally, in June, the UK Internet Industry Awards awarded F-Secure SAFE for offering customers the most secure internet experience. This was the second year in a row F-Secure SAFE received the award.

Customer satisfaction for key products in both corporate and consumer security improved significantly compared to the previous year. Satisfaction scores (Net Promoter Score, NPS) for **F-Secure SAFE** (the multi-device security solution) increased to 43% (34% in 2015) and for **Protection Service for Business** to 47% (40% in 2015) demonstrating customer appreciation for improvements made over the past year. The improved scores also support the Company's operator partners and other resellers in increasing sales of the products.

## Organization and leadership

At the beginning of the year, F-Secure stated a target of recruiting over a hundred new employees in 2016 to support the Company growth. At the end of June, F-Secure had 982 employees (950 on 31.3.2016; 926 on 31.12.2015), which shows a net increase of 56 (6%) since the beginning of the year. F-Secure continues to actively recruit highly skilled security professionals, rising cyber security talents and capable sales personnel especially in corporate security.

In June, the F-Secure Board of Directors appointed Samu Konttinen as the Company's President and CEO as of 1 August 2016. Samu Konttinen joined F-Secure in 2005 and has held a wide range of senior management positions in the Company, including Executive Vice President of Sales and Marketing, and Executive Vice President of Consumer Business. Most recently he served as Executive Vice President of Corporate Security Business. Since 2009 he has been a member of the Leadership team. F-Secure's former President and CEO Christian Fredrikson resigned to pursue a leadership role outside the Company.

At the time of publication of this interim report the composition of the Leadership Team is the following:

Samu Konttinen (CEO, additionally interim responsibility for Corporate Security), Mari Heusala (HR & Office Services), Kristian Järnefelt (Consumer Security), Saila Miettinen-Lähde (CFO), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Jens Thonke (Cyber Security Services) and Jyrki Tulokas (Strategy & Corporate Development).

## Corporate Governance

F-Secure's corporate governance practices comply with Finnish laws and regulations, F-Secure's Articles of Association, the rules of NASDAQ Helsinki Oy and the Finnish Corporate Governance Code 2015 issued by the Securities Market Association of Finland as explained on the Company website. The code is publicly available at <http://cgfinland.fi/en/>. F-Secure's Corporate Governance Statement for 2015 as well as up-to-date information about the Company's governance are available on the Company website.

## Annual General Meeting

The Annual General Meeting (AGM) of F-Secure Corporation was held on 7 April 2016. The Meeting confirmed the financial statements for the financial year 2015. The members of the Board of Directors and the President and CEO were granted discharge from liability.

The AGM re-elected the following members to the Board of Directors: Mr. Jussi Arovaara, Mr. Pertti Ervi, Mr. Matti Heikkonen, Ms. Anu Nissinen and Mr. Risto Siilasmaa. Mr. Bruce Oreck and Mr. Janne Pirttilahti were elected as new members of the Board. The Board elected in its organizational meeting Mr. Siilasmaa as the Chairman of the Board. The Board nominated Mr. Siilasmaa as the Chairman of the Executive Committee and Mr. Heikkonen and Ms. Nissinen as members of the Executive Committee. Mr. Ervi was nominated as the Chairman of the Audit Committee and Mr. Arovaara, Mr. Oreck and Mr. Pirttilahti were nominated as members of the Audit Committee.

The Annual General Meeting decided to distribute a dividend of EUR 0.06 per share and an extra dividend of EUR 0.06 per share to be paid to those shareholders that on the record date of 11 April 2016 were registered in the Register of Shareholders held by Euroclear Finland Ltd. The dividend was paid on 19 April 2016.

The AGM approved all proposals made by the Board as described in the Notice to the AGM published on 10 March 2016. The resolutions of the AGM can be found in the Company's stock exchange release of 7 April 2016 and on the Company web site.

## Risks and uncertainties

The most significant risks for F-Secure are related to the following factors:

- Volatility of the economic environment and its potential impact on business volumes
- Security market transformation and changes in customer demand
- Changes in the competitive environment
- Potential loss of key customers and partnerships
- Competitiveness of F-Secure's product portfolio in the rapidly changing market
- Intellectual property (IPR) claims against F-Secure
- Risk exposure from contractual liability requirements
- Failure to successfully complete acquisitions or divestments
- Failure of new product launches
- Potential security threats related to F-Secure's products and services
- Credit risk due to regional political or financial climate and regulation
- Tax risk relating to changing laws and regulations and interpretations of said regulations by the relevant authorities

## Strategy 2016–18

F-Secure aims to capitalize on the next phase of the internet and connected world. The Company's strategy reflects the fast growing number of internet-connected devices, the changes in the ways business is done amid increasing digitalization, and the concurrent increase in cybercrime. Execution of the strategy will further speed up F-Secure's transformation from an end-point antivirus company to a broader provider of cyber security products and services.

The key driver behind the strategy is F-Secure's aspiration for growth. F-Secure is continuing to increase its investments in the fastest growing markets within corporate security. These include managed endpoint security services sold through the reseller channel as well as the cyber security services business. Investments in consumer security are continued at a level that targets profitable growth.

F-Secure also aims to maximize the commercial impact of its technical expertise and multiple sales channels for further growth in its chosen key market segments. These include cyber security offerings to large enterprises in Northern Europe and in selected verticals comprising financial industry, gaming and gambling companies, aviation, defence, law enforcement, and certain global brands. In corporate security the focus is on the reseller channel in Europe and Japan. In consumer security, F-Secure continues with its existing sales channels through operators, e-commerce and retail partners.

To enable execution of the growth strategy, F-Secure is actively recruiting highly skilled security professionals, rising cyber security talents and capable sales personnel. The Company also aims at growing through M&A.

The overall key strategic target for F-Secure is to become the leading European cyber security company.

The Company has communicated its strategy in the Q4 interim stock exchange release (5 February 2016). Further details of the strategy can be found on the Company's web pages at:

[http://www.f-secure.com/en/web/corporation\\_global/company/vision-and-strategy](http://www.f-secure.com/en/web/corporation_global/company/vision-and-strategy)

## Outlook for 2016

The Company's outlook for 2016 remains unchanged.

- F-Secure anticipates its overall security revenues to grow in 2016 compared to the year before (2015: EUR 148 million).
- EBIT for continuing operations is estimated to be EUR 17–21 million (2015: EUR 20 million).

In 2015 F-Secure gave its profitability guidance as EBIT (non-IFRS), in which the cost impact of the deferred payment and earn-out elements of the nSense acquisition were excluded. In 2016, the EBIT guidance includes an estimated EUR 3 million cost impact from these elements, hence the guided figure is not directly comparable to that given in 2015.

Revenue growth is expected to continue especially in the Company's cyber security services, corporate security products (in particular Protection Service for Business) sold through the reseller channel, and direct-to-consumer sales of F-Secure's multi-device security offering SAFE and the privacy product Freedome. Sales of consumer security through the operator channel are expected to remain largely flat. The revenue outlook is based on the sales pipeline at the time of this outlook, existing subscriptions and contracts, as well as current exchange rates.

F-Secure is actively investing in the development and commercialization of several new products. The cost of development as well as expenses relating to commercial launches are likely to have an impact on the Company's overall profitability in the short to medium term while the revenues from new products, including Sense for the protection of smart homes and Rapid Detection Service for enterprises, are difficult to estimate and may remain low. This cost impact has been taken into account in the Company's profitability guidance and is in line with the Company's principle to prioritize growth over short-term profitability.

## Events after period end

No material changes regarding the Company's business or financial position have occurred after the end of the second quarter.

## ADDITIONAL INFORMATION

### News conference and webcast

A news conference for analysts and media will be held (in Finnish) at the Company's headquarters (address: Tammasaarencatu 7, 00180 Helsinki) on Thursday 4 August 2016 at 11.00–12.00 a.m. (EEST).

A webcast for international investors and analysts will be held (in English) on the same day at 14.30 p.m. (EEST).

To participate in the online meeting via web, please click on the link:  
<https://meet.f-secure.com/tapio.pesola/TY5D3TRJ>

To join via phone, please dial in to +358975110100. The conference ID is 507694. The presentation material including live video is only available via the online webcast.

The material will be available at the company's website before the call begins: [www.f-secure.com/investors](http://www.f-secure.com/investors).

### Financial calendar

F-Secure Corporation will publish its interim reports during 2016 as follows:

- Q3/2016: 3 November 2016

### Contact information



Samu Konttinen, CEO, F-Secure Corporation  
 tel. +358 9 2520 0700



Saila Miettinen-Lähde, CFO, F-Secure Corporation  
 tel. +358 9 2520 0700



Tapio Pesola, IR Manager, F-Secure Corporation  
 tel. +358 44 3734693

This interim report is unaudited and prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2015.

As of the first quarter of 2015. The personal cloud business is reported as discontinued operations. Consequently, comparison figures related to the statement of comprehensive income have been restated. All figures in the following tables are EUR million unless otherwise stated.

## INCOME STATEMENT

<b>Continuing operations</b>	<b>4-6/2016</b>	<b>4-6/2015</b>	<b>1-6/2016</b>	<b>1-6/2015</b>	<b>Change %</b>	<b>1-12/2015</b>
Revenues	39.3	35.5	77.1	71.4	8	147.6
Cost of revenues	1.5	1.8	3.1	3.1	-1	5.6
Gross margin	37.8	33.7	74.0	68.3	8	142.0
Other operating income	1.1	1.2	2.0	2.3	-14	4.0
Sales and marketing	24.4	22.0	47.9	42.7	12	86.3
Research and development	6.6	6.2	14.1	13.6	3	26.9
Administration	3.3	2.8	6.2	5.3	18	12.7
Operating result	4.6	4.0	7.8	9.0	-13	20.0
Financial net	1.1	-0.1	0.8	2.0		0.7
Result before taxes, continuing operations	5.7	3.9	8.6	11.0		20.7
Income taxes	-1.2	-0.9	-1.9	-2.4		-8.6
Result for the period, continuing operations	4.5	3.0	6.7	8.7		12.1
Discontinued operations	-0.2	-0.3	0.0	10.6		10.0
Result for the period	4.3	2.7	6.8	19.3		22.1
<b>Other comprehensive income:</b>						
Exchange difference on translating foreign operations	-0.1	-0.2	-0.1	0.4		0.3
Available-for-sale fin. assets	0.2	-1.1	0.7	-0.1		-0.2
Income tax related to components of other comprehensive income	0.0	0.2	-0.1	0.0		0.0
Total comprehensive income (owners)	4.3	1.6	7.2	19.6		22.2
<b>Earnings per share</b>	<b>4-6/2016</b>	<b>4-6/2015</b>	<b>1-6/2016</b>	<b>1-6/2015</b>	<b>Change %</b>	<b>1-12/2015</b>
Earnings per share, EUR	0.03	0.02	0.04	0.12		0.14
Diluted earnings per share, EUR	0.03	0.02	0.04	0.12		0.14
Earnings per share, continuing operations, EUR	0.03	0.02	0.04	0.06		0.08
Diluted earnings per share, continuing operations, EUR	0.03	0.02	0.04	0.06		0.08

# BALANCE SHEET

<b>Assets</b>	<b>30 Jun 2016</b>	<b>30 Jun 2015</b>	<b>31 Dec 2015</b>
Intangible assets	12.3	12.4	12.2
Tangible assets	3.1	7.7	3.4
Goodwill	7.6	5.5	7.6
Other financial assets	1.3	1.7	1.3
Non-current assets total	24.3	27.2	24.5
Inventories	0.5	0.1	0.1
Other receivables	39.9	40.7	42.7
Available-for-sale financial assets	59.2	52.9	64.4
Cash and bank accounts	21.8	23.4	29.9
Current asset total	121.4	117.2	137.2
Discontinued operations	1.5	9.5	6.4
<b>Total</b>	<b>147.2</b>	<b>153.9</b>	<b>168.1</b>
<b>Shareholders' equity and liabilities</b>	<b>30 Jun 16</b>	<b>30 Jun 15</b>	<b>31 Dec 2015</b>
Equity	67.0	74.6	77.1
Other non-current	1.0	1.0	0.9
Deferred revenues	12.3	13.9	12.1
Non-current liabilities total	13.3	14.9	13.0
Other current	25.3	24.9	32.4
Deferred revenues	38.8	30.9	36.0
Current liabilities total	64.0	55.8	68.4
Discontinued operations	2.9	8.7	9.6
<b>Total</b>	<b>147.2</b>	<b>153.9</b>	<b>168.1</b>

# CASH FLOW STATEMENT

<b>CASH FLOW STATEMENT</b>	<b>1-6/2016</b>	<b>1-6/2015</b>	<b>1-12/2015</b>
Cash flow from operations	5.5	8.9	28.9
Cash flow from investments <sup>1) 2)</sup>	3.3	18.1	4.8
Cash flow from financing activities <sup>3)</sup>	-17.7	-24.9	-24.9
Change in cash	-8.8	2.1	8.7
Cash and bank at 1 January	29.9	21.1	21.1
Translation difference	0.7	0.3	0.1
Cash and bank at end of period	21.8	23.4	29.9

<sup>1)</sup> Additional information on the impact of discontinued operations and the nSense acquisition on cash flow from investments in Notes 2 and 3.

<sup>2)</sup> F-Secure is invested in Available-for-Sale (AFS) financial assets consisting of debt securities and shares in funds invested in similar instruments. AFS assets are recognized as liquid investments held as part of the Group's cash management activities.

For the purposes of the Consolidated Statement of Cash Flows F-Secure has previously recognized AFS assets as part of cash equivalents. However, as not all of the AFS assets are short term investments as defined under IAS 7, this is a misstatement. The misstatement is not considered material and it has no effect

on the Statement of Income or the Statement of Financial Position. The Company has now reclassified said AFS assets and recognizes them as cash flows from investments. The reclassification is effective as of the beginning of 2016, and the comparison periods of January–June 2015 and January–December 2015 have been reclassified in a similar fashion to retain comparability.

<sup>3)</sup> Cash flow from financing

In 2015 paid dividend totaled EUR 24,928,430.40.

In 2016 paid dividend totaled EUR 18,696,322.80.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<b>Share capital</b>	<b>Share premium fund</b>	<b>Unrestricted equity reserve</b>	<b>Treasury shares</b>	<b>Retained earnings</b>	<b>Assets available for sale</b>	<b>Translation difference</b>	<b>Total</b>
Equity on: 31.12.2014	1.6	0.2	5.1	-7.0	79.3	0.5	0.3	79.9
Total comprehensive income for the year					19.3	0.0	0.4	19.6
Cost of share based payments					-24.9			-24.9
30.6.2015	1.6	0.2	5.1	-7.0	73.6	0.5	0.7	74.6
Equity on: 31.12.2015	1.6	0.2	5.1	-7.0	76.2	0.4	0.6	77.1
Total comprehensive income for the year					6.8	0.5	-0.1	7.2
Dividends					-18.7			-18.7
Cost of share based payments			0.1	1.0	0.4			1.4
30.6.2016	1.6	0.2	5.2	-6.0	64.7	0.9	0.5	67.0

# 1 SEGMENT INFORMATION

The Group has only one segment; data security.

<b>Quarterly development</b>	<b>Q2/2016</b>	<b>Q1/2016</b>	<b>Q4/2015</b>	<b>Q3/2015</b>	<b>Q2/2015</b>	<b>Q1/2015</b>
Revenues	39.3	37.8	38.9	37.2	35.5	35.9
Cost of revenues	1.5	1.6	1.4	1.1	1.8	1.4
Gross margin	37.8	36.2	37.6	36.2	33.7	34.6
Other operating income	1.1	0.9	1.2	0.4	1.2	1.1
Sales and marketing	24.4	23.5	22.6	20.9	22.0	20.8
Research and development	6.6	7.4	6.8	6.5	6.2	7.4
Administration	3.3	3.0	4.3	3.2	2.8	2.5
Operating result	4.6	3.2	5.0	6.0	4.0	5.0
Financial net	1.1	-0.3	-0.6	-0.8	-0.1	2.1
Result before taxes	5.7	2.9	4.4	5.2	3.9	7.1

## Geographical information

<b>Revenue</b>	<b>4-6/2016</b>	<b>4-6/2015</b>	<b>1-6/2016</b>	<b>1-6/2015</b>	<b>1-12/2015</b>
Nordic countries	14.1	11.6	27.9	23.1	49.9
Rest of Europe	16.3	15.7	31.7	31.9	63.7
North America	3.7	3.3	7.3	6.4	13.1
Rest of the world	5.3	4.9	10.2	10.1	20.9
Total	39.3	35.5	77.1	71.4	147.6

## 2 DISCONTINUED OPERATIONS

On 4 February 2015 F-Secure Corporation signed an agreement to sell its personal cloud storage business to Synchronoss Technologies Inc (NASDAQ: SNCR). The value of the transaction was USD 60 million in cash. As part of the transaction, the companies also agreed on certain intellectual property and patent rights. Closing of the transaction was completed on 24 February 2015. According to IFRS 5 standard the Group has classified the personal cloud storage business as discontinued operations. The transaction's overall impact on the operating pre-tax profit of F-secure's discontinued business in 2015 is EUR 18.6 million.

A French service provider has issued claims against F-Secure based on a contract relating to purchase of services. The matter is subject of an ongoing appeal process in a French court instance. A provision of EUR 1.2 million has been recognized in the discontinued operations based on the ongoing litigation. F-Secure does not anticipate the presented claims and the eventual outcome of the dispute to materially impact its financial position.

<b>Result for the period</b>	<b>1-6/2016</b>	<b>1-6/2015</b>	<b>1-12/2015</b>
Revenues	2.2	4.7	8.5
Expenses	-2.2	-5.2	-9.7
Result before taxes	0.0	0.4	-1.2
Taxes	0.0	0.1	0.2
Result for the period	0.0	-0.3	-1.0
Net gain on disposal	0.0	18.6	18.6
Attributable taxes	0.0	-7.6	-7.6
Result after taxes	0.0	10.6	10.0

<b>Earnings per share</b>	<b>1-6/2016</b>	<b>1-6/2015</b>	<b>1-12/2015</b>
Earnings per share, discontinued operations, EUR	0.00	0.07	0.06
Diluted earnings per share, discontinued operations, EUR	0.00	0.07	0.06

<b>Cash flow statement</b>	<b>1-6/2016</b>
Cash flow from operations	-1.8
Cash flow from investments	-
Change in cash	-1.8

### 3 ACQUISITION

On 2 June 2015, F-Secure acquired 100% of the voting shares of nSense Group Aps, an unlisted company based in Denmark. nSense is a well-established provider of security consultation and vulnerability assessment services and products to large enterprises, with high competence in enterprise cybersecurity. The acquisition further strengthens F-Secure's focus on security and its investment in building holistic advanced threat protection solutions.

The purchase price for nSense consisted of an EUR 11 million cash payment made at closing, a deferred payment of EUR 4 million in shares and an earn-out element worth a maximum of EUR 3 million in cash subject to the achievement of certain milestones in 2015–2016.

The deferred payment and earn-out elements, amounting in total to a maximum of EUR 1.8 million in 2015, EUR 3.3 million in 2016, EUR 1.3 million in 2017 and EUR 0.6 million in 2018 will in accordance with IFRS 3 be recognized as expense through the consolidated income statement. The costs are recognized in Administration.

### 4 FAIR VALUES

The carrying amounts of the Group's financial instruments are equivalent to fair values.

<b>Assets measured at fair value</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Available-for-sale financial assets 30.6.2016	59.2	59.1		0.1
Available-for-sale financial assets 30.6.2015	52.9	52.8		0.1
Available-for-sale financial assets 31.12.2015	64.5	64.4		0.1

## 5 KEY RATIOS AND OTHER KEY FIGURES

Key ratios have been calculated from result which includes both continuing and discontinued operations. Key ratios calculated from continuing operations have been marked separately.

	<b>2016 6 m</b>	<b>2015 6 m</b>	<b>2015 12 m</b>
Operating result, % of revenues, continuing operations	10.1	12.6	13.6
ROI %	26.4	53.3	52.1
ROE %	18.8	25.8	28.1
Equity ratio %	69.7	68.4	64.1
Debt-to-equity ratio %	-120.9	-102.2	-122.4
Earnings per share basic, EUR	0.04	0.12	0.14
Earnings per share diluted, EUR	0.04	0.12	0.14
Earnings per share basic, continuing operations, EUR	0.04	0.06	0.08
Earnings per share diluted, continuing operations, EUR	0.04	0.06	0.08
Shareholders' equity per share, EUR	0.42	0.47	0.49
P/E ratio	30.7	25.4	18.2
Capitalized expenditures, MEUR	3.2	12.7	14.6
Contingent liabilities, MEUR	16.5	10.3	8.5
Depreciations	2.7	2.9	5.9
Personnel average	948	878	894
Personnel end of period	982	901	926

# **CYBER SECURITY LIVES HERE**

**F-Secure Corporation  
Tammasaarekatu 7  
P.O. Box 24, 00181 Helsinki  
Tel. +358 9 2520 0700  
[investor-relations@f-secure.com](mailto:investor-relations@f-secure.com)  
[www.f-secure.com/investors](http://www.f-secure.com/investors)**