

FINANCIAL STATEMENT RELEASE 1 JANUARY – 31 DECEMBER 2016

**A STRONG FOURTH QUARTER
CONCLUDED A SOLID YEAR**

Accelerating investments in corporate security in 2017



HIGHLIGHTS OF OCTOBER–DECEMBER (Q4)

- Revenue from continuing operations increased by 9% year-on-year to EUR 42.4 million (38.9m)
- Revenue from corporate security increased by 19% to EUR 17.4 million (14.6m), representing 41% (38%) of all revenue
- Revenue from consumer security increased by 3% to EUR 25.0 million (24.3m)
- EBIT for continuing operations was EUR 6.9 million, representing 16% of revenue (5.0m, 13%)
- Earnings per share (EPS) for continuing operations was EUR 0.04 (0.00) and EUR 0.04 (0.00) for the Group including discontinued operations
- Deferred revenue increased by 13% to EUR 54.3 million (48.1m) at the end of the quarter, reflecting strong order intake in corporate security
- Cash flow from operations was EUR 9.6 million (14.3m)

HIGHLIGHTS OF 2016

- Revenue from continuing operations increased by 7% year-on-year to EUR 158.3 million (147.6m)
- Revenue from corporate security increased by 20% to EUR 62.5 million (52.1m), representing 39% (35%) of all revenue
- Revenue from consumer security remained largely at previous year's level and amounted to EUR 95.8 million (95.5m)
- EBIT for continuing operations was EUR 19.2 million, representing 12% of revenue (20.0m, 14%)
- Earnings per share (EPS) for continuing operations was EUR 0.10 (0.08) and EUR 0.10 (0.14) for the Group including discontinued operations
- Cash flow from operations was EUR 21.9 million (28.9m)
- Encouraging results from investments in corporate security; expansion of scalable business model to continue in 2017

DIVIDEND PROPOSAL

- The Board of Directors is proposing a dividend of EUR 0.06 per share and an extraordinary dividend of EUR 0.06 per share for 2016

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 The reporting currency is Euro. The full year figures in this Financial Statement Release have been audited. All figures refer to continuing operations, and figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.

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.

OUTLOOK FOR 2017

Encouraged by the results from our growth investments in corporate security in 2016, we have decided to make a meaningful additional investment in both product development and go-to-market in 2017. Consequently, the Company's outlook for 2017 is the following:

- Revenue is anticipated to grow from the previous year's level (2016: EUR 158.3 million)
- Operating profit is anticipated to be EUR 8-12 million (2016: EUR 19.2 million); profitability in the first quarter of 2017 is foreseen to be lowest during the year following typical seasonality, and clearly better towards the year-end

Revenue growth is expected to be driven by F-Secure's cyber security services and corporate security products (in particular endpoint protection products, RDS and F-Secure Radar) sold through the reseller channel.

The decision to continue increasing investment in corporate security is based on the already proven revenue growth seen during the last two years. F-Secure believes that additional investment to expedite market penetration of Rapid Detection Service and F-Secure Radar, in addition to endpoint protection products, and to improve portfolio competitiveness for better cross sell opportunities to existing customers will further enhance growth opportunities. The profitability impact of these growth investments will be clearly negative in 2017.

In cyber security services, F-Secure's consultants are widely recognized as leading experts in the field, and demand for their services is high across several industry verticals internationally. Expansion of the consultancy business therefore continues.

Revenue from consumer security is anticipated to remain at approximately previous year's level.

OUTLOOK FOR STRATEGY PERIOD 2017–2020

Driven by the anticipated revenue growth and scalability of the high gross margin, product based business model, profitability is expected to improve clearly above the level achieved last year (2016: 12% of revenue) towards the end of the 2017–2020 strategy period.

KEY FIGURES

Key figures are for continuing operations unless otherwise stated.

EUR m	10–12/2016	10–12/2015	Change	1–12/2016	1–12/2015	Change
Revenue	42.4	38.9	9%	158.3	147.6	7%
Operating profit (EBIT)	6.9	5.0	37%	19.2	20.0	–4%
% of revenue	16%	13%		12%	14%	
Profit before taxes	7.6	4.4	72%	20.8	20.7	0%
Earnings per share, (EUR) ^{1) 2)}	0.04	0.00		0.10	0.14	
Earnings per share, continuing operations (EUR) ¹⁾	0.04	0.00		0.10	0.08	
Depreciation and amortization	–1.3	–1.4	–8%	–5.3	–5.9	–10%
Deferred revenue				54.3	48.1	13%
Cash and available-for-sale financial assets				92.7	94.3	–2%
ROI, % ²⁾	44.7%	30.1%		28.6%	52.1%	
Equity ratio, % ²⁾				66.7%	64.1%	
Gearing, % ²⁾				–122.1%	–122.4%	
Personnel, end of period ²⁾				1,026	926	11%

¹⁾ Based on the weighted average number of outstanding shares during the period 156,022,774 (1–12/2016) and 156,258,200 (10–12/2016)

²⁾ Includes both continuing and discontinued operations

CEO SAMU KONTTINEN



A strong fourth quarter concluded a solid year for F-Secure. Our corporate security revenue continued to grow in double digit figures throughout the year, and in the fourth quarter the demand for cyber security services was even stronger than we had anticipated. In consumer security we saw a slight revenue increase in the fourth quarter compared to the previous year. I was particularly happy to see our operator business perform steadily, with growing confidence in its stability going forward.

F-Secure's revenue for the full year 2016 increased by 7% to EUR 158.3 million, with revenue from corporate security growing by 20% and consumer security remaining at previous year's level. Operating profit was EUR 19.2 million and 12% of revenue, reflecting increased expenditure in sales and marketing as well as product development.

The cyber security market continues to offer good structural growth, and we believe the market environment and our proven competitiveness will continue to support our anticipated growth.

Encouraged by the traction for our solutions for the corporate security market during 2016, we have decided to make a meaningful additional investment in both product development and go-to-market in 2017. We will particularly focus our investment on the go-to-market of

our managed detection service (RDS) and vulnerability management (F-Secure Radar), and also increase our investments to enhance our portfolio competitiveness and to improve cross sell to existing customers.

Due to these growth investments, our 2017 profitability will be clearly lower than in 2016. Towards the year-end we expect to see clearly improving profitability. The full positive impact of our investments will be visible only towards the end of the strategy period.

In cyber security services, demand for our penetration testing, forensics and regulatory and compliance services is looking very strong. We continue winning customers from the most demanding industry verticals, to whom cyber defense is no place for compromise. This showcases our world class expertise in this domain. We have a very positive outlook for this business and also how it complements our higher margin product sales.

Looking at new product launches, the focus is at F-Secure Cloud Protection for Salesforce and F-Secure Sense, the connected home security suite. Both are addressing totally new markets for F-Secure and we have been very moderate with their forecasted revenue impact for 2017.

In general, defending businesses against targeted attacks will increasingly require combining human expertise with technology. With our cyber security consultants working closely with product development, we can ensure that learnings from forensics and penetration testing feed directly into the creation of new artificial intelligence, heuristics and machine learning capabilities. This combination of best-in-class products and cyber security services gives F-Secure a unique competitive advantage.

I am pleased to conclude by noting that we are building our future growth on a very strong foundation as a confirmed front runner in the industry. This was highlighted again earlier this month, when we received the Best Protection Award by AV-TEST for the fifth time, the first company in the AV-test test history to do so.

“WE BELIEVE THE MARKET ENVIRONMENT AND OUR PROVEN COMPETITIVENESS WILL CONTINUE TO SUPPORT OUR ANTICIPATED GROWTH.”

F-Secure products and services

Corporate security: F-Secure provides a broad offering of cyber security products and managed services through a large network of resellers and service partners. Products include both online (Protection Service for Business) and on-premise (Business Suite) endpoint protection solutions, as well as solutions for detecting and responding to advanced attacks (Rapid Detection Service, or RDS) and vulnerability management (F-Secure Radar). RDS is typically sold as a managed service. Currently, the majority of corporate security revenue comes from the sale of endpoint protection solutions through the reseller channel.

Cyber security services: F-Secure provides cyber security services to enterprises and businesses with critical IT infrastructure, including top tier incident response and forensic expertise, comprehensive vulnerability assessment, and threat intelligence and security management consultancy.

Consumer security: The majority of F-Secure's consumer security revenue comes from the sale of endpoint protection products (mainly F-Secure SAFE) through the operator channel, with F-Secure Freedom (VPN, privacy and security) and F-Secure Key (password manager) 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 web shop.

F-Secure has won several international tests for endpoint protection by independent testing institutes. In February 2017, F-Secure received the Best Protection Award 2016 from AV-Test for the fifth time.

New launches expected in 2017

- F-Secure anticipates launching **F-Secure Cloud Protection for Salesforce** during the first half of 2017. The new solution complements Salesforce's native security capabilities by mitigating risks induced by files and URLs uploaded by users.
- F-Secure anticipates launching **F-Secure Sense**, an innovative security solution for connected home devices, during the second quarter of 2017.



"In February 2017, F-Secure received the Best Protection Award 2016 from AV-Test for the fifth time."

FINANCIAL HIGHLIGHTS

 In this section the term sales is used interchangeably with order intake. Sales are recognized as revenue according to the accounting principles outlined in the Notes to the Financial Statements, Revenue recognition, as published in the Annual Report for 2015.

EUR m	10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Revenue	42.4	38.9	9%	158.3	147.6	7%
of which corporate security	17.4	14.6	19%	62.5	52.1	20%
of which consumer security	25.0	24.3	3%	95.8	95.5	0%
Fixed costs	-35.7	-33.8	6%	-137.6	-126.0	9%
of which Sales & Marketing	-23.8	-22.6	5%	-95.5	-86.3	11%
of which Research & Development	-7.8	-6.8	14%	-28.4	-26.9	6%
of which Administration	-4.1	-4.3	-4%	-13.7	-12.7	8%
Operating result (EBIT)	6.9	5.0	37%	19.2	20.0	-4%
Deferred revenue				54.3	48.1	13%
Depreciation & amortization	-1.3	-1.4	-8%	-5.3	-5.9	-10%
Cash flow from operations	9.6	14.3	-33%	21.9	28.9	-24%

Fourth quarter

In October– December, total revenue grew by 9% year-on-year to EUR 42.4 million (38.9 m), driven by corporate security.

Corporate security

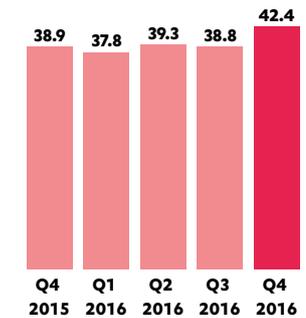
Revenue from corporate security increased by 19% year-on-year to EUR 17.4 million (14.6m) in the fourth quarter, as revenue from product sales through the reseller channel and especially from cyber security services continued to grow strongly.

Revenue from endpoint protection (Protection Service for Business, Business Suite) showed double-digit growth. Renewals and upselling to the existing customer base developed favorably, and new customer acquisition continued to grow robustly. The number of active resellers increased to over 4,000, a growth of 13% over the previous year.

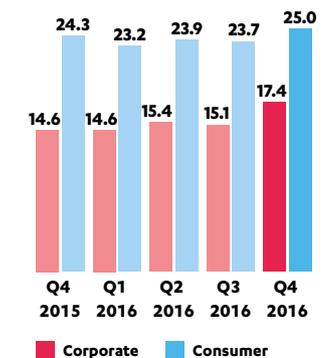
Regionally most of the absolute sales growth in the reseller channel came from focus markets in Europe, but already nearly a third of the growth came from North America and Asia-Pacific. Within Asia-Pacific, India continued to show particularly good progress in new sales, albeit from modest absolute levels. In Europe, growth was fastest in the United Kingdom, Sweden and Benelux, with France and Germany also showing robust progress.

Sales of F-Secure Radar and Rapid Detection Service (RDS) developed as expected. These solutions are still in the early phases of their lifecycles, but the Company already sees strong demand for both. The cross-selling potential of the expanded corporate security offering was confirmed as most new RDS deals during the quarter also included F-Secure Radar. To further ramp up growth, F-Secure is actively selling these new solutions through current and new reseller partners. At the same time, sales and technical training continued with existing resellers.

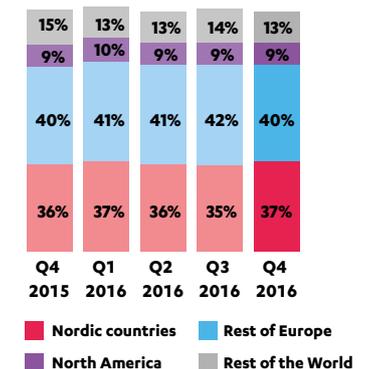
Revenue, MEUR



Revenue per business, MEUR



Regional revenue split, %



In November, the Company announced that it will launch F-Secure Cloud Protection for Salesforce in the first half of 2017. The solution offers an additional layer of security for Salesforce customers by automatically analyzing any files or links uploaded by users and then blocking malicious content.

Cyber security consultancy sales showed very healthy double digit growth. The last quarter of the year is typically the strongest one for cyber security services. With new recruits fully contributing to sales, F-Secure was able to meet the continuing strong demand, while keeping consultant utilization rates at high levels.

Consumer security

Revenue from consumer security increased by 3% year-on-year to EUR 25.0 million (24.3m), driven mainly by continued growth in direct sales while revenue from the operator channel also increased slightly. Reported growth in the operator channel was negatively impacted by a EUR 0.7 million revenue from sales in Argentina in Q4/2015, for which the actual sales had been generated over a nearly two-year period, as has been previously communicated.

Regionally, the best performance in the operator channel came from the Americas. Sales in Europe remained stable and on last year’s level. The Company continued to focus on improving operational excellence with partners, while increasingly offering consumer products (F-Secure SAFE, F-Secure Freedome, F-Secure Key) as a combined bundle.

Direct consumer sales continued to show solid growth, driven by online sales of Freedome. Overall, retail sales of consumer products continued to develop favorably. As with operators, F-Secure increasingly promoted sales of Freedome as a bundled offering with F-Secure SAFE (“total security and privacy”). The combined offering is expected to support cross-selling and generate higher annual average revenue per user. Initial experiences from the new sales model are positive.

The Company continued to prepare for the commercial launch of F-Secure Sense, an innovative security solution for connected home devices. The first deliveries are expected by the end of the second quarter in 2017. As the smart home security market continues to take shape, several security solutions for connected devices have recently been introduced by various companies in the industry. F-Secure expects these announcements to further build awareness in this emerging market and thus support the forthcoming launch of F-Secure Sense.

Deferred revenue

Deferred revenue increased by 13% (year-on-year) to EUR 54.3 million (48.1m), driven primarily by the increased sale of corporate security products and services with contracts extending to one year or beyond.

Costs

Fixed costs increased by 6% (year-on-year) to 35.7 million (33.8m). The increase was driven by costs incurred as a result of significant recruitment in corporate security.

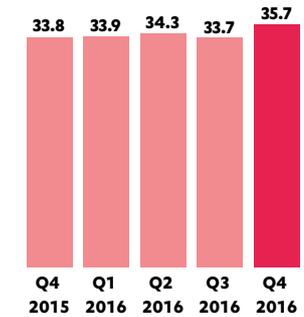
Profitability

EBIT was EUR 6.9 million and 16% of revenue (5.0m, 13%), including the nSense acquisition-related costs (earn-out and deferred payment) for the period amounting to EUR 1.0 million.

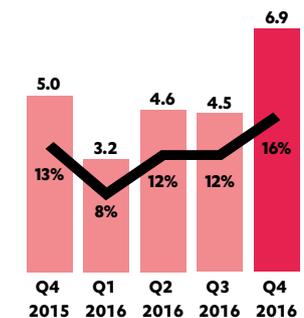
Cash flow

Cash flow from operations was EUR 9.6 million (14.3m).

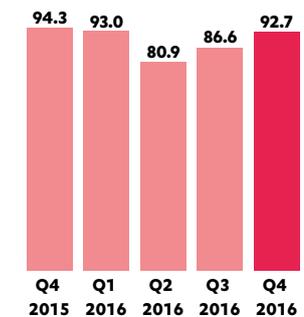
Fixed costs, MEUR



EBIT, MEUR



Cash and available-for-sale assets, MEUR



Full year 2016

In 2016, total revenue grew by 7% year-on-year to EUR 158.3 million (147.6m), driven by corporate security. Organic revenue growth was 5%.

Corporate security

Revenue from corporate security increased by 20% year-on-year to EUR 62.5 million (52.1m), and represented 39% (35%) of F-Secure's total revenue.

The growth throughout the year stemmed both from increasing product sales through the reseller channel and from very strong performance in cyber security services. The revenue increase reflected significant investments in product development as well as strong recruiting in the sales organization during the past two years. The acquisition of nSense affected the reported figures from Q2/2015 onwards.

Consumer security

Revenue from consumer security remained at previous year's levels at 95.8 million (95.5m), and represented 61% (65%) of F-Secure's total revenue.

The direct consumer sales continued to grow, while sales from the operator channel were largely flat. After the relatively weak first quarter the sales from the operator channel increased quarter-to-quarter throughout 2016, and the outlook for the operator business remains stable.

Deferred revenue

Deferred revenue increased by 13% year-on-year to EUR 54.3 million (48.1m), driven primarily by the increased sale of corporate security products and services with contracts extending to one year or beyond.

Costs

Total fixed costs increased by 9% year-on-year to EUR 137.6 million (126.0m). The increase was driven by costs incurred as a result of significant recruitment in corporate security, as well as long-term incentive plan accruals reflecting the increase in F-Secure's share price during July–December.

Depreciation and amortization (capitalized R&D, software, hardware) decreased to EUR 5.3 million (5.9 m).

Profitability

EBIT was EUR 19.2 million and 12% of revenue (20.0m, 14%), including the nSense acquisition-related costs (earn-out and deferred payment) for the period, which amounted to EUR 3.4 million.

Tax

F-Secure made a EUR 4.0 million repayment, including late payment interest, of foreign tax credits on withholding taxes from 2009–2011 based on debit decisions by the Finnish tax authority. F-Secure has appealed the debit decisions with the tax administration's Board of Adjustment.

The effective tax rate for the group in 2016 was 24% (2015: 42%) and 28% excluding adjustments to previous years' taxes (2015: 31%). Uncreditable withholding taxes increase F-Secure's effective tax rate.

Cash flow

Cash flow from operations amounted to EUR 21.9 million (28.9m). Substantial factors impacting the cash flow negatively included a residual tax payment of EUR 6.1 million resulting from the divestment of F-Secure's personal cloud storage business to Synchronoss in 2015 and the repayment of foreign tax credits on withholding taxes from 2009–2011 based on debit decisions by the Finnish tax authority. Cash flow was positively impacted by the release of the EUR 4.5 million escrow account relating to the above mentioned divestment.

Financing and Capital structure

	10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Cash and available-for-sale financial assets (AFS)				92.7	94.3	-2%
Capital expenditure, EUR m	2.5	1.1	118%	6.9	14.6	-52%
Capitalized development expenses, EUR m	1.2	0.8	39%	3.2	2.3	41%
ROI, %	44.7%	30.1%		28.6%	52.1%	
Equity ratio, %				66.7%	64.1%	
Gearing, %				-122.1%	-122.4%	

F-Secure's financial position remained solid.

Cash and available-for-sale financial assets

In 2016, cash and available-for-sale financial assets were significantly impacted by an extra dividend (EUR 0.06 per share) paid in addition to the regular dividend (EUR 0.06 per share). The extra dividend was paid following the sale of personal cloud storage business to Synchronoss Technologies Inc for USD 60 million in February 2015. In total, F-Secure paid EUR 18.7 million in dividends in 2016.

Acquisitions and disposals

In June 2015, F-Secure acquired nSense, a privately held Danish company providing security consultation and vulnerability assessment services and products primarily to large enterprises. 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 until the end of 2016, the personal cloud storage business was reported as discontinued operations. For more information, see Note 2 in the table section.

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 2,540,539 of its own shares.

The Company holds its own shares to be used in the incentive compensation plans, for making acquisitions or implementing other arrangements related to the Company's business, to improve the Company's financial structure, or to be otherwise assigned or cancelled.

The Company currently has a share-based incentive program for key employees for the earning periods of 2015–2017 and 2016–2018, as well as a synthetic option-based incentive program for the same periods. In 2016 the Company did not pay any rewards based on the share-based incentive programs.

In accordance with the decision by the Annual General Meeting, 40% of the fees paid to the Members of the Board of Directors in 2016 were paid in F-Secure shares. In total, 36,068 of F-Secure shares were assigned to the Members of the Board. The shares were purchased from the market.

Organization and leadership

At the beginning of 2016, F-Secure stated a target of recruiting over a hundred new employees during the year to support the Company growth. At the end of December, F-Secure had 1,026 employees (926 on 31 December 2015), which shows a net increase of 100 employees (11%) since the beginning of the year. F-Secure continues to actively recruit security professionals, cyber security consultants and sales personnel especially in corporate security.

In August, Samu Konttinen was appointed as the Company's President and CEO. In October, Jyrki Rosenberg was appointed Executive Vice President (Corporate Security). After period-end in February, Eriikka Söderström was appointed as the new CFO.

At the time of publication of these Financial Statements the composition of the Leadership Team is the following:

Samu Konttinen (CEO), Mari Heusala (HR & Office Services), Kristian Järnefelt (Consumer Security), Salla Miettinen-Lähde (CFO, until 17 February 2017), Jyrki Rosenberg (Corporate Security), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Jens Thonke (Cyber Security Services) and Jyrki Tulokas (Strategy & Corporate Development). Eriikka Söderström will start as CFO on 18 February 2017.

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. 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. The Corporate Governance Statement for 2016 will be published at latest on 15 March 2017.

Risks and uncertainties

Risks are defined as uncertainties which can impact the achievement of the Company's short and long term objectives. Risks are assessed as a combination of probability and impact. The objective of risk management is to ensure a current, correct and comprehensive understanding and prioritized management of key uncertainties related to strategy implementation and business operations.

In 2016, F-Secure adopted a new risk modeling method with the aim of more accurately capturing all elements of operational security risks. The latest risk assessment cycle was started using the new method and focusing on key assets.

F-Secure uses the following categories to group the risks: strategic, operational, financial and compliance risks. 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
- Failure to attract and retain required human capital
- 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

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 advanced cyber attacks are becoming more common and persistent, criminals are targeting companies of all sizes along with consumers by taking advantage of vulnerabilities in popular software, traditional and new connected devices as well as online services. Apart from pure criminal activity, governments and hacktivists use vulnerabilities and malware e.g. for espionage and surveillance.

Attacks against corporations often go undetected for months, which fuels demand for products and services for incident detection and response, supplementing the endpoint security market. Furthermore, as organizations are increasingly adopting cloud services, they seek managed security services and cloud-based delivery to help them maintain control of their security. In the long run, this trend is expected to shift investment away from on-premise security products, while new opportunities are emerging in securing the cloud platforms. Larger organizations also remain interested in securing their mobile device fleets.

The consumer security software market continues to be impacted by the changing device landscape, as well as the increasing significance of app stores and online sales overall. While the sales of traditional PC's have declined slightly, the number of connected smart home devices is growing very rapidly. This creates opportunities for innovative new security products. There are also opportunities to capture market share from the competition with traditional security products.

The information security market overall was estimated to be worth USD 83.7 billion in 2016, and the market is expected to grow by 7.9% annually in 2015–2020¹⁾. The endpoint security platforms (enterprise) market was worth USD 3.3 billion in 2016, and is expected to grow by 2.5% annually in 2015–2020¹⁾. The consumer security software market was worth USD 4.7 billion in 2016, and is expected to grow by 1.5% annually in 2015–2020¹⁾. The IT outsourcing market, including managed security services, was worth USD 15.9 billion in 2016, and is estimated to grow by 11.7% annually in 2015–2020¹⁾.

Sources:¹⁾ *Gartner, Forecast Information Security, Worldwide, 2014–2020, 4Q16, Ruggero Contu, Christian Canales, Sid Deshpande and Lawrence Pingree, 25 January 2017. Market size quoted in current dollars, growth rates in constant dollars.*

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Strategy 2017–2020

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

The key driver behind the strategy is F-Secure's aspiration for growth. F-Secure continues its investments in the fastest growing markets within corporate security. These include new security products for cloud services, managed endpoint security services and managed detection and response 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. 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.

Due to the explosive growth in the number of internet-connected devices both in business and in our private lives, society now expects services and data to be accessible everywhere and on any device. Online business services are becoming the de-facto standard, but at the same time online crime has become ever present and globally connected. Cyber threats are growing rapidly and evolving in both scope and sophistication. Protecting people and organizations from new types of attacks, as well as securing new areas of technology and business requires a move away from single solutions towards a broader cyber security portfolio.

In cyber security, F-Secure sees the enterprises with business critical IT systems or customer data as being at the forefront of the market. Such enterprises have needs for cutting-edge threat prevention and detection solutions, as well as solutions that enable them to respond to and predict threats. F-Secure is already serving even the most demanding customers utilizing its know-how and expertise, and aims to increase its presence in this market segment especially in selected target verticals. These include the financial industry, gaming and gambling companies, aviation, defense, law enforcement, and certain global brands.

Over time, the most advanced cyber security solutions will be adapted to more easily scalable corporate security offerings sold through the Company's strong and expanding reseller channel. Eventually, the same technologies can be commercialized in consumer security products as well, for which F-Secure's extensive operator channel offers an attractive route to market.

F-Secure 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 services offerings to large enterprises in Europe and globally selected industry verticals, and corporate security business through the reseller channel globally. In consumer security, F-Secure continues with its existing sales channels aiming at profitable growth.

Events after period-end

Dividend and proposals to the Annual General Meeting

The Board proposes to the AGM the distribution of a dividend of EUR 0.06 per share and an extraordinary dividend of EUR 0.06 per share for 2016. The Company's dividend policy is to pay approximately half of its profits as dividends. Subject to circumstances, the Company may deviate from this policy.

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 16 January 2017 at 11.00–12.00 a.m. (EET).

A webcast for international investors and analysts will be held (in English) on the same day at 14.00 p.m. (EET).

To participate and ask questions in the online meeting via web, please click on the link: <https://meet.f-secure.com/tapio.pesola/COG31CV8>

To listen via phone, please dial in to +358975110100. The conference ID is 170372.

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

Financial calendar

F-Secure Corporation will publish its interim reports during 2017 as follows:

Q1/2017: 4 May 2017

Q2/2017: 10 August 2017

Q3/2017: 9 November 2017

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This Financial Statement Release is prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2015. Full year figures in this Financial Statement Release have been audited.

As of the first quarter of 2016, 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

Continuing operations	10-12/2016	10-12/2015	Change %	1-12/2016	1-12/2015	Change %
Revenue	42.4	38.9	9	158.3	147.6	7
Cost of revenue	-1.4	-1.4	0	-5.8	-5.6	3
Gross margin	41.0	37.6	9	152.5	142.0	7
Other operating income	1.6	1.2	28	4.3	4.0	9
Sales and marketing	-23.8	-22.6	5	-95.5	-86.3	11
Research and development	-7.8	-6.8	14	-28.4	-26.9	6
Administration	-4.1	-4.3	-4	-13.7	-12.7	8
EBIT	6.9	5.0	37	19.2	20.0	-4
Financial net	0.7	-0.6		1.5	0.7	136
Result before taxes	7.6	4.4	72	20.8	20.7	0
Income taxes	-1.6	-5.0	-69	-5.1	-8.6	-41
Result for the period continuing	6.1	-0.6		15.7	12.1	30
Discontinued operations	-0.1	0.2		-0.5	10.0	
Result for the period total	6.0	-0.4		15.2	22.1	-31
Other comprehensive income						
Exchange differences on translating foreign operations	0.0	-0.2		-0.3	0.3	
Available-for-sale financial assets	-0.3	0.4		0.9	-0.2	
Income tax relating to components of other comprehensive income	0.1	-0.1		-0.2	0.0	
Total comprehensive income (parent company owners)	5.7	-0.3		15.6	22.2	
Earnings per share	10-12/2016	10-12/2015		1-12/2016	1-12/2015	
Earnings per share, basic and diluted, EUR	0.04	0.00		0.10	0.14	
Earnings per share, continuing operations, basic and diluted, EUR	0.04	0.00		0.10	0.08	

BALANCE SHEET

Assets	31 Dec 2016	31 Dec 2015
Tangible assets	3.3	3.4
Intangible assets	13.4	12.2
Goodwill	7.6	7.6
Deferred tax assets	2.7	1.3
Other receivables	0.1	0.0
Total non-current assets	27.2	24.5
Inventories	0.1	0.1
Trade and other receivables	46.2	42.5
Income tax receivables	0.3	0.3
Available-for-sale financial assets	63.7	64.4
Cash and bank accounts	29.0	29.9
Total current assets	139.4	137.2
Discontinued operations	1.5	6.4
Total	168.1	168.1
Shareholders' equity and liabilities	31 Dec 2016	31 Dec 2015
Equity	75.9	77.1
Deferred tax liabilities	0.4	0.9
Deferred revenue, non-current	13.7	12.1
Other non-current liabilities	0.2	0.1
Provisions	0.2	
Total non-current liabilities	14.4	13.2
Trade and other payables	32.1	28.3
Income tax liabilities	2.5	4.0
Deferred revenue, current	40.5	36.0
Total current liabilities	75.1	68.3
Discontinued operations	2.6	9.6
Total	168.1	168.1

CASH FLOW STATEMENT

CASH FLOW STATEMENT	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Cash flow from operations	9.6	14.3	21.9	28.9
Cash flow from investments ^{1) 2)}	-6.1	-12.6	-4.6	4.8
Cash flow from financing activities ³⁾	-1.3	0.0	-18.7	-24.9
Change in cash	2.1	1.7	-1.4	8.7
Cash and bank beginning of period	26.9	28.2	29.9	21.1
Translation difference	0.0	0.0	0.6	0.1
Cash and bank at end of period	29.0	29.9	29.0	29.9

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

²⁾ F-Secure has invested in available-for-sale (AFS) financial assets consisting of debt securities and shares in funds invested in similar instruments. AFS assets are held for Group's cash management purposes.

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 has been 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 reclassified the AFS assets in its half year report 2016 and now recognizes cash flows related to them in cash flow from investments. The reclassification is effective as of the beginning of 2016, and the comparison periods have been restated in a similar fashion to retain comparability.

³⁾ Cash flow from financing
Dividend paid in 2016 totaled EUR 18,696,322.80.
Dividend paid in 2015 totaled EUR 24,928,430.40.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2014	1.6	0.2	5.1	-7.0	79.3	0.5	0.3	79.9
Total comprehensive income for the year					22.1	-0.1	0.3	22.2
Dividend					-24.9			-24.9
Cost of share based payments					-0.2			-0.2
Equity 31 Dec 2015	1.6	0.2	5.1	-7.0	76.2	0.4	0.6	77.1
Equity 31 Dec 2015	1.6	0.2	5.1	-7.0	76.2	0.4	0.6	77.1
Total comprehensive income for the year					15.2	0.7	-0.3	15.6
Dividend					-18.7			-18.7
Cost of share based payments			0.1	1.2	0.6			1.9
Equity 31 Dec 2016	1.6	0.2	5.2	-5.7	73.4	1.1	0.3	75.9

1 SEGMENT INFORMATION

The Group has only one segment (security).

Quarterly development	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015
Revenue	42.4	38.8	39.3	37.8	38.9	37.2
Cost of revenue	-1.4	-1.3	-1.5	-1.6	-1.4	-1.1
Gross margin	41.0	37.5	37.8	36.2	37.6	36.2
Other operating income	1.6	0.8	1.1	0.9	1.2	0.4
Sales and marketing	-23.8	-23.8	-24.4	-23.5	-22.6	-20.9
Research and development	-7.8	-6.6	-6.6	-7.4	-6.8	-6.5
Administration	-4.1	-3.4	-3.3	-3.0	-4.3	-3.2
EBIT	6.9	4.5	4.6	3.2	5.0	6.0
Financial net	0.7	0.0	1.1	-0.3	-0.6	-0.8
Result before taxes	7.6	4.5	5.7	2.9	4.4	5.2

Geographical information

Revenue, continuing operations	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Nordic countries	15.8	14.0	57.4	49.9
Rest of Europe	17.2	15.6	65.0	63.7
North America	3.8	3.5	14.6	13.1
Rest of the world	5.6	5.8	21.2	20.9
Total Revenue	42.4	38.9	158.3	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. The Group has classified the personal cloud storage business as discontinued operations according to IFRS 5. The transaction's overall impact on the operating pre-tax profit of F-secure's discontinued business in 2015 was 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 to 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.

Result for the period for continued operations	1-12/2016	1-12/2015
Revenue	3.3	8.5
Expenses	-3.9	-9.7
Result before taxes	-0.6	-1.2
Taxes	0.1	0.2
Result for the period	-0.5	-1.0
Net gain on disposal		18.6
Attributable taxes		-7.6
Result after taxes		10.0
Earnings per share	1-12/2016	1-12/2015
Earnings per share, discontinued operations, basic and diluted, EUR	0.00	0.06
Cash flow statement	1-12/2016	1-12/2015
Cash flow from operations	2.3	-5.3
Cash flow from investments		44.3
Change in cash	2.3	39.0

3 ACQUISITION

On 2 June 2015, F-Secure acquired 100% of the shares of nSense Group ApS, a privately held Danish company providing security consultation and vulnerability assessment services and products to large enterprises. nSense is headquartered in Denmark, and it has offices in Finland, Poland and Norway.

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 amounted to EUR 1.5 million in 2015, EUR 1.0 million for October–December 2016 and EUR 3.4 million for January–December 2016. The total maximum amounts are EUR 1.3 million in 2017 and EUR 0.6 million in 2018. These will be recognized as administration expense.

4 FAIR VALUES

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

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Available-for-sale financial assets 31 Dec 2016	63.7	0.2	63.5	0.0
Available-for-sale financial assets 31 Dec 2015	64.5	0.1	64.2	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.

	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Operating result, % of revenue, continuing operations	16.3	12.9	12.1	13.6
ROI, %	44.7	30.1	28.6	52.1
ROE, %	32.6	-2.0	19.9	28.1
Equity ratio, %			66.7	64.1
Gearing, %			-122.1	-122.4
Earnings per share, basic and diluted, EUR	0.04	0.00	0.10	0.14
Earnings per share, continuing operations, basic and diluted, EUR	0.04	0.00	0.10	0.08
Shareholders' equity per share, EUR			0.49	0.49
P/E ratio	22.8	0.0	35.6	18.2
Capitalized expenditure, MEUR	2.5	1.1	6.9	14.6
Contingent liabilities, MEUR			17.7	8.5
Depreciation and amortization, continuing operations	-1.3	-1.4	-5.3	-5.9
Personnel, average	1,024	920	981	894
Personnel, period end			1,026	926

6 CALCULATION OF KEY FIGURES

Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets – advance payments received}} \times 100$
ROI, %	$\frac{\text{Result before taxes + financial expenses (annualized)}}{\text{Total assets – non-interest bearing liabilities (average)}} \times 100$
ROE, %	$\frac{\text{Result for the period (annualized)}}{\text{Total equity (average)}} \times 100$
Gearing, %	$\frac{\text{Interest bearing liabilities – cash and bank and available-for-sale financial assets}}{\text{Total equity}} \times 100$
Earnings per share, EUR	$\frac{\text{Profit attributable to equity holders of the company}}{\text{Weighted average number of outstanding shares}}$
Shareholders' equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$
P/E ratio	$\frac{\text{Closing price of the share, end of period}}{\text{Earnings per share (annualized)}}$
Fixed costs	Sales and marketing, research and development, and administration costs

CYBER SECURITY LIVES HERE

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