

**INTERIM REPORT 1 JANUARY – 31 MARCH 2017**

# **A STRONG QUARTER FOR BOTH CORPORATE AND CONSUMER SECURITY**

**Investments continue as planned**



# HIGHLIGHTS OF JANUARY–MARCH (Q1)

- Revenue increased by 9% year-on-year to EUR 41.0 million (37.8m)
- Revenue from corporate security increased by 14% to EUR 16.7 million (14.6m), representing 41% (39%) of all revenue
- Revenue from consumer security increased by 5% to EUR 24.3 million (23.2m), representing 59% (61%) of all revenue
- EBIT was EUR 1.6 million, representing 4% of revenue (3.2m, 8%)
- Earnings per share (EPS) was EUR 0.01 (EUR 0.01, EUR 0.02 including discontinued operations)
- Deferred revenue increased by 13% to EUR 56.3 million (49.7m) at the end of the quarter, reflecting strong order intake in corporate security
- Cash flow from operations was EUR 5.5 million (–1.1m)
- F-Secure has today concluded cooperation negotiations announced on 20 March 2017

## OUTLOOK FOR 2017

The Company's outlook for 2017 is unchanged:

- 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

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 Figures in this Interim Report are unaudited. All income statement figures refer to continuing operations, and figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.

F-Secure's personal cloud storage business (younited) was sold to Synchronoss Technologies in February 2015 and is reported as discontinued operations 2015–2016.

# KEY FIGURES

Key figures are for continuing operations unless otherwise stated.

EUR m	1-3/2017	1-3/2016	Change	1-12/2016
Revenue	41.0	37.8	9%	158.3
Operating profit (EBIT)	1.6	3.2	-50%	19.2
% of revenue	4%	8%		12%
Profit before taxes	1.5	2.9	-48%	20.8
Earnings per share, continuing operations (EUR) <sup>1)</sup>	0.01	0.01		0.10
Earnings per share (EUR) <sup>1) 2)</sup>	0.01	0.02		0.10
Deferred revenue	56.3	49.7	13%	54.3
Cash and available-for-sale financial assets	96.4	93.1	4%	92.7
ROI, % <sup>2)</sup>	8.8%	18.6%		28.6%
Equity ratio, % <sup>2)</sup>	68.8%	68.9%		66.7%
Gearing, % <sup>2)</sup>	-124.5%	-116.2%		-122.1%
Personnel, end of period <sup>2)</sup>	1,055	950	11%	1,026

<sup>1)</sup> Based on the weighted average number of outstanding shares during the period 156,258,200 (1-3/2017)

<sup>2)</sup> Includes both continuing and discontinued operations

## CEO SAMU KONTTINEN



**“A STRONG FIRST QUARTER CONFIRMED THE PROGRESS F-SECURE HAS MADE WITH BOTH CORPORATE AND CONSUMER SECURITY.”**

A strong first quarter confirmed the progress F-Secure has made with both corporate and consumer security. Our business continued to develop as planned, with all businesses growing in the first quarter, outpacing the market. Revenue from corporate security showed clear double-digit growth and our consumer security business also grew well. F-Secure’s total revenue increased by 9% compared to the previous year, amounting to EUR 41.0 million. Revenue from corporate security increased by 14%, and revenue from consumer security by 5%.

Our corporate security offering – both products and services in cyber security – clearly resonates well with our customers. This combined with our partner-led sales model allows us to win market share. Our portfolio has more depth than ever. It provides comprehensive cyber defense coverage to our customers, allowing us to target a broader market than in the past. I am particularly pleased with the fact that all of our corporate product areas – endpoint protection, vulnerability management and managed detection services – performed very well during the quarter. Cyber security services showed strong double-digit growth, and we continued to win significant deals with large international enterprises. The services business is clearly supporting our product sales as well as product development.

In consumer security, we also continued to outpace the market in growth, with both the operator channel business and our direct sales growing. We see a trend of increasing demand for VPN and privacy solutions, which has resulted in strong demand for F-Secure Freedom. I look forward to the upcoming launch of our first-ever hardware product, F-Secure Sense, which will protect all the internet-connected devices in people’s homes. As everything is increasingly connected, the potential attack surface is expanding. The emerging home security market is clearly an interesting business opportunity for F-Secure.

Our total operating profit was EUR 1.6 million and 4% of revenue, which was in accordance with our plans. The decline in profitability reflects increasing expenditures in sales, marketing and product development, as well as costs during the quarter related to restructuring. We have now finalized the employee co-operation negotiations to re-balance our investment mix to better address our strategic growth driving investment areas. Overall, we continue to invest significantly in 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 cloud-based (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. The Company has also now started selling F-Secure Cloud Protection for Salesforce, a unique solution providing an additional layer of security to Salesforce customers. 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. These services include top tier incident response and forensic expertise, comprehensive vulnerability assessment, red teaming, penetration testing, 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 is increasingly offering consumer products as combined bundles, such as F-Secure TOTAL (F-Secure SAFE & F-Secure Freedom).

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 in six years.



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

# FINANCIAL HIGHLIGHTS

EUR m	1-3/2017	1-3/2016	Change	1-12/2016
Revenue	41.0	37.8	9%	158.3
of which corporate security	16.7	14.6	14%	62.5
of which consumer security	24.3	23.2	5%	95.8
Fixed costs	-38.6	-33.9	14%	-137.6
of which Sales & Marketing	-26.1	-23.5	11%	-95.5
of which Research & Development	-8.7	-7.4	17%	-28.4
of which Administration	-3.8	-3.0	28%	-13.7
Operating result (EBIT)	1.6	3.2	-50%	19.2
Deferred revenue	56.3	49.7	13%	54.3
Depreciation & amortization	-1.4	-1.3	2%	-5.3
Cash flow from operations	5.5	-1.1		21.9

## First quarter

In January–March, total revenue grew by 9% year-on-year to EUR 41.0 million (37.8m), with both corporate and consumer security growing.

### Corporate security

Revenue from corporate security increased by 14% year-on-year to EUR 16.7 million (14.6m) in the first quarter. Revenue growth was a result of continued strong growth in corporate product sales as well as very strong double-digit growth in cyber security services.

The majority of product revenue comes from endpoint protection (Protection Service for Business, Business Suite), in which order intake<sup>1)</sup> continued to show strong above-market growth. The number of active resellers continued to increase, new customer acquisition continued to grow, and renewals and upselling to our existing customer base developed favorably.

New corporate solutions for vulnerability management (F-Secure Radar) and managed detection services (Rapid Detection Service, RDS) continued to perform well. These solutions are still in an early phase of their lifecycle, but the sales pipeline is developing favorably for both solutions. To further ramp up growth, F-Secure continues to actively sell new solutions through current and new reseller partners, while

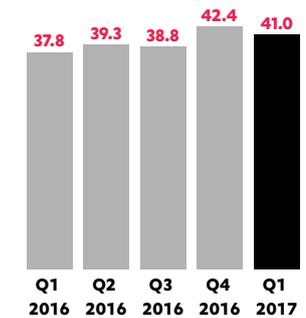
simultaneously expanding the regional sales reach. With F-Secure Radar, the Company has so far signed deals in the Nordics, Germany, France and the US. With RDS, F-Secure is addressing one of the fastest growing segments in the industry, and the sales development has been encouraging. The sales of our latest product, F-Secure Cloud Protection for Salesforce started in the first quarter.

Regionally most of the absolute growth in the reseller channel (in terms of order intake) came from several focus markets in Europe, while one fourth of the growth came from North America and Asia-Pacific.

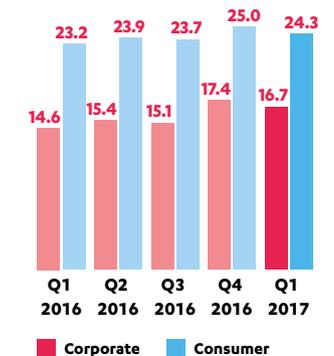
Cyber security consultancy revenue showed very strong double-digit growth. With deal sizes increasing, the company continued to recruit more consultants and sales personnel to meet the rising demand. While the majority of cyber security services revenue continued to come from Denmark and Finland, the Company expanded its operations organically in Sweden and Norway. Additionally, on 15 February F-Secure acquired Inverse Path, a small privately held security services company based in Italy focused on providing security services to the avionics, automotive, and industrial control sectors.

<sup>1)</sup> Order intake is 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 2016.

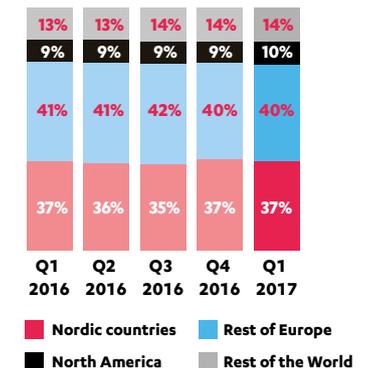
Revenue, MEUR



Revenue per business, MEUR



Regional revenue split, %



### Consumer security

Revenue from consumer security increased by 5% year-on-year to EUR 24.3 million (23.2m) confirming F-Secure's stable outlook for the consumer business. Revenue from the operator channel increased slightly, while revenue from direct sales showed strong growth.

In the operator channel, the Company's efforts in improving operational excellence with operator partners resulted in increases in product activation rates. Regionally growth was evenly distributed with Finland, several key markets in Europe, and North and South America all developing favorably.

Revenue growth in direct sales continued to clearly outpace the market, mainly driven by online sales of F-Secure Freedome. Overall, F-Secure continues to see increasing interest towards VPN and privacy solutions overall, especially in the US. Regionally, the majority of absolute growth in direct sales came from the Nordics, Germany, the UK and the US. Retail sales of both F-Secure SAFE and F-Secure Freedome increased.

In consumer security, F-Secure continues to increasingly offer products (such as F-Secure SAFE & F-Secure Freedome) as a combined bundle. Combined offerings support cross-selling and have been shown to generate higher annual average revenue per user.

The Company continued to prepare for the first deliveries of F-Secure Sense, an innovative security solution for connected home devices, expected by the end of the second quarter in 2017. The product will be initially launched in the direct sales channel, and several operator partners have also expressed their interest for the new product.

### Deferred revenue

Deferred revenue increased by 13% (year-on-year) to EUR 56.3 million (49.7m), driven primarily by the increased sale of corporate security products and services with multi-year contracts.

### Costs

Fixed costs increased by 14% (year-on-year) to 38.6 million (33.9m). The increase was driven by costs incurred as a result of recruitment in corporate security as well as restructuring costs related to the cooperation negotiations.

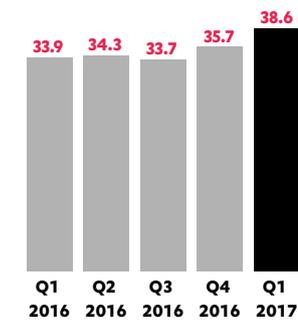
### Profitability

EBIT was EUR 1.6 million and 4% of revenue (3.2m, 8%), including a restructuring cost EUR 0.8 million.

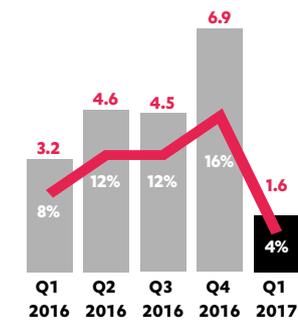
### Cash flow

Cash flow from operations was EUR 5.5 million (-1.1m). Net working capital developed positively during the reporting period, whereas the comparison period cash flow was negatively impacted by repayments of foreign tax credits on withholding taxes from 2009–2011.

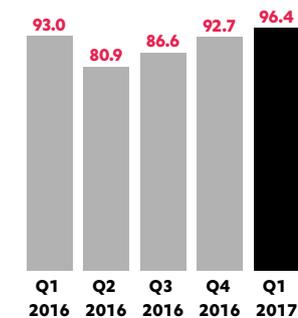
Fixed costs, MEUR



EBIT, MEUR



Cash and available-for-sale assets, MEUR



## Financing and Capital structure

	1-3/2017	1-3/2016	Change	1-12/2016
Cash and available-for-sale financial assets	96.4	93.1	4%	92.7
Capital expenditure, EUR m	2.6	0.6	360%	6.9
Capitalized development expenses, EUR m	0.7	0.4	86%	3.2
ROI, %	8.8%	18.6%		28.6%
Equity ratio, %	68.8%	68.9%		66.7%
Gearing, %	-124.5%	-116.2%		-122.1%

F-Secure's financial position remained solid.

## Acquisitions and disposals

### Acquisition of Inverse Path

On 15 February 2017, F-Secure acquired 100% of the shares of Inverse Path, a small privately held security services company based in Italy providing security services to the avionics, automotive, and industrial control sectors. The acquisition is immaterial to the consolidated financial statements.

## Organization and leadership

### Personnel

At the end of March, F-Secure had 1,055 employees (1,026 on 31 December 2016), which shows a net increase of 3% since the beginning of the year, and an increase of 11% compared with end of March in 2016. F-Secure continues to actively recruit security professionals, cyber security consultants and sales personnel especially in corporate security.

Cooperation negotiations were concluded today. (More information: Events after period-end)

### Leadership team

On 31 March 2017, the composition of the Leadership Team was the following:

Samu Konttinen (CEO), Mari Heusala (HR & Office Services), Kristian Järnefelt (Consumer Security), Jyrki Rosenberg (Corporate Security), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Eriikka Söderström (CFO), Jens Thonke (Cyber Security Services) and Jyrki Tulokas (Strategy & Corporate Development).

## 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 share-based incentive programs for key employees: performance-based long-term share-based programs and a restricted program (Stock exchange release, 16 February 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.

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

## Events after period-end

The events after period-end are not anticipated to have a material impact on the outlook for 2017.

### Cooperation negotiations concluded

F-Secure has today (stock exchange release 4.5.2017) concluded employee co-operation negotiations announced on 20 March 2017. As communicated before F-Secure will significantly increase investments in corporate security this year to further ramp up the Company's growth. To ensure investments are focused on areas critical for supporting growth and for retaining the Company's competitiveness, the Company initiated employee co-operation negotiations to refocus resourcing. As a result of the negotiations, the company's personnel will be reduced by 18 employees in Finland. Previously the management estimated that the employee negotiations may lead to reduction of 30 employees. The Company has booked EUR 0.8 million of restructuring costs during Q1 related to the negotiation outcome.

### Annual General Meeting

The Annual General Meeting (AGM) of F-Secure Corporation was held on 5 April 2017. The Meeting confirmed the financial statements for the financial year 2016. The members of the Board and the President and CEO were granted discharge from liability.

The AGM re-elected the following members to the Board of Directors: Pertti Ervi, Matti Heikkonen, Bruce Oreck and Risto Siilasmaa. Sofie Nystrøm, Päivi Rekonen and Ari Inki were elected as new members of the Board. The Board elected in its organizational meeting Risto Siilasmaa as the Chairman of the Board. Additionally, the Board nominated Risto Siilasmaa as the Chairman of the Personnel Committee, and Bruce Oreck and Matti Heikkonen as members of the Personnel Committee. Pertti Ervi was nominated as the Chairman of the Audit Committee, and Sofie Nystrøm, Päivi Rekonen and Ari Inki were nominated as members of the Audit Committee.

The AGM 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 7 April 2017 were registered in the Register of Shareholders held by Euroclear Finland Ltd. The dividend was paid on 20 April 2017.

The AGM approved all proposals made by the Board of Directors as described in the Notice to the AGM published on 15 March 2017. The resolutions of the AGM can be found in the Company's stock exchange release of 5 April 2017 and on the Company web site.

## 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 2015–2020<sup>1)</sup>. The endpoint security platforms (enterprise) market was worth USD 3.3 billion in 2016, and is expected to grow by 2.5% annually in 2015–2020<sup>1)</sup>. The consumer security software market was worth USD 4.7 billion in 2016, and is expected to grow by 1.5% annually in 2015–2020<sup>1)</sup>. 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 2015–2020<sup>1)</sup>.

*Sources: <sup>1)</sup> 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.

## 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.

## 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) today at 11.00–12.00 a.m. (EET).

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

- The link to the webcast:  
<https://meet.f-secure.com/tapio.pesola/CW0MMZ4L>
- To listen via phone, please dial in to +358 9 751 10 100. The conference ID is 3095794.

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 2017 as follows:

- Q2/2017: 10 August 2017
- Q3/2017: 9 November 2017

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This interim report has been prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2016. This interim report is unaudited.

The personal cloud business, sold in 2015, was reported as discontinued operations in 2015–2016. All figures in the following tables are EUR million unless otherwise stated.

## INCOME STATEMENT

Continuing operations	1–3/2017	1–3/2016	Change %	1–12/2016
Revenue	41.0	37.8	9	158.3
Cost of revenue	–1.5	–1.6	–8	–5.8
<b>Gross margin</b>	<b>39.6</b>	<b>36.2</b>	<b>9</b>	<b>152.5</b>
Other operating income	0.6	0.9	–29	4.3
Sales and marketing	–26.1	–23.5	11	–95.5
Research and development	–8.7	–7.4	17	–28.4
Administration	–3.8	–3.0	28	–13.7
<b>EBIT</b>	<b>1.6</b>	<b>3.2</b>	<b>–50</b>	<b>19.2</b>
Financial net	–0.1	–0.3	–78	1.5
<b>Result before taxes</b>	<b>1.5</b>	<b>2.9</b>	<b>–48</b>	<b>20.8</b>
Income taxes	–0.5	–0.6	–17	–5.1
<b>Result for the period, continuing operations</b>	<b>1.0</b>	<b>2.3</b>	<b>–56</b>	<b>15.7</b>
Discontinued operations		0.2		–0.5
<b>Result for the period total</b>	<b>1.0</b>	<b>2.5</b>	<b>–61</b>	<b>15.2</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	0.0	–0.1		–0.3
Available-for-sale financial assets	0.4	0.4		0.9
Income tax relating to components of other comprehensive income	–0.1	–0.1		–0.2
<b>Total comprehensive income (parent company owners)</b>	<b>1.3</b>	<b>2.8</b>		<b>15.6</b>
<b>Earnings per share</b>				
Earnings per share, basic and diluted, EUR	0.01	0.02		0.10
Earnings per share, continuing operations, basic and diluted, EUR	0.01	0.01		0.10

# BALANCE SHEET

<b>Assets</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>
Tangible assets	3.2	3.1	3.3
Intangible assets	14.0	11.6	13.4
Goodwill	8.4	7.6	7.6
Deferred tax assets	2.8	1.3	2.7
Other receivables	0.1	0.0	0.1
<b>Total non-current assets</b>	<b>28.4</b>	<b>23.6</b>	<b>27.2</b>
Inventories	0.1	0.5	0.1
Trade and other receivables	43.3	44.2	46.2
Income tax receivables	0.5	1.1	0.3
Available-for-sale financial assets	64.1	64.9	63.7
Cash and bank accounts	32.3	28.2	29.0
<b>Total current assets</b>	<b>140.3</b>	<b>138.9</b>	<b>139.4</b>
Discontinued operations		3.2	1.5
<b>Total</b>	<b>168.7</b>	<b>165.7</b>	<b>168.1</b>
<b>Shareholders' equity and liabilities</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>
Equity	77.4	80.0	75.9
Deferred tax liabilities	0.3	1.0	0.4
Deferred revenue, non-current	12.9	11.6	13.7
Other non-current liabilities			0.2
Provisions	1.2		0.2
<b>Total non-current liabilities</b>	<b>14.4</b>	<b>12.6</b>	<b>14.4</b>
Trade and other payables	30.5	25.8	32.1
Income tax liabilities	2.2	0.5	2.5
Deferred revenue, current	43.4	38.2	40.5
Provisions	0.8		
<b>Total current liabilities</b>	<b>76.9</b>	<b>64.5</b>	<b>75.1</b>
Discontinued operations		8.6	2.6
<b>Total</b>	<b>168.7</b>	<b>165.7</b>	<b>168.1</b>

# CASH FLOW STATEMENT

	1-3/2017	1-3/2016	1-12/2016
Cash flow from operations	5.5	-1.1	21.9
Cash flow from investments <sup>1)</sup>	-2.3	-0.6	-4.6
Cash flow from financing activities <sup>2)</sup>			-18.7
<b>Change in cash</b>	<b>3.2</b>	<b>-1.8</b>	<b>-1.4</b>
Cash and bank beginning of period	29.0	29.9	29.9
Translation difference	0.1	0.1	0.6
Cash and bank at end of period	32.3	28.3	29.0

<sup>1)</sup> 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.

<sup>2)</sup> Cash flow from financing

Dividend paid in 2016 totaled EUR 18,696,322.80.

# 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
<b>Equity 31 Dec 2015</b>	<b>1.6</b>	<b>0.2</b>	<b>5.1</b>	<b>-7.0</b>	<b>76.2</b>	<b>0.4</b>	<b>0.6</b>	<b>77.1</b>
Total comprehensive income for the year					2.5	0.4	-0.1	2.8
Cost of share based payments					0.1			0.1
<b>Equity 31 Mar 2016</b>	<b>1.6</b>	<b>0.2</b>	<b>5.1</b>	<b>-7.0</b>	<b>78.9</b>	<b>0.7</b>	<b>0.6</b>	<b>80.0</b>
<b>Equity 31 Dec 2016</b>	<b>1.6</b>	<b>0.2</b>	<b>5.2</b>	<b>-5.7</b>	<b>73.4</b>	<b>1.1</b>	<b>0.3</b>	<b>75.9</b>
Total comprehensive income for the year					1.0	0.3	0.0	1.3
Cost of share based payments					0.2			0.2
<b>Equity 31 Mar 2017</b>	<b>1.6</b>	<b>0.2</b>	<b>5.2</b>	<b>-5.7</b>	<b>74.6</b>	<b>1.4</b>	<b>0.3</b>	<b>77.4</b>

# 1 SEGMENT INFORMATION

The Group has only one segment (security).

Quarterly development	1-3/2017	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015
Revenue	41.0	42.4	38.8	39.3	37.8	38.9
Cost of revenue	-1.5	-1.4	-1.3	-1.5	-1.6	-1.4
<b>Gross margin</b>	<b>39.6</b>	<b>41.0</b>	<b>37.5</b>	<b>37.8</b>	<b>36.2</b>	<b>37.6</b>
Other operating income	0.6	1.6	0.8	1.1	0.9	1.2
Sales and marketing	-26.1	-23.8	-23.8	-24.4	-23.5	-22.6
Research and development	-8.7	-7.8	-6.6	-6.6	-7.4	-6.8
Administration	-3.8	-4.1	-3.4	-3.3	-3.0	-4.3
<b>EBIT</b>	<b>1.6</b>	<b>6.9</b>	<b>4.5</b>	<b>4.6</b>	<b>3.2</b>	<b>5.0</b>
Financial net	-0.1	0.7	0.0	1.1	-0.3	-0.6
<b>Result before taxes</b>	<b>1.5</b>	<b>7.6</b>	<b>4.5</b>	<b>5.7</b>	<b>2.9</b>	<b>4.4</b>

## Geographical information

Revenue, continuing operations	1-3/2017	1-3/2016	1-12/2016
Nordic countries	15.1	13.9	57.4
Rest of Europe	16.2	15.4	65.0
North America	3.9	3.6	14.6
Rest of the world	5.8	4.9	21.2
<b>Total revenue</b>	<b>41.0</b>	<b>37.8</b>	<b>158.3</b>

## 2 DISCONTINUED OPERATIONS

F-Secure Corporation sold its personal cloud storage business to Synchronoss Technologies Inc in 2015. The personal cloud storage business was classified as discontinued operations 2015–2016.

A former 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. F-Secure has a provision of EUR 1.2 million 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 for continued operations</b>	<b>1–3/2017</b>	<b>1–3/2016</b>	<b>1–12/2016</b>
Revenue		1.5	3.3
Expenses		–1.2	–3.9
<b>Result before taxes</b>		<b>0.3</b>	<b>–0.6</b>
Taxes		–0.1	0.1
<b>Result for the period</b>		<b>0.2</b>	<b>–0.5</b>
<b>Earnings per share</b>	<b>1–3/2017</b>	<b>1–3/2016</b>	<b>1–12/2016</b>
Earnings per share, discontinued operations, basic and diluted, EUR		0.01	0.00
<b>Cash flow statement</b>	<b>1–3/2017</b>	<b>1–3/2016</b>	<b>1–12/2016</b>
Cash flow from operations		–2.4	2.7
<b>Change in cash</b>		<b>–2.4</b>	<b>2.7</b>

### 3 ACQUISITION

On 15 February 2017, F-Secure acquired 100% of the shares of Inverse Path S.r.l., a small privately held security services company based in Italy providing security services to the avionics, automotive, and industrial control sectors. The acquisition is immaterial to the consolidated financial statements. Goodwill arising on the acquisition is attributable to the know-how and expertise in the company, and it is not tax deductible.

### 4 FAIR VALUES

The carrying amounts of the Group's financial instruments are equal to their 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 31 Mar 2017	64.1	0.2	63.8	0.0
Available-for-sale financial assets 31 Mar 2016	64.9	0.1	64.7	0.1
Available-for-sale financial assets 31 Dec 2016	63.7	0.2	63.5	0.0

## 5 KEY RATIOS AND OTHER KEY FIGURES

Key ratios have been calculated from figures which include both continuing and discontinued operations. Key ratios calculated using figures for continuing operations have been marked separately.

	1-3/2017	1-3/2016	1-12/2016
Operating result, % of revenue, continuing operations	3.9	8.4	12.1
ROI, %	8.8	18.6	28.6
ROE, %	5.2	12.8	19.9
Equity ratio, %	68.8	68.9	66.7
Gearing, %	-124.5	-116.2	-122.1
Earnings per share, basic and diluted	0.01	0.02	0.10
Earnings per share, continuing operations, basic and diluted	0.01	0.01	0.10
Shareholders' equity per share, euro	0.50	0.50	0.49
P/E ratio	132.3	40.7	35.6
Capitalized expenditure, MEUR	2.6	0.6	6.9
Contingent liabilities, MEUR	16.3	17.2	17.7
Depreciation and amortization, continuing operations, MEUR	-1.4	-1.3	-5.3
Personnel, average	1,033	940	981
Personnel, period end	1,055	950	1,026

## 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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