

**FINANCIAL STATEMENT RELEASE 1 JANUARY – 31 DECEMBER 2017**

**CORPORATE SECURITY REVENUE GROWTH  
ACCELERATED TO 16%**



## HIGHLIGHTS OF OCTOBER–DECEMBER (Q4)


- Revenue increased by 5% year-on-year to EUR 44.4 million (42.4m)
- Revenue from corporate security increased by 16% to EUR 20.2 million (17.4m), representing 45% (41%) of all revenue
- Revenue from consumer security decreased by 3% to EUR 24.2 million (25.0m), representing 55% (59%) of all revenue
- EBIT was EUR 3.9 million, representing 9% of revenue (6.9m, 16%) and reflecting significant investments in growth
- Earnings per share (EPS) was EUR 0.02 (EUR 0.04, EUR 0.04 including discontinued operations)
- Deferred revenue increased by 13% to EUR 61.1 million (54.3m) at the end of the quarter, reflecting strong order intake in corporate security
- Cash flow from operations was EUR 11.4 million (8.3m).

## HIGHLIGHTS OF THE FULL YEAR 2017

- Revenue increased by 7% year-on-year to EUR 169.7 million (158.3m)
- Revenue from corporate security increased by 16% to EUR 72.6 million (62.5m), representing 43% (39%) of all revenue
- Revenue from consumer security increased by 1% to EUR 97.1 million (95.8m), representing 57% (61%) of all revenue
- EBIT was EUR 11.1 million, representing 7% of revenue (19.2m, 12%)
- Earnings per share (EPS) was EUR 0.07 (EUR 0.10, EUR 0.10 including discontinued operations)
- Cash flow from operations was EUR 26.0 million (21.9m)
- The Board of Directors is proposing a dividend of EUR 0.04 per share for 2017

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 Figures in this Financial Statement Release are audited. 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.

## OUTLOOK FOR 2018

F-Secure continues to invest in the growth of the corporate business, both the development of cyber security products and services as well as sales and marketing of these solutions.

The company's outlook for 2018:

- Revenue from corporate security is expected to grow by over 15% compared to 2017
- Revenue from consumer security to stay at the same level as in 2017.
- EBIT is expected to be in the range of 8–12M€

## OUTLOOK FOR STRATEGY PERIOD 2018–2021

The demand for corporate cyber security products and services is expected to grow strongly. F-Secure aims to grow faster than the market, with revenue from corporate security expected to grow above 15% annually during our strategy period 2018-2021.

Driven by the anticipated revenue growth and scalable business model, the company's profitability is expected to improve significantly in the long-term. The board and the management continuously seek to balance growth investments and profitability to optimize long-term value creation for the shareholders.

# KEY FIGURES

Key figures are for continuing operations unless otherwise stated.

EUR m	10–12/2017	10–12/2016	Change	1–12/2017	1–12/2016	Change
Revenue	44.4	42.4	5%	169.7	158.3	7%
Operating profit (EBIT)	3.9	6.9	–43%	11.1	19.2	–42%
% of revenue	9%	16%		7%	12%	
Profit before taxes	3.6	7.6	–53%	11.9	20.8	–43%
Earnings per share, continuing operations (EUR) <sup>1) 3)</sup>	0.02	0.04	–56%	0.07	0.10	–32%
Earnings per share, (EUR) <sup>1) 2) 3)</sup>	0.02	0.04	–55%	0.07	0.10	–30%
Deferred revenue				61.1	54.3	13%
Cash and available-for-sale financial assets				90.2	92.7	–3%
ROI, % <sup>2)</sup>	30.3%	44.7%		19.7%	28.6%	
Equity ratio, % <sup>2)</sup>				61.3%	66.7%	
Gearing, % <sup>2)</sup>				–129.9%	–122.1%	
Personnel, end of period <sup>2)</sup>				1,104	1,026	8%

<sup>1)</sup> Based on the weighted average number of outstanding shares during the period 156,713,710 (10–12/2017) and 156,502,983 (1–12/2017)

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

<sup>3)</sup> Earnings per share (EPS) excluding returned withholding taxes was EUR 0.05 for 1–12/2017.

## CEO SAMU KONTTINEN

In the fourth quarter, F-Secure's corporate security business grew 16%. The main growth drivers were our managed detection service business (F-Secure Rapid Detection Service, RDS) and cyber security services. In consumer business, our direct sales to consumers continued to show good growth, but the loss of a single operator customer in Latin America caused the overall consumer revenue to decline by 3% in the fourth quarter.

In the full year 2017, our total revenue increased by 7% to EUR 169,7 million. Revenue from corporate security grew by 16% and from consumer security by 1%. Our operating profit EUR 11.1 million, continued to reflect our investments in sales and marketing as well as product development.

Last year we took important steps forward in our transformation from an endpoint protection company into a provider of a broad offering of cyber security products and services. We signed the first RDS deals in several new key markets in Europe. The demand for detection solutions is strong as only a fraction of companies currently have sufficient capabilities to counter targeted attacks. I'm very pleased with RDS, and how it has enabled us to make a successful entry into this rapidly growing market.

In 2017, our revenue from endpoint protection continued growing slightly above market growth, but below our expectations. The mixed performance between countries is an issue we continue to address. In 2018, we will launch a new fully automated solution for endpoint detection and response (EDR), building on the existing artificial intelligence and machine learning capabilities of RDS. Whereas RDS is a detection service aimed at larger companies, EDR will allow us to scale our sales to a much broader base of corporate customers. The new solution is designed to be compatible with endpoint protection solutions – F-Secure's or third-party solutions – to allow customers to add an additional layer of security to their existing infrastructure.

Cyber security consulting services business had another very strong year. We continue to serve the most demanding verticals where security is absolutely critical. Our deal sizes are increasing, and in the fourth quarter we signed our largest single deal in cyber services. We also see an increasing share of customers buying our services continuously. During the final quarter of the year, our ability to recruit cyber security experts clearly improved.

Revenue from consumer security was at the previous year's level in 2017, as expected. The good growth in our direct consumer business continued, both online and in retail channels. In direct sales, growth continued to be driven by increased renewal rates and cross selling of the broad consumer portfolio. Consumers are now increasingly buying endpoint protection, privacy and VPN solutions bundled together. In the operator business, revenue slightly declined due to the loss of a single customer. We expect this loss to continue to be visible in our Latin American consumer business in the first half of 2018. Elsewhere the operator business remained stable. Operators are very satisfied with our services, as reflected by best-in-class Net Promoter Scores (NPS) from partners. Overall, the operator channel continues to be a strategic asset for F-Secure.

Together with all of our fellows, I look forward to taking more important steps in our transformation in 2018. In a rapidly changing industry it is crucial to stay innovative, and for 30 years F-Secure has shown it can be a front runner in technology. Just last month, we were positioned as a Visionary in Gartner's 2018 Magic Quadrant for Endpoint Protection Platforms. We will continue to drive innovation in cyber security. Our comprehensive portfolio of products and services, along with F-Secure's unique combination of man and machine provides a clear competitive advantage for us.



CEO Samu Konttinen



**“LAST YEAR WE  
TOOK IMPORTANT  
STEPS IN OUR  
TRANSFORMATION.”**

## F-Secure products and services

**Corporate security:** F-Secure provides a broad range 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), vulnerability management (F-Secure Radar) and cloud protection (F-Secure Cloud Protection for Salesforce). RDS is typically sold as a managed service. 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. In June 2017, the company started the first deliveries of F-Secure Sense, an innovative security solution for protecting connected home devices. In addition to operator sales, F-Secure sells consumer products through various online and retail partners, as well as through the company'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 January 2018, F-Secure was positioned as a Visionary in Gartner's 2018 Magic Quadrant for Endpoint Protection Platforms.

## New launches expected in 2018

- In November 2017, F-Secure announced that the company plans to launch a new fully automated endpoint detection and response (EDR) solution in 2018. More information is available under the Financial highlights.

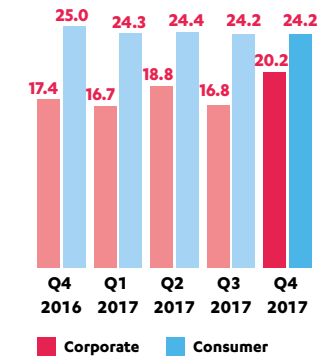


Rapid Detection Service (RDS) helps prepare your organization for advanced cyber attacks, before and after they happen.

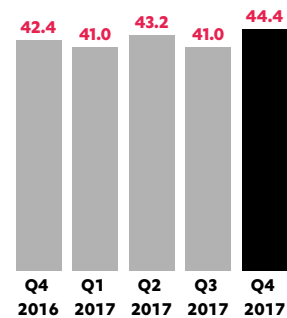
# FINANCIAL HIGHLIGHTS

EUR m	10-12/2017	10-12/2016	Change	1-12/2017	1-12/2016	Change
Revenue	44.4	42.4	5%	169.7	158.3	7%
of which corporate security	20.2	17.4	16%	72.6	62.5	16%
of which consumer security	24.2	25.0	-3%	97.1	95.8	1%
Fixed costs	-39.4	-35.7	11%	-153.8	-137.6	12%
of which Sales & Marketing	-27.6	-23.8	16%	-105.0	-95.5	10%
of which Research & Development	-8.5	-7.8	9%	-34.5	-28.4	22%
of which Administration	-3.3	-4.1	-20%	-14.3	-13.7	4%
Operating result (EBIT)	3.9	6.9	-43%	11.1	19.2	-42%
Deferred revenue				61.1	54.3	13%
Depreciation & amortization	-1.8	-1.3	33%	-6.3	-5.3	19%
Cash flow from operations	11.4	8.3	38%	26.0	21.9	19%

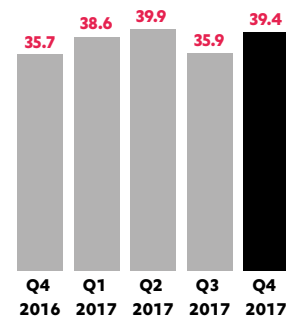
Revenue per business, MEUR



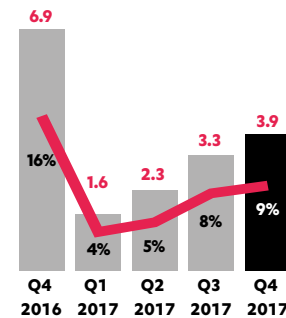
Revenue, MEUR



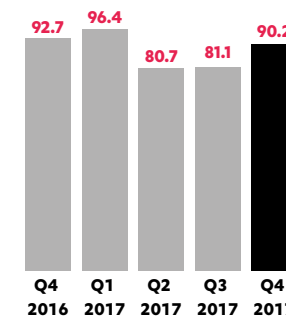
Fixed costs, MEUR



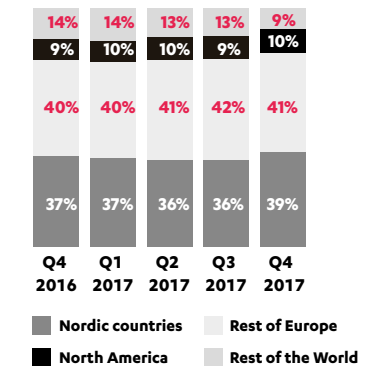
EBIT, MEUR and % of revenue



Cash and available-for-sale assets, MEUR



Regional revenue split, %



## Fourth quarter

In October–December, total revenue increased by 5% year-on-year to EUR 44.4 million (42.4 m), driven by corporate security.

### Corporate security

Revenue from corporate security increased by 16% year-on-year to EUR 20.2 million (17.4m)

The majority of product revenue comes from endpoint protection solutions (Protection Service for Business, Business Suite). The order intake<sup>1)</sup> from endpoint protection was at the previous year's level, reflecting continued mixed country-level performance. New customer acquisition was at an all-time high, but renewals and upsells slightly declined due to some contract seasonality and performance issues in certain countries.

An increasing share of product order intake comes from new solutions for managed detection and response (Rapid Detection Service, or RDS) and vulnerability management (F-Secure RADAR). During the quarter, sales of both new solutions were in strong growth, with several significant wins in Nordics, Germany, France, Italy, Japan and India. Overall, the geographical expansion of sales continued together with current and new partners.

In November, F-Secure announced at Capital Markets Day that the company plans to launch a new fully automated endpoint detection and response (EDR) solution in 2018 to support product sales growth. The new solution will build on capabilities already utilized in RDS – a managed service – while enabling more scalable sales for small and mid-market corporate customers. EDR will be designed to be integrated with endpoint protection solutions – F-Secure or third-party solutions – to allow customers to add an additional layer of security to their existing infrastructure.

Regionally, product sales growth (in terms of order intake) was driven by Europe. India and South East Asia also showed strong growth.

<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.

F-Secure's cyber security consultancy had a very strong quarter, against a tough comparison period. Several large deals were signed, including one very significant one. Overall, F-Secure continued to see strong demand in the market. The company recruited more consultants and sales personnel to meet the rising demand.

The majority of cyber security services order intake came from Denmark, Finland and UK, and the share of order intake coming from other regions within Europe continued to increase.

### Consumer security

Revenue from consumer security decreased by 3% year-on-year to EUR 24.2 million (25.0 m) in the fourth quarter.

In the operator channel, revenue declined slightly due to the loss of a single operator customer in Latin America in the previous quarter. We expect this loss to continue to be visible in F-Secure's Latin American consumer revenue in the first half of 2018. Excluding Latin America, operator revenue increased slightly, highlighting F-Secure's overall steady progress in increasing product activation rates together with our broad network of partners globally.

In direct sales to consumers, F-Secure continued to outpace the market in revenue, with solid double-digit order intake growth both in online and retail channels. Growth continued to be driven by the increased renewal rates and cross selling of the broad consumer portfolio. Consumers are increasingly buying both endpoint protection and privacy solutions, and upgrading their F-Secure SAFE or F-Secure FREEDOME subscriptions to F-Secure TOTAL – a commercial bundle of the two products. Additionally, order intake for F-Secure FREEDOME as a standalone product continued to show strong growth during the quarter, especially through app stores to mobile users.

The impact of F-Secure SENSE (an innovative security solution for connected home devices) on quarterly revenue was limited as expected. While the connected home market is at a very early stage, the company continues to see growing interest in the product among customers, operator partners and retailers, including the possibility of embedding Sense as software to customers' on premise equipment such as routers or digital home hub solutions.



## Deferred revenue

Deferred revenue increased by 13% (year-on-year) to EUR 61.1 million (54.3m), driven by the increased order intake of corporate security products and services with multi-year contracts.

## Costs

Fixed costs increased by 11% (year-on-year) to 39.4 million (35.7m). Key driver behind the increase was the higher personnel costs due to recruitments especially in corporate security business.

## Profitability

EBIT was EUR 3.9 million and 9% of revenue (6.9m, 16%) reflecting the continued investments in corporate security business.

## Cash flow

Cash flow from operations was EUR 11.4 million (8.3m). The strong cash flow was due to efficient collection of receivables and good level of advance payments for new orders.

## Full year 2017

In January–December, total revenue grew by 7% year-on-year to EUR 169.7 million (158.3m), driven by corporate security.

### Corporate security

Revenue from corporate security increased by 16% year-on-year to EUR 72.6 million (62.5m), and represented 43% (39%) 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 recruiting in the sales organization during the past two years.

### Consumer security

Revenue from consumer security increased 1% year-on-year to 97.1 million (95.8m), and represented 57% (61%) of F-Secure's total revenue. The direct consumer sales continued to show good growth, while revenue from the operator channel slightly decreased.

## Deferred revenue

Deferred revenue increased by 13% (year-on-year) to EUR 61.1 million (54.3m), driven by the increased sales of corporate security products and services with multi-year contracts.

## Costs

Fixed costs increased by 12% (year-on-year) to 153.8 million (137.6m). Key drivers behind the increase were recruitments in corporate security and the impact of share-based incentive programs. R&D costs and sales and marketing expenses related to corporate business increased significantly.

## Profitability

EBIT was EUR 11.1 million and 7% of revenue (19.2m, 12%). Investments in corporate business related R&D and sales and marketing were the main factors behind the lower EBIT compared to previous year.

## Cash flow

Cash flow from operations was EUR 26.0 million (21.9m). Cash flow was impacted by extraordinary tax payments both in 2017 and in the comparison year 2016. In 2016, the cash flow was negatively impacted by 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 EUR 4.0 million in 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. In 2017, the company received a payment of EUR 3.1 million related to aforementioned foreign tax credits on withholding taxes from 2009–2011 based on debit decisions by the Finnish tax authority following F-Secure's appeal.

## Taxes

In June, the Finnish Tax Administration's Board of Adjustment approved F-Secure's appeal related to withholding taxes. As a result EUR 3.1 million consisting of taxes, interests and late penalty payments was returned to the company, and the payment was recorded in financial items and income taxes in the second quarter. The payment relates to the decision of Finnish Tax Authority in 2015 to adjust taxation for tax years 2009–2011 based on a partial tax audit. F-Secure appealed the decision and the Finnish Tax Administration's Board of Adjustment approved the appeal. The approval does not have an impact on future taxation of the company. More information regarding the tax audit is available in the 2016 financial statements, disclosure 10, Income taxes.

## Financing and Capital structure

EUR m	10-12/2017	10-12/2016	Change	1-12/2017	1-12/2016	Change
Cash and available-for-sale financial assets				90.2	92.7	-3%
Capital expenditure, EUR m	2.1	2.5	-17%	9.3	6.9	34%
Capitalized development expenses, EUR m	1.0	1.2	-12%	3.9	3.2	20%
ROI, %	30.3%	44.7%		19.7%	28.6%	
Equity ratio, %				61.3%	66.7%	
Gearing, %				-129.9%	-122.1%	

F-Secure's financial position remained solid.

## Acquisitions

### Acquisition of Digital Assurance

On 10 May 2017, F-Secure acquired 100% of shares of Digital Assurance, a UK based security consultancy firm offering information security assessment services to governments and companies in the financial, petrochemical, retail, communication, and defense industries. The acquisition is immaterial to the consolidated financial statements.

### 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 December, F-Secure had 1,104 employees, which shows a net increase of 8% from the previous year (1,026 on 31 December in 2016). F-Secure continues to actively recruit security professionals, cyber security consultants and sales personnel especially in corporate security.

### Leadership team

To accelerate strategy execution, F-Secure has made organizational changes as of Monday 5 February 2018. Corporate security has been moved from two business units into a functional organization that elevates the key areas to Leadership Team and removes organizational layers. Consumer cyber security will continue as a business unit of its own.

After the changes, the composition of the Leadership Team is the following:

Samu Konttinen (CEO, and acting Strategy & Corporate Development), Mari Heusala (HR & Office Services), Kristian Järnefelt (Consumer Cyber Security), Juha Kivikoski (Enterprise & Channel Sales as of 1 March 2018), Jyrki Rosenberg (Marketing & Communications), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Eriikka Söderström (CFO), and Jyrki Tulokas (Cyber Security Products & Services).

Juha Kivikoski is an industry veteran having previously served as Managing Director at Dustin Finland, Vice President Sales at McAfee/Intel Security and COO at Stonesoft. He has also held several senior leadership positions at large technology companies including Siemens and Cisco Systems.

## 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 2,085,029 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

The objective of F-Secure's risk management is to ensure a current, correct and holistic understanding and prioritized management of key uncertainties related to strategy implementation and business operations. The process and risk management methods in use are constantly developed to respond to the changing needs of the company.

F-Secure uses three categories to group the risks: strategic, business and operational risks. The most significant risks for F-Secure are related to the following factors:

- Endpoint protection market disruption
- Market consolidation, and failure to successfully complete acquisitions or divestments
- Failure to innovate and develop new technologies
- Failure to attract and retain talent

Other risks that affect the F-Secure business include but are not limited to:

- Intellectual property (IPR) claims against F-Secure
- Risk exposure from contractual liability requirements
- 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 protection 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 89.1 billion in 2017, and the market is expected to grow by 7.9% annually in 2016–2021. The endpoint protection platforms (enterprise) market was worth USD 3.6 billion in 2017, and is expected to grow by 2.6% annually in 2016–2021. The consumer security software market was worth USD 4.6 billion in 2017, and is expected to grow by 1.6% annually in 2016–2021. The IT outsourcing market, including managed security services, was worth USD 16.7 billion in 2017, and is estimated to grow by 11.4% annually in 2016–2021 <sup>1)</sup>.

*Source: <sup>1)</sup> Gartner, Forecast: Information Security, Worldwide, 2015–2021, 3Q17 Update, Ruggero Contu, Christian Canales, Sid Deshpande, Lawrence Pingree, 8 November 2017. Market size and growth rates in current dollars.*

*The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Financial Statement Release) and the opinions expressed in the Gartner Report(s) are subject to change without notice.*

## Strategy 2018–2021

F-Secure has updated the strategy as communicated at the Capital Markets Day on 22 November 2017:

The world is becoming digitalized and connected. Due to this, cyber-attacks and cyber-crime continue to be among the most critical challenges the world is facing. While the complexity and magnitude of problems increases, expertise is concentrating into a limited number of specialized security companies.

For three decades, F-Secure has driven innovations in cyber security, defending tens of thousands of companies and millions of people. We are transforming from an endpoint protection company to a cyber security leader with a broader set of products and services.

F-Secure's competitiveness is based on extensive experience in cyber security, and a unique combination of man and machine. Our extensive experience, knowledge and insight in cyber security, combined with our global intelligence network, smart software and cutting edge artificial intelligence makes us the perfect trusted cyber security partner for companies of all sizes as well as individuals. We are the proud security advisor to many of the world's largest and most demanding organizations e.g. in the banking, automotive and airline industries as well as the military and law enforcement sector. Our expertise is continuously developed, as we take on the toughest of assignments.

As F-Secure seeks to accelerate growth, we continue to focus growth investments in corporate security. We provide best-in-class services and solutions to the mid-market, especially for customers seeking to buy prevention, detection and response as a service. We foresee the market moving towards managed endpoint security, and see especially strong growth in detection and response services. As we expand our product and service offering, we are also making it more integrated in order to offer efficient and comprehensive turn-key solutions to our customers and partners.

F-Secure's corporate security products and services are sold through the channel. Our growing network of thousands of partners are key to our strategic expansion. F-Secure's products are designed to be delivered from the cloud, and to support partners as they develop managed service provider business models. Ease of use both for end-customers as well as partners is critical aspect of all product design.

F-Secure also provides a comprehensive set of digital safety solutions to consumers, protecting their information, identities, devices, smart homes and families. F-Secure is the world's leading provider of consumer security solutions through telecommunications operators. Together, we protect tens of millions of consumers and their digital lives. 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 EUR 0.04 dividend per share for 2017. 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) today at 09.30–10.30 a.m. (EET).

A webcast will be held (in English) at 15.00 p.m. (EET).

- To participate in the online meeting, please click on the link:  
<https://meet.f-secure.com/tapio.pesola/GJNN0T7Z>
- To participate via phone, please dial in to +358975110100. The conference ID is 8103472.

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 2018 as follows:

- Q1/2018: 4 May 2018
- Q2/2018: 8 August 2018
- Q3/2018: 2 November 2018

### Annual General Meeting

- The Annual General Meeting (AGM) is scheduled to be held on Wednesday, 4 April 2018
- The Annual Report for 2017 will be published on the Company's website latest on 14 March 2018

More information is available at [www.f-secure.com/agm](http://www.f-secure.com/agm).

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This financial statement release is audited and prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2016.

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

## INCOME STATEMENT

<b>Continuing operations</b>	<b>10-12/2017</b>	<b>10-12/2016</b>	<b>Change %</b>	<b>1-12/2017</b>	<b>1-12/2016</b>	<b>Change %</b>
Revenue	44.4	42.4	5	169.7	158.3	7
Cost of revenue	-1.4	-1.4	-2	-6.6	-5.8	15
<b>Gross margin</b>	<b>43.1</b>	<b>41.0</b>	<b>5</b>	<b>163.1</b>	<b>152.5</b>	<b>7</b>
Other operating income	0.3	1.6	-83	1.9	4.3	-56
Sales and marketing	-27.6	-23.8	16	-105.0	-95.5	10
Research and development	-8.5	-7.8	9	-34.5	-28.4	22
Administration	-3.3	-4.1	-20	-14.3	-13.7	4
<b>EBIT</b>	<b>3.9</b>	<b>6.9</b>	<b>-43</b>	<b>11.1</b>	<b>19.2</b>	<b>-42</b>
Financial net	-0.4	0.7		0.8	1.5	-46
<b>Result before taxes</b>	<b>3.6</b>	<b>7.6</b>	<b>-53</b>	<b>11.9</b>	<b>20.8</b>	<b>-43</b>
Income taxes	-0.9	-1.6	-44	-1.2	-5.1	-77
<b>Result for the period, continuing operations</b>	<b>2.7</b>	<b>6.1</b>	<b>-56</b>	<b>10.8</b>	<b>15.7</b>	<b>-32</b>
Discontinued operations		-0.1			-0.5	
<b>Result for the period total</b>	<b>2.7</b>	<b>6.0</b>	<b>-55</b>	<b>10.8</b>	<b>15.2</b>	<b>-29</b>
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	-0.1	0.0		-0.8	-0.3	
Available-for-sale financial assets	0.0	-0.3		-0.1	0.9	
Income tax relating to components of other comprehensive income	0.0	0.1		0.0	-0.2	
<b>Total comprehensive income (parent company owners)</b>	<b>2.6</b>	<b>5.7</b>	<b>-54</b>	<b>9.8</b>	<b>15.6</b>	<b>-37</b>
<b>Earnings per share</b>	<b>10-12/2017</b>	<b>10-12/2016</b>	<b>Change %</b>	<b>1-12/2017</b>	<b>1-12/2016</b>	<b>Change %</b>
Earnings per share, basic and diluted, EUR	0.02	0.04	-55	0.07	0.10	-30
Earnings per share, continuing operations, basic and diluted, EUR	0.02	0.04	-56	0.07	0.10	-32



# BALANCE SHEET

<b>Assets</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Tangible assets	3.2	3.3
Intangible assets	14.7	13.4
Goodwill	10.1	7.6
Deferred tax assets	3.5	2.7
Other receivables	0.7	0.1
<b>Total non-current assets</b>	<b>32.2</b>	<b>27.2</b>
Inventories	0.6	0.1
Trade and other receivables	50.1	46.2
Income tax receivables	1.4	0.3
Available-for-sale financial assets	53.9	63.7
Cash and bank accounts	36.3	29.0
<b>Total current assets</b>	<b>142.3</b>	<b>139.4</b>
Discontinued operations	1.5	1.5
<b>Total</b>	<b>174.5</b>	<b>168.1</b>
<b>Shareholders' equity and liabilities</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
<b>Equity</b>	<b>69.5</b>	<b>75.9</b>
Deferred tax liabilities	0.4	0.4
Deferred revenue, non-current	15.0	13.7
Other non-current liabilities	2.5	0.2
Provisions	1.2	0.2
<b>Total non-current liabilities</b>	<b>19.0</b>	<b>14.4</b>
Trade and other payables	37.9	32.1
Income tax liabilities	1.9	2.5
Deferred revenue, current	46.1	40.5
<b>Total current liabilities</b>	<b>86.0</b>	<b>75.1</b>
Discontinued operations	2.6	2.6
<b>Total</b>	<b>174.5</b>	<b>168.1</b>

# CASH FLOW STATEMENT

	10-12 2017	10-12 2016	1-12 2017	1-12 2016		10-12 2017	10-12 2016	1-12 2017	1-12 2016
<b>Cash flow from operations</b>					<b>Cash flow from investments</b>				
Result for the financial year	2.8	6.0	10.8	15.2	Investments in intangible and tangible assets	-2.1	-2.5	-7.1	-6.9
Adjustments					Investments in subsidiary shares, net of cash acquired			-2.2	
Depreciation and amortization	1.8	1.4	6.3	5.6	Investments in available-for-sale financial assets	-1.9	-8.2	-7.7	-9.5
Profit / loss on sale of fixed assets	0.0	0.1	0.0	0.2	Proceeds from sale of intangible and tangible assets	0.0	0.0	0.0	0.0
Other adjustments	-0.2	1.4	1.9	4.7	Proceeds from available-for-sale financial assets	1.9	4.6	18.4	11.7
Financial income and expenses	0.4	-0.7	-0.8	-1.5					
Income taxes	0.9	1.5	1.2	4.9	<b>Cash flow from investments</b>	<b>-2.1</b>	<b>-6.1</b>	<b>1.4</b>	<b>-4.6</b>
Cash flow from operations before change in working capital	5.6	9.6	19.4	29.1					
Change in net working capital					<b>Cash flow from financing activities</b>				
Current receivables, increase (-), decrease (+)	-4.2	-8.2	-3.2	1.3	Dividends paid			-18.8	-18.7
Inventories, increase (-), decrease (+)	-0.1	0.4	-0.5	0.0	<b>Cash flow from financing activities</b>			<b>-18.8</b>	<b>-18.7</b>
Non-interest bearing debt, increase (+), decrease (-)	11.9	8.5	13.9	6.8					
Provisions, increase (+), decrease (-)	-0.1	0.2	-0.2	0.2	<b>Change in cash</b>	<b>9.3</b>	<b>2.1</b>	<b>8.7</b>	<b>-1.4</b>
Cash flow from operations before financial items and taxes	13.1	10.5	29.5	37.3	Cash and bank at the beginning of the period	27.3	26.9	29.0	29.9
Interest expenses paid	-1.1	0.0	-0.1	-1.0	Effects of exchange rate changes	-0.3	0.0	-1.4	0.6
Interest income received	1.0	0.0	1.0	0.1	Cash and bank at period end	36.3	29.0	36.3	29.0
Other financial income and expenses	-0.4	-0.1	-0.4	-0.7					
Income taxes paid	-1.2	-2.2	-4.0	-13.8					
<b>Cash flow from operations</b>	<b>11.4</b>	<b>8.3</b>	<b>26.0</b>	<b>21.9</b>					



# 1 SEGMENT INFORMATION

The Group has one segment (security).

<b>Quarterly development</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>	<b>10-12/2016</b>	<b>7-9/2016</b>
Revenue	44.4	41.0	43.2	41.0	42.4	38.8
Cost of revenue	-1.4	-2.3	-1.5	-1.5	-1.4	-1.3
<b>Gross margin</b>	<b>43.1</b>	<b>38.7</b>	<b>41.7</b>	<b>39.6</b>	<b>41.0</b>	<b>37.5</b>
Other operating income	0.3	0.5	0.5	0.6	1.6	0.8
Sales and marketing	-27.6	-24.0	-27.3	-26.1	-23.8	-23.8
Research and development	-8.5	-8.6	-8.8	-8.7	-7.8	-6.6
Administration	-3.3	-3.3	-3.9	-3.8	-4.1	-3.4
<b>EBIT</b>	<b>3.9</b>	<b>3.3</b>	<b>2.3</b>	<b>1.6</b>	<b>6.9</b>	<b>4.5</b>
Financial net	-0.4	0.2	1.1	-0.1	0.7	0.0
<b>Result before taxes</b>	<b>3.6</b>	<b>3.5</b>	<b>3.3</b>	<b>1.5</b>	<b>7.6</b>	<b>4.5</b>

## Geographical information

<b>Revenue, continuing operations</b>	<b>10-12/2017</b>	<b>10-12/2016</b>	<b>1-12/2017</b>	<b>1-12/2016</b>
Nordic countries	17.4	15.8	62.9	57.4
Rest of Europe	18.4	17.2	69.4	65.0
North America	4.4	3.8	16.4	14.6
Rest of the world	4.2	5.6	21.0	21.2
<b>Total revenue</b>	<b>44.4</b>	<b>42.4</b>	<b>169.7</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.

<b>Result for the period for discontinued operations</b>	<b>1–12/2017</b>	<b>1–12/2016</b>
Revenue		3.3
Expenses		–3.9
<b>Result before taxes</b>		<b>–0.6</b>
Taxes		0.1
<b>Result for the period</b>		<b>–0.5</b>
<b>Earnings per share</b>	<b>1–12/2017</b>	<b>1–12/2016</b>
Earnings per share, discontinued operations, basic and diluted, EUR		0.00
<b>Cash flow statement</b>	<b>1–12/2017</b>	<b>1–12/2016</b>
Cash flow from operations		2.3
<b>Change in cash</b>		<b>2.3</b>

### 3 ACQUISITIONS

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

On 10 May 2017, F-Secure acquired 100% of the shares of Digital Assurance Consulting Limited, a privately held UK based security consultancy firm offering information security assessment services to governments and companies in financial, petrochemical, retail, communication, and defense industries. The acquired intangible assets relate to existing customer relationships. Goodwill arising on the acquisition is attributable to the know-how and expertise in the company, and it is not tax deductible.

The acquisitions are individually immaterial to the consolidated financial statements.

Total consideration paid, aggregate value of intangible assets, other net assets acquired and resulting goodwill as of each acquisition date:

	<b>1–12/2017</b>
Other intangible assets	0.6
Other net assets	0.4
<b>Total identifiable net assets</b>	<b>1.0</b>
Goodwill	2.5
<b>Total purchase consideration</b>	<b>3.5</b>

### 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 Dec 2017	53.9		53.9	0.0
Available-for-sale financial assets 31 Dec 2016	63.7	0.2	63.5	0.0

## **5 NEW REVENUE RECOGNITION STANDARD IFRS 15**

IFRS 15 Revenue from customer contracts requires that revenue is recognized when an entity satisfies performance obligations towards its customers. It has been concluded that the revenue from customer contracts shall mainly be recognized over time, as the nature of the performance obligation is such that F-Secure satisfies it throughout customer contract duration. The analysis has concluded that, cyber security software and services are, by large, considered as one performance obligation that is satisfied over time. The implementation of the new standard impacts mostly B2B and consumer e-commerce contracts of which a portion of the revenue was recognized upfront. Operator contracts are not impacted.

F-Secure will adopt the IFRS 15 revenue recognition standard as of 1 January 2018. The Group will be using the full retrospective method and the IFRS 15 restated figures for 2017 will be published in Q1 2018 Interim report. During last quarter of 2017, F-Secure completed the necessary calculations and adjustments as well as the system changes, that are in compliance with IFRS 15 standard.

It is estimated that the impact of the IFRS 15 standard on the restated 2017 revenue will be immaterial due to offsetting effect of the historical recognized revenue and deferral of the new sales. The standard impacts mainly contracts with upfront revenue recognition. Majority of the contracts are already recognized over time prior to application of the IFRS 15 standard.

IFRS 15 standard impacts also the recognition of the incremental costs of obtaining contracts with customers. F-Secure will defer the recognition of the sales commissions. Impact of sales commissions deferral on 2017 is also low as recognized historical costs are compensated by deferral of the new costs.

On the equity, we expect approximately EUR 0.8 million increase on opening retained earnings as of 1 January 2017 due to IFRS 15 implementation adjustment. The credit position of EUR 0.8 million, that is the net result of historical revenue deferral carry forward and deferral of commissions in excess of revenue impact.

## 6 KEY RATIOS AND OTHER KEY FIGURES

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

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Operating result, % of revenue, continuing operations	8.8	16.3	6.5	12.1
ROI, %	30.3	44.7	19.7	28.6
ROE, %	14.6	32.6	14.8	19.9
Equity ratio, %			61.3	66.7
Gearing, %			-129.9	-122.1
Earnings per share, basic and diluted	0.02	0.04	0.07	0.10
Earnings per share, continuing operations, basic and diluted	0.02	0.04	0.07	0.10
Shareholders' equity per share, EUR			0.44	0.49
P/E ratio	56.8	22.8	56.6	35.6
Capitalized expenditure, MEUR	2.1	2.5	9.3	6.9
Contingent liabilities, MEUR			13.8	17.7
Depreciation and amortization, continuing operations, MEUR	-1.8	-1.3	-6.3	-5.3
Personnel, average	1,084	1,024	1,067	981
Personnel, period end			1,104	1,026



## 7 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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