F-SECURE ACQUIRED MWR INFOSECURITY TO ACCELERATE CORPORATE SECURITY GROWTH

CORPORATE SECURITY REVENUE INCREASED BY 8% IN Q2
AGENDA

Key takeaways from Q2

Acquisition of MWR InfoSecurity

Key figures

Business updates

Outlook

Financials

Supplementary material
The acquisition of MWR InfoSecurity was a major milestone for F-Secure.

Corporate security revenue growth below expectations, due to weak new customer acquisition in endpoint protection, but good progress with renewals, new products and services.

Consumer security revenue as expected, with previously communicated customer loss in one region behind decline.

Profitability excluding acquisition related costs as expected.

New outlook given for 2018 to include the acquired company.
### KEY FIGURES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>43.4</td>
<td>43.3</td>
<td>0 %</td>
<td>86.5</td>
<td>84.2</td>
<td>3 %</td>
<td>169.8</td>
</tr>
<tr>
<td>of which corporate security</td>
<td>20.0</td>
<td>18.6</td>
<td>8 %</td>
<td>39.4</td>
<td>35.2</td>
<td>12 %</td>
<td>72.2</td>
</tr>
<tr>
<td>of which consumer security</td>
<td>23.4</td>
<td>24.7</td>
<td>-5 %</td>
<td>47.1</td>
<td>48.9</td>
<td>-4 %</td>
<td>97.5</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>2.7</td>
<td>4.0</td>
<td>-33 %</td>
<td>6.6</td>
<td>6.9</td>
<td>-5 %</td>
<td>18.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2.1</td>
<td>3.6</td>
<td>-42 %</td>
<td>6.0</td>
<td>6.5</td>
<td>-9 %</td>
<td>17.8</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>1.1</td>
<td>2.5</td>
<td>-56 %</td>
<td>3.4</td>
<td>4.1</td>
<td>-18 %</td>
<td>11.9</td>
</tr>
<tr>
<td>of revenue, %</td>
<td>3 %</td>
<td>6 %</td>
<td>4 %</td>
<td>5 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>0.5</td>
<td>2.2</td>
<td>-77 %</td>
<td>2.7</td>
<td>3.7</td>
<td>-26 %</td>
<td>11.5</td>
</tr>
<tr>
<td>of revenue, %</td>
<td>1 %</td>
<td>5 %</td>
<td>3 %</td>
<td>4 %</td>
<td>6.8 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share (EUR)</td>
<td>-0.00</td>
<td>0.03</td>
<td>-103 %</td>
<td>0.00</td>
<td>0.03</td>
<td>-92 %</td>
<td>0.07</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td></td>
<td></td>
<td></td>
<td>66.7</td>
<td>60.4</td>
<td>10 %</td>
<td>65.7</td>
</tr>
<tr>
<td>Cash and financial assets at fair value through P&amp;L</td>
<td></td>
<td></td>
<td></td>
<td>79.8</td>
<td>80.7</td>
<td>-1 %</td>
<td>90.2</td>
</tr>
<tr>
<td>Personnel, end of period</td>
<td></td>
<td></td>
<td></td>
<td>1,201</td>
<td>1,091</td>
<td>10 %</td>
<td>1,104</td>
</tr>
</tbody>
</table>

1) Adjustments are material items outside normal course of business associated with acquisitions, integration, gains or losses from sales of businesses, and other items affecting comparability.
ACQUISITION CREATES A LEADING OFFERING FOR MIDMARKET

<table>
<thead>
<tr>
<th>PREDICT</th>
<th>PREVENT</th>
<th>DETECT</th>
<th>RESPOND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vulnerability management</td>
<td>Anti-phishing behavior management</td>
<td>Endpoint protection</td>
<td>Breach detection</td>
</tr>
<tr>
<td>Radar</td>
<td>phishd</td>
<td>Protection Service for Business</td>
<td>Rapid Detection &amp; Response</td>
</tr>
</tbody>
</table>

Cyber security services

- F-Secure
- MWR InfoSecurity
F-Secure is now one of the few truly global technical cyber security advisors

✓ Acquisition adds hundreds of experts performing incident response and forensics on four continents
✓ Unparalleled visibility into real-life cyber attacks 24/7
COMPETITIVE ADVANTAGE FROM MAN & MACHINE

SYNERGIES

- Threat research
- Product development
- Product sales
- Company brand
CORPORATE SECURITY REVENUE GREW BY 8% Q2

CORPORATE SECURITY PRODUCTS

- Endpoint security order intake at previous year’s level
  - Renewals at their highest levels, but new customer acquisition below expectations
  - Customers’ GDPR implementation and EDR considerations postponed purchase decisions
- Good progress with Rapid Detection Service (RDS) despite seasonality, high satisfaction and renewals
- Good growth with F-Secure Radar
- Endpoint Detection & Response (EDR) solution launched and first customer pilots started

CYBER SECURITY SERVICES

- High demand and successful recruitment
- Order intake slightly declined, driven by reorganization of services sales
- Majority of order intake coming from Finland, Denmark and United Kingdom
CONSUMER SECURITY DOWN BY 5% IN Q2

OPERATOR CHANNEL

- Revenue declined due to previously communicated (H22017) operator partner loss in Latin America - impact remains partially visible in Q3/2018
- Other regions at previous year’s level, overall improvement of product activation rates continues
- Negotiations on Sense (both as device and increasingly as software) continue with operators

DIRECT SALES

- Revenue growth continues to outpace the market
- Growth driven by F-Secure SAFE and FREEDOME – both separately as well as combined into F-Secure TOTAL
- Comparison period in direct sales positively impacted by WannaCry and changes in privacy regulation
CONSUMER BUSINESS IMPACTS TOTAL GROWTH, WEAKER QUARTER IN CORPORATE BUSINESS

- Revenue from corporate security
- Revenue from consumer security
- Corporate growth (YoY)
- Consumer growth (YoY)
- Total growth (YoY)
DEFERRED REVENUE GROWS FASTER THAN REVENUE

Growth %

Q117 Q217 Q317 Q417 Q118 Q218

Revenue growth % yoy Deferred revenue growth % yoy

9% 10% 11% 13% 10% 10%
PROFITABILITY AS EXPECTED CONTINUES TO REFLECT FOCUS ON GROWTH

*excluding EUR 0.6 million of costs related to the acquisition of MWR InfoSecurity
KEY FOCUS AREAS FOR 2018-2019

Enterprise-grade cyber security for the midmarket

- Accelerate corporate security growth with successful integration of MWR InfoSecurity
  - Aim is to become the leader in detection and response solutions
  - Continued growth of cyber security services
- Increase share of wallet by cross-selling and upselling
  - Sales expansion of the new corporate security products (RDS & EDR, F-Secure Radar, phishd)
  - Best-in-class renewal rates
  - Adding new customers in focus geographies
- Growth in consumer security
- Active M&A
NEW OUTLOOK FOR 2018

As previously communicated, F-Secure gives a new outlook for 2018. As of 2 July 2018, F-Secure includes the acquired MWR InfoSecurity in the Group’s financials. Management remains confident in reaching the initial outlook for 2018 both in terms of revenue growth and profitability excluding the impacts of the acquisition. New outlook is given to include the impact of the acquired company.

- Revenue from corporate security is expected to grow over 35% compared to 2017
- Revenue from consumer security is expected to stay at the same level as in 2017
- Adjusted EBITDA is expected to be in the range of EUR 14-18 million
- M&A related acquisition and integration costs in 2018 are expected to be 3,5-4,0 million
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.
FINANCIALS

Q2 2018

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.
April-June

- Revenue increased by 0.2% y-o-y
- Total quarterly revenue 43.4m (Q217: 43.3m)
Revenue Split

April-June

- Revenue from corporate security increased by 7.7% totalling EUR 20.0 million (18.6m)
- Revenue from consumer security decreased by -5.4% and was EUR 23.4 million (24.7m)
- Corporate and consumer security represented 46% (43%) and 56% (57%) of total revenue respectively
PROFITABILITY

April–June

- Adjusted EBIT 1.1m, 2.6% of revenue (2.5m, 5.9%), excluding EUR 0.6 million of costs related to the acquisition of MWR InfoSecurity
- Earnings per share (EPS) EUR -0.00 (EUR 0.03)
OPERATING EXPENSES

April-June

Operating expenses 35.6m (Q217: 35.9m), -1% y-o-y
- Depreciation and amortization 1.6m (Q217: 1.5m)
- Capitalized development expenses were 1.5 m (Q217: 1.1m)
DEFERRED REVENUE

30 June 2018

- Deferred revenue increased by 10% y-o-y to EUR 66.7m (EUR 60.4m)
Other regions revenue declined slightly due to the loss of a single operator customer in Latin America in H2/17.
**SOLID CASH POSITION**

**April-June**

Cash flow from operations was EUR 1.3 million (7.9m) reflecting a decrease in EBIT and paid income tax advances.

- F-Secure’s financial position remained solid. Short term investments were sold in June 2018 as F-Secure prepared to finance the acquisition of MWR InfoSecurity in the beginning of third quarter.
- Gearing ratio was 112.7% negative (125.1% negative)
April–June

- Net headcount increase during Q2 was +56 persons
- The company’s headcount at the end of Q218 was 1,201 (Q217: 1,091)
STRATEGY SLIDES FROM THE CAPITAL MARKETS DAY
22 Nov 2017
CORPORATE SECURITY CONTINUES TO DRIVE THE GROWTH

INFORMATION SECURITY REVENUE FORECAST 2016-2022

USD billion

Source: Gartner, July 2018

DISCLAIMER: Gartner has changed the way it provides forecast information. As of Q2 2018, it is publishing an overall end-user spending based forecast for information security and this will be the format used going forward. This represents a change in approach from the vendor-revenue-based forecasting that this publication provided previously. As a result, the overall forecast has gone up significantly.
MEGATRENDS

NEED FOR DETECTION AND RESPONSE

Evolving threat landscape
No 100% protection

NEED FOR BETTER SECURITY ORCHESTRATION

More data sources
Automation and AI
Visibility

NEED FOR OUTSOURCING

Increasing complexity
Lack of trained personnel
Cost of expertise

Increasing demand for cyber security products and services
CHANNEL PAYS A BIG ROLE WITH MID-MARKET CUSTOMERS & CONSUMERS

Channel influence

- Endpoint protection only

Product differentiation

- Best of suite
- Best of breed products

Customer size

- Consumers
- Small companies
- Mid-market
- Enterprise
# MID-MARKET HAS BROADER NEEDS & MORE CAPACITY TO SPEND

<table>
<thead>
<tr>
<th>Company size</th>
<th>Available budget*</th>
<th>Customer focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMALL COMPANIES</td>
<td>€ 1k–10k</td>
<td>Endpoint protection</td>
</tr>
<tr>
<td>25–200 seats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MID-MARKET</td>
<td>€ 100k–1M</td>
<td>Best of Suite</td>
</tr>
<tr>
<td>200–5000 seats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENTERPRISES</td>
<td>€ 1M–5M</td>
<td>Best of Breed</td>
</tr>
<tr>
<td>+5000 seats</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* SOURCE: SANS institute
EXPANSION OF F-SECURE’S OFFERING FOR MID-MARKET

ENDPOINT PROTECTION ONLY

COMPREHENSIVE CYBER SECURITY OFFERING

INTEGRATED SECURITY SUITE FOR MID-MARKET

- 2015

2015–2017

- 2018 –
BROADER OFFERING EXPANDS BUSINESS OPPORTUNITIES

Sales

Time

INITIAL SOLUTION

ADDITIONAL SOLUTIONS

CYBER SECURITY SERVICES
BRINGING TOGETHER ENDPOINT PROTECTION AND DETECTION & RESPONSE

World-class endpoint protection

End 2018

Endpoint detection & response

F-Secure Rapid Detection Service
SCALABILITY THOUGH
A GLOBAL NETWORK OF PARTNERS

CORPORATE SECURITY PRODUCTS & SERVICES
- RESELLERS
  6000+
- CYBER SECURITY SERVICES
  100,000+ COMPANIES
- HUNDREDS OF LARGE ENTERPRISES

CONSUMER SECURITY PRODUCTS
- OPERATORS
  200+ globally
- RETAIL & ETAIL
  TENS OF MILLIONS OF CONSUMERS

100,000+ COMPANIES
SYNERGIES ACROSS SEGMENTS

- **Small Business**
- **Mid-Market Local Enterprises**
- **Large Enterprises**
- **Consumers**

- **Privacy**
- **Family**
- **Connected Home**

SHARED SECURITY TECHNOLOGY