

**INTERIM REPORT JANUARY 1 – DECEMBER 31, 2015**

# **HIGH DEMAND FOR CYBER SECURITY SERVICES, CORPORATE SECURITY GROWTH CONTINUES**

# HIGHLIGHTS

## October–December

- Revenues for continuing operations increased 13% year-on-year to EUR 38.9 million (34.5 m), driven by continued strong demand for cyber security services and growth in corporate security sales through the reseller channel
- EBIT (non-IFRS) for continuing operations was EUR 5.9 million, representing 15% of revenues (6.2 m, 18%)
- EBIT (IFRS) for continuing operations was EUR 5.0 million, representing 13% of revenues (EUR 5.6 m, 16%)
- Earnings per share (EPS) were EUR 0.00 (EUR 0.03)
- Cash flow from operations (including discontinued operations) was EUR 14.3 million (11.6 m)
- F-Secure announced F-Secure Sense, a new security product for connected home devices (Internet of Things)
- F-Secure amended its strategy and confirmed becoming the leading European cyber security company as its key target
- F-Secure has received debit decisions relating to foreign tax credits on withholding taxes from 2009–2011 amounting to EUR 3.0 million added with late payment interest of EUR 0.9 million; F-Secure will appeal the decisions with the Tax Administration's Board of Adjustment

## Plan for dividend proposal

- The Board plans to propose to the Annual General Meeting the distribution of a EUR 0.06 dividend and a EUR 0.06 extra dividend per share for 2015

## Full year 2015

- Revenues for continuing operations increased by 7%, totaling EUR 147.6 million (137.4 m)
- EBIT (non-IFRS) for continuing operations was EUR 22.3 million, representing 15% of revenues (23.3 m, 17%)
- EBIT (IFRS) for continuing operations was EUR 20.0 million, representing 14% of revenues (22.3 m, 16%)
- Earnings per share (EPS) were EUR 0.14 (EUR 0.10)
- Cash flow from operations (including discontinued operations) was EUR 28.9 million (29.1 m). Liquid assets at the end of the year were EUR 94.3 m
- Deferred revenues increased to EUR 48.1 million (43.0 m) at the end of the quarter as a result of growth in license and renewal sales
- In June, F-Secure acquired nSense, the Nordic's leading cyber security provider, signaling the start of F-Secure's expansion into the cyber security markets and large enterprise customer segments
- In February, F-Secure sold its personal cloud storage business to Synchronoss Technologies

# CONTENTS

- 02 Highlights
- 03 Outlook
- 04 Key figures
- 05 CEO's message
- 06 Financials
- 09 Business overview
- 15 Tables

As of the beginning of 2015 the personal cloud storage business (younited), which was sold to Synchronoss Technologies in February, is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated. Comparison figures in the text refer to continuing operations only and the corresponding period of the previous year, unless otherwise stated.

As of 2 June 2015 the acquired cyber security business (nSense) has been consolidated into the F-Secure Group accounts.

The reporting currency is Euro. This interim report is unaudited.

# OUTLOOK

The outlook for 2016 is:

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

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

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

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

# KEY FIGURES

(EUR million)	2015	2014	Change	2015	2014	Change
	10-12	10-12	%	1-12	1-12	%
Revenues	38.9	34.5	13	147.6	137.4	7
Operating profit (non-IFRS)*	5.9	6.2	-5	22.3	23.3	-4
% of revenues (non-IFRS)*	15	18		15	17	
Operating profit (IFRS)	5.0	5.6	-10	20.0	22.3	-10
% of revenues (IFRS)	13	16		14	16	
Profit before taxes	4.4	5.8	-24	20.7	23.4	-12
Earnings per share (EUR)**	0.00	0.03		0.14	0.10	
Earnings per share for continuing operations (EUR)**	0.00	0.03		0.08	0.12	
Depreciation	1.4	2.0		5.9	7.9	
<b>At the end of period:</b>						
Deferred revenues				48.1	43.0	
Liquid assets, total				94.3	61.3	
ROI%				52.1	26.7	
Equity ratio, %				64.1	74.9	
Debt-to-equity ratio, %				-122.4	-76.6	
Personnel				926	921	

\* Excludes non-recurring costs booked in Q3 2015, Q4 2014 and Q1 2014.

\*\* Based on the average adjusted number of shares during the period 155,801,466.

## CEO'S MESSAGE



It's 2016, and it's become obvious that cyber threats are a persistent business risk. F-Secure continues to witness threats pervading all areas of life and business, and demand for security solutions is increasing. The trend is most pronounced in corporate security. In the fourth quarter, we continued to face very high demand for cyber security services. At the same time, revelations on vulnerabilities in all connected devices continued to highlight risks for consumers. We're no longer stopping at securing computers – we're now working to secure societies.

In 2015, F-Secure's overall revenues grew by 7% compared to the year before, and amounted to EUR 148 million. Growth was both organic and acquired and accelerated towards the end of the year. Profitability of the company remained at 15%, as anticipated.

In corporate security, our reseller business had its best quarter in history, with sales growing particularly well in our focus countries in Europe, as well as Japan. With cyber security services, we experienced strong growth. We continued to invest significantly in growing our corporate security business according to our amended strategy. We are in the process of recruiting over a hundred new employees this year, including highly skilled security professionals, rising cyber security talents, and capable sales personnel. We also continue to look for suitable acquisition targets to boost our expansion even further, as well as find additional talent.

With consumer security, we continued to see only modest growth in Q4, as expected. The direct-to-consumer channel continued to deliver most of the growth, driven by online sales of SAFE, our multi-device security offering. Revenues from the operator channel remained at the previous year's levels. I was particularly pleased to see F-Secure sign two major deals with global device manufacturers Acer and TLC/Alcatel in respect to Freedom, our privacy protection offering. We also announced F-Secure Sense in November, a new security product for connected home devices.

Driven by our aspiration to grow, we have shaped up our strategy to capitalize on the next phase of the internet and connected world. We look forward to exciting new product and service launches in 2016. By leveraging our best-in-class security technologies and cyber security consultants, we are capable of addressing the rising security needs of companies. We aim to continue growing profitably, and want to become the leading player in the European cyber security market.

**“WE AIM TO RECRUIT OVER A HUNDRED NEW EMPLOYEES IN 2016 TO SUPPORT OUR GROWTH.”**

A handwritten signature in blue ink that reads "Christian Fredrikson". The signature is stylized and cursive.

Christian Fredrikson

## FINANCIALS

F-Secure has decided to change its reporting on revenue. As of Q4 2015, the revenue split will be reported between consumer security revenue (including operator and direct-to-consumer businesses) and corporate security revenue (including corporate reseller and cyber security services business). The previous split between operator and non-operator businesses is used in parallel with the new revenue reporting in this Q4 2015 interim report, but will be discontinued thereafter.

### October–December

In the fourth quarter F-Secure's overall revenues grew by 13% year-on-year, totaling EUR 38.9 million (34.5 m). Organic revenue growth was 5.0 % year-on-year.

Revenues from consumer security increased by 3.5% and were EUR 23.9 million (23.1 m), representing 61% (67%) of F-Secure's total revenues. Revenues from corporate security increased by 31% totaling EUR 15.0 million (11.5 m) and representing 39% (33%) of F-Secure's total revenues. Using the former split in revenue reporting, revenues through the operator channel increased by 2% and were EUR 19.2 million (18.8 m), representing 49% (54%) of F-Secure's total revenues. Revenues from corporate security and direct-to-consumer sales increased by 26% totaling EUR 19.7 million (15.7 m). These channels represented 51% (46%) of F-Secure's total revenues.

Within the operator revenues, EUR 0.7 million is attributable to revenue recognized from sales in Argentina. These sales had been generated over a nearly two-year period, but were only recognized in 2015 upon agreeing with the customer on how payments to F-Secure under the present circumstances could be made.

Deferred revenues increased to EUR 48.1 million (43.0m) at the end of the quarter as a result of growth in license and renewal sales.

Total fixed costs were EUR 33.8 million (27.6 m), an increase of 22% from the previous year. The increase is mainly related to personnel related expenses, external services and costs incurred by the acquired nSense business. A write-off of EUR 1.4 million relating to receivables from an operator customer was also a substantial factor. Depreciations (capitalized R&D, software, hardware) decreased to EUR 1.4 million (2.0 m). The capitalized development expenses for the quarter were EUR 0.5 million (0.7 m).

EBIT (non-IFRS) for continuing operations, prior to the respective proportions of the deferred payment and earn-out elements of the nSense acquisition recognized as expense under IFRS 3, and excluding non-recurring items, was EUR 5.9 million, representing 15% of revenues (6.2 m, 18%). For further description of the accounting treatment of the nSense acquisition, see Note 3.

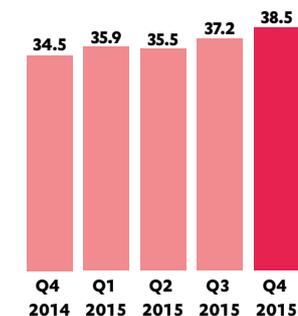
EBIT (IFRS) including the allocation of the nSense acquisition related costs was EUR 5.0 million, representing 13% (5.6 m, 16%) of revenues.

Earnings per share (EPS) for continuing operations was EUR 0.00 (0.03) and EUR 0.00 (0.03) for the Group including discontinued operations. EPS for the quarter was impacted by the recognition of EUR 2.1 million in withholding taxes from 2009–2011 based on reassessment decisions relating to foreign tax credits issued by the Finnish tax authority in December 2015 and January 2016 (see also Taxation).

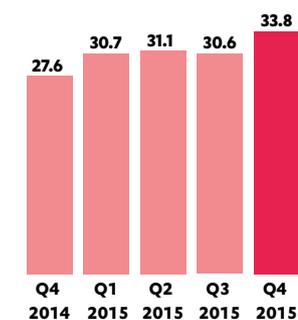
Cash flow from operations was EUR 14.3 million (11.6 m).

The geographical breakdown of revenues in the fourth quarter was as follows: Finland and Scandinavia EUR 14.0 million (11.7 m), Rest of Europe EUR 15.6 million (15.9 m), North America EUR 3.5 million (2.7 m) and Rest of the World EUR 5.8 million (4.3 m).

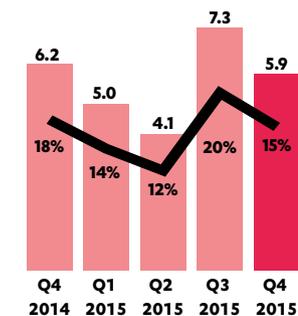
Revenues, MEUR



Costs, MEUR



EBIT (non-IFRS), MEUR



## Full year 2015

In January–December F-Secure's overall revenues grew by 7%, totaling EUR 147.6 million (137.4 m). Organic revenue growth was 4% compared to the year before.

Revenues from consumer security increased by 2% and were EUR 93.8 million (91.9 m), representing 64% (67%) of F-Secure's total revenues. Revenues from corporate security increased by 18% totaling EUR 53.8 million (45.5 m) and representing 36% (33%) of F-Secure's total revenues. Using the former split in revenue reporting, revenues through the operator channel increased by 1% from the previous year to EUR 76.0 million (75.4 m), representing 51% (55%) of F-Secure's total revenues. Revenues from corporate security and direct-to-consumer sales increased by 16% totaling EUR 71.6 million (62.0 m). These channels represented 49% (45%) of F-Secure's total revenues.

The quarterly revenues in 2015 with the new revenue split (consumer security; corporate security) and the former division (operator channel; corporate security and direct-to-consumer sales) are summarized in the following:

Consumer security and corporate security:

Revenue (EUR m)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Corporate security	12.0	12.7	14.0	15.1	53.8
Consumer security	23.9	22.8	23.2	23.9	93.8
<b>Total</b>	<b>35.9</b>	<b>35.5</b>	<b>37.2</b>	<b>38.9</b>	<b>147.6</b>

Operator channel and other channels (corporate security and direct-to-consumer sales):

Revenue (EUR m)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Operator channel	19.6	18.6	18.7	19.2	76.0
Other channels	16.4	16.9	18.6	19.8	71.6
<b>Total</b>	<b>35.9</b>	<b>35.5</b>	<b>37.2</b>	<b>38.9</b>	<b>147.6</b>

Deferred revenues increased to EUR 48.1 million (43.0 m) at the end of the year as a result of growth in license and renewals sales.

Total fixed costs were EUR 126.0 million (109.8 m), an increase of 15% from the previous year. The increase is mainly related to personnel related expenses, external services, costs incurred by the acquired nSense business, and investments in sales and marketing activities. Depreciations (capitalized R&D, software, hardware) decreased to EUR 5.9 million (7.9 m). The capitalized development expenses for the period were EUR 2.0 million (2.3 m).

EBIT (non-IFRS) for continuing operations, prior to the respective proportions of the deferred payment and earn-out elements of the nSense acquisition recognized as expense under IFRS 3, and excluding non-recurring items, was EUR 22.3 million, representing 15% of revenues (23.3 m, 17%). For further description of the accounting treatment of the nSense acquisition, see Note 3.

EBIT (IFRS) including the allocation of the nSense acquisition related costs was EUR 20.0 million, representing 14% (22.3 m, 16%) of revenues. Earnings per share for continuing operations was EUR 0.08 (0.12) and EUR 0.14 (0.10) for the Group including discontinued operations.

Cash flow from operations was EUR 28.9 million (29.1 m).

The geographical breakdown of revenues in January–December was as follows: Finland and Scandinavia EUR 49.9 million (46.7 m), Rest of Europe EUR 63.7 million (63.9 m), North America EUR 13.1 million (10.3 m) and Rest of the World EUR 20.9 million (16.5 m).

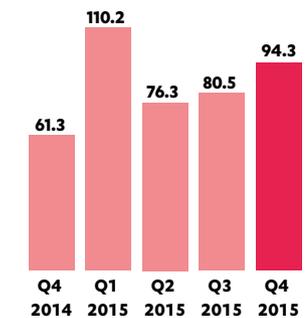
## Financing and Capital Structure

On 31 December the market value of F-Secure's liquid assets was EUR 94.3 million (30 September 2015: 80.5 m and 30 June 2015: 76.3 m and 31 March 2015: 110.2 m).

In January–December the Company's capital expenditure was EUR 14.6 million (5.8 m) including new goodwill and intangible assets from the nSense acquisition. The capitalized development expenses were EUR 2.0 million (2.3 m).

F-Secure's financial position remained solid. The Company's equity ratio on 31 December was 64% (75%) and its gearing ratio was 122% negative (77% negative).

Cash position, MEUR



## 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 2,996,049 of its own shares.

## Taxation

The Finnish tax authority has conducted a partial tax audit of F-Secure concerning withholding taxes. The tax authority has concluded that withholding taxes for which F-Secure has claimed foreign tax credits are not based on royalties as meant by the tax treaties between Finland and several other countries, but rather on sales revenues. Therefore, the tax authority has decided to reclaim the tax credits and issued a final debit decision for the impacted withholding tax credits of 2009 in December 2015. Similar reassessment decisions for withholding tax credits from 2010 and 2011 were received after the reporting period in January 2016. F-Secure is preparing to appeal the 2009–2011 reassessment decisions with the Tax Administration's Board of Adjustment.

The reduction in foreign tax credits as concluded in the debit decisions amounts in total to EUR 3.0 million. In addition, EUR 0.9 million in late payment interests as well as minor punitive charges are payable by F-Secure. After due analysis and consideration, F-Secure has decided to recognize EUR 2.1 million in additional taxes based on the reassessment decisions, covering the debits issued for 2009–2011 net of net of withholding taxes for which credits can still be claimed from the target countries. The late payment interest and punitive charges issued by the tax authority have also been booked.

F-Secure Group's tax rate in 2015 was 42% (2014: 21%). Without the impact of the debit decisions relating to past withholding tax credits and withholding taxes paid in Brazil in 2015, the tax rate would be 30%. In addition to the withholding taxes, F-Secure's tax rate is also impacted by comparatively high corporate tax rates in several of its target countries.

## Acquisitions and disposals

### Acquisition of nSense

On 2 June 2015, F-Secure acquired nSense, a privately held Danish company providing security consultation and vulnerability assessment services and products to large enterprises. The acquisition allows F-Secure to provide top tier incident response and forensic expertise, comprehensive vulnerability assessment, and threat intelligence and security management services to enterprises and businesses with critical IT infrastructure. nSense's vulnerability scanning solution, named Karhu, is actively used by enterprise customers.

The deal value consists of an immediate EUR 11 million cash payment made at closing, a deferred payment of EUR 4 million in shares and an earn-out element worth a maximum of EUR 3 million in cash subject to the achievement of certain milestones in 2015–2016.

The deferred payment and earn-out elements are in accordance with IFRS 3 recognized as expense through the consolidated income statement. For 2015, these elements amounted to EUR 1.5 million in total. In 2016–2018 the following is expected: a maximum of EUR 3.3 million in 2016, EUR 1.3 million in 2017 and EUR 0.6 million in 2018. For further information on accounting for the nSense acquisition, see also Note 3.

### Discontinued operations

In February F-Secure concluded the sale of its personal cloud storage business to Synchronoss Technologies Inc. The value of the transaction was USD 60 million in cash. The net profit from the disposal in 2015 is EUR 18.6 million (with the exchange rates at closing), calculated as the difference between sales price and sold assets and including write-offs, transaction costs and impact of patent agreement.

Due to the sale of the personal cloud storage business F-Secure is reporting the personal cloud business as discontinued operations. The EUR 6.8 million in revenues generated from the sale of certain transition services to Synchronoss in 2015 are recognized as part of the discontinued operations. For further information on the disposal, see also Note 2.

## Market Overview

The growing amount 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.

The consumer security software market continues to be impacted by the changing device landscape. PC sales are expected to decline by 1% in 2016 (Gartner, January 2016) and will have a slight negative impact on the market for consumer security products. Nonetheless, there are opportunities to capture market share from the competition. At the same time, the amount of connected smart home devices will grow rapidly. It is expected that there are over 1 billion connected things in homes by 2018, which opens new possibilities for new innovative security products (Gartner, November 2015). Developing economies continue to drive growth in new subscriptions of security software despite economic uncertainty especially in Latin America. App stores and web sales continue to increase their impact on direct-to-consumer sales.

With regard to businesses and governmental organizations, targeted attacks are becoming more advanced and common. In 2015, the number of reported security incidents continued to grow faster than ever (+38% in 2015, PwC). Companies increasingly seek for managed security services and cloud-based delivery to help them maintain control of their security. Larger organizations are interested in securing their mobile device fleets and the demand for incident detection and response services remains very high.

The worldwide security software market is worth USD 21.4 billion (Gartner, May 2015). With regard to businesses, the information security consulting market is worth USD 18.2 billion and is expected to grow by 8,3% annually in 2016–2019 (Gartner, December 2015). Also, the IT outsourcing (incl. managed security services) market is worth USD 15.6 billion and is expected to grow by 14.7% annually in 2016–2019 (Gartner, December 2015). The consumer security software market is worth USD 5.1 billion and is expected to grow 3.2% annually in 2016–2019 (Gartner, December 2015). All expected growth rates are in constant US dollars.

## Business in October–December

F-Secure’s total security revenues grew by 13% year-on-year in October-December. Approximately one third of the growth was organic, driven by corporate security. In addition to this, The acquired cyber security services business contributed significantly to growth compared to last year.

The Company continued to invest significantly in recruiting and product development to support further growth.

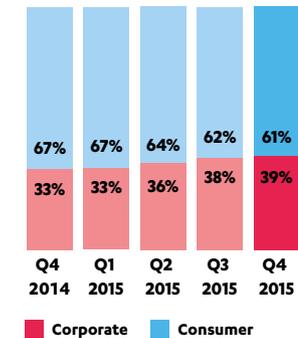
### Consumer security

In Q4, revenues from consumer security increased by 3.5% in total, driven by direct-to-consumer online sales of F-Secure SAFE, the multi-device security offering. Overall, the majority of consumer revenues come from SAFE, but Freedom – the security and privacy product – continues to increase its share of the revenues, especially in the direct-to-consumer channels. Operator revenues were at previous year’s level.

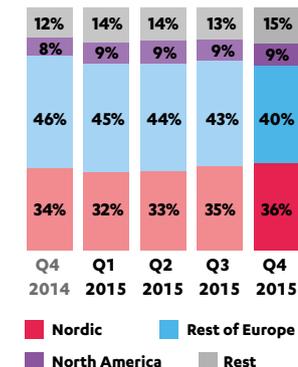
F-Secure continued to win deals and launch products with operators, device manufacturers and retail chains to distribute consumer security products globally. With Freedom, significant agreements were signed with two global device manufacturers Acer and TCL/Alcatel to enable pre-installations of Freedom in several millions of devices globally in 2016. With retail partners, contracts were signed with Expert (all Nordic countries) and Mediamarkt (Sweden) for both Freedom and SAFE. F-Secure also signed Freedom contracts with several industry leading Wi-Fi providers enabling access to millions of their customers. With operators, a new SAFE contract was signed with Telenor Cloud Services, part of Telenor Group (Norway). Also, SAFE was launched with several operators, including TeliaSonera (Sweden), Com Hem (Sweden), Frontier (USA), Telia (Denmark) and TalkTalk (UK).

In November, the Company announced F-Secure Sense, a new security product for connected home devices (Internet of Things). The product is currently in presale online and the current target is to start first deliveries during the summer.

Revenue split, %



Regional split, %



## Corporate security

In Q4, revenues from corporate security increased by 31% compared to the year before. Organic growth was driven by strong sales through the reseller channel which reached an all-time high in October–December. The acquired cyber security services business contributed significantly to the growth.

Revenues through the reseller channel increased most in Japan, Germany and North America. Sales of the Company's managed security service offering, Protection Service for Business (PSB), continued to grow fastest. PSB remains highly valued in the market, with satisfaction levels among partners and end-customers exceeding or on par with the best competitors in all relevant markets. F-Secure continues to invest in Germany, France and Japan by acquiring new active resellers as well as competent sales people to support further growth.

Cyber security services revenues continued to experience strong growth both year-on-year (pro forma) and quarter-on-quarter. The growth compared to the previous quarter is partly related to seasonality, as the last quarter of the year is typically the strongest for cyber security services. Growth was seen in all areas of the business, i.e. in consulting, managed services and product license sales. The sales of Karhu, the Company's vulnerability management product, are progressing well.

During the quarter, F-Secure continued to face high demand for cyber security consultancy services. The Company has been successful in recruiting highly-talented professionals in a very competitive market and continues to recruit both seasoned experts as well as young talents to support growth. F-Secure continues to prepare for the launch of the Company's new advanced threat protection solution, aimed to take place during H1. Customer pilots are on-going and have been well received.

## Events after period-end

F-Secure received reassessment decisions for withholding tax credits from 2010 and 2011 from the Finnish Tax Authority in January 2016. (See Taxation)

## Product & Service Highlights

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

A new security product to secure smart home devices, **F-Secure Sense**, was announced in November. Sense creates a secure network for all connected devices at home and monitors and protects them through one simple interface. The product is in presale in the F-Secure eStore. More information is available at <https://sense.f-secure.com/>.

Updates were released for several existing products:

- **F-Secure SAFE**, a multi-device security product, was updated with a new visual design enabling a more expressive end-user experience. The new interface allows users to easily share security with their loved ones anywhere in the world and will support the Company in selling more licenses.
- **F-Secure Freedom**, a security and privacy product, introduced the new Tracker Mapper feature, which allows users to see tracking attempts in real time. This gives a better understanding of how they are followed online and helps them appreciate the value of privacy.
- **F-Secure Key**, a password management product, launched a major upgrade that integrates the product closely with SAFE, enabling operator and reseller partners to easily sell Key to their existing SAFE customers.
- **Karhu**, a vulnerability management tool for corporate customers, was added with several new features. Most significantly, the product can now be integrated with the customers' internal vulnerability management systems, making Karhu a more integrated part of their IT infrastructure.
- **Protection Service for Business**, a managed security service solution for corporate customers, was updated with a more streamlined ordering process for reseller partners, thus enabling easier sales to end-customers.

Additionally, Freedom won the 2015 Meffy Award for Consumer Trust in October, and the V3 Technology Award for Security Innovation of the Year in December.



A new security product to secure smart home devices, F-Secure Sense, was announced in November. Sense creates a secure network for all connected devices at home and monitors and protects them through one simple interface.

## Organization and Leadership

F-Secure's personnel totaled 926 at the end of the quarter (921). To support the Company's growth, especially in corporate security, F-Secure continues active recruitment. During 2016 F-Secure aims to hire over a hundred new employees including consultants, developers and sales people.

As part of the strategy work carried out during the fourth quarter, plans were also made for adjusting F-Secure's organization to align it with the amended strategy. The organizational changes are in effect as of 1 February 2016, including the composition of the Leadership Team, which at the time of this interim report is the following:

Christian Fredrikson (CEO), Mari Heusala (HR & Office Services), Samu Konttinen (Corporate Security), Salla Miettinen-Lähde (Finance & Supporting Services), Jari Still (Information & Business Services), Mika Ståhlberg (Security Research & Technologies), Jens Thonke (Cyber Security Services) and Jyrki Tulokas (Strategy & Corporate Development). Kristian Järnefelt will join F-Secure and its Leadership Team as of 8 February 2016 with responsibility for Consumer Security.

## Corporate Governance

F-Secure's corporate governance practices comply with Finnish laws and regulations, F-Secure's Articles of Association, the rules of NASDAQ Helsinki Oy and, as of 1 January 2016 the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2015. The code is publicly available at <http://cgfinland.fi/en/>.

Until the end of 2015, F-Secure followed the Finnish Corporate Governance Code 2010, in accordance to which it published its corporate governance statement for 2014. The statement is available in the F-Secure 2014 Annual Report and on the Company website. Up-to-date information about F-Secure's governance is available on the Company website.

## Risks and uncertainties

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

- Volatility of the economic environment could possibly affect business volumes.
- End-point security market transformation and changes in customer demand
- Changes in the competitive environment
- Potential loss of key customers and partnerships.
- Competitiveness of F-Secure's product portfolio in the rapidly changing market.
- Intellectual property (IPR) claims against F-Secure.
- Risk exposure from contractual liability requirements.
- Failure to successfully complete acquisitions or divestments.
- Success of new product launches.
- Potential security threats related to our products and services.
- Credit risk due to regional political or financial climate and regulation.

## Strategy 2016–18

F-Secure is shaping up its strategy to capitalize on the next phase of the internet and connected world. The amended 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.

The key driver behind the strategic shift is F-Secure's aspiration for growth. F-Secure is continuing to increase its investments in the fastest growing markets within corporate security. These include managed endpoint security services sold through the reseller channel as well as the cyber security services business. Investments in consumer security are continued at a level that targets profitable growth. 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, the 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 enterprises with business critical IT systems or vast amounts of 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, defence, 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 offerings to large enterprises in Northern Europe and in the selected verticals, and corporate security business through the reseller channel in Europe and Japan. In consumer security, F-Secure continues with its existing sales channels aiming at profitable growth. The overall key strategic target for F-Secure is to become the leading European cyber security company.

## Outlook for 2016

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

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

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

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

## The Board of Directors' proposals to the Annual General Meeting

Subsequent to signing of the 2015 financial statements by the Board of Directors, the Company will on 17 February 2016 announce the proposals to the Annual General Meeting (AGM), including the proposal for a dividend.

The Board plans to propose the AGM the distribution of a EUR 0.06 dividend and a EUR 0.06 extra dividend per share for 2015

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 News conference and webcast

A news conference for analysts and media will be held (in Finnish) at the Company's headquarters (address: Tammasaarekatu 7, 00180 Helsinki) on Thursday 22 October 2015 at 11.00–12.00 a.m. (EEST).

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

To participate in the online meeting via web, please click on the link: <https://meet.f-secure.com/tapio.pesola/YSQ6FCV9>

To join via phone, please dial in to +358975110100.  
The conference ID is 387938.

The presentation material including live video is only available via the online webcast.

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

### Financial calendar

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

- Q1/2016: 29 April 2016
- Q2/2016: 4 August 2016
- Q3/2016: 3 November 2016

### The Annual General Meeting

- The Annual General Meeting (AGM) is scheduled to be held on Thursday, 7 April 2016
- Shareholders' proposals to the agenda of the meeting shall be sent latest on 9 February 2016
- Board of Directors' proposals to the AGM will be published on 17 February 2016
- The Annual Report for 2015 will be published on the Company's website latest during week 11.

The Board of Directors will summon the meeting at a later date.

### Contact information

F-Secure Corporation



Christian Fredrikson, CEO  
tel. +358 9 2520 0700



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

This interim report is unaudited and prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2014.

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

## INCOME STATEMENT

<b>Continuing operations</b>	<b>10–12/2015</b>	<b>10–12/2014</b>	<b>1–12/2015</b>	<b>1–12/2014</b>	<b>Change %</b>
Revenues	38.9	34.5	147.6	137.4	7
Cost of revenues	1.4	1.9	5.6	7.0	-21
Gross margin	37.6	32.7	142.0	130.4	9
Other operating income	1.2	0.5	4.0	1.6	141
Sales and marketing	22.6	19.4	86.3	72.3	19
Research and development	6.8	6.3	26.9	30.1	-11
Administration	4.3	1.9	12.7	7.4	73
Operating result	5.0	5.6	20.0	22.3	-10
Financial net	-0.6	0.1	0.7	1.1	
Result before taxes, continuing operations	4.4	5.8	20.7	23.4	
Income taxes	-5.0	-0.5	-8.6	-4.8	
Result for the period, continuing operations	-0.6	5.3	12.1	18.6	
Discontinued operations	0.2	-0.7	10.0	-2.8	
Result for the period	-0.4	4.5	22.1	15.8	
<b>Other comprehensive income:</b>					
Exchange difference on translating foreign operations	-0.2	0.1	0.3	0.4	
Available-for-sale financial assets	0.4	0.3	-0.2	0.2	
Income tax related to components of other comprehensive income	-0.1	-0.1	0.0	0.0	
Total comprehensive income (owners)	-0.3	4.8	22.2	16.3	
<b>Earnings per share</b>	<b>10–12/2015</b>	<b>10–12/2014</b>	<b>1–12/2015</b>	<b>1–12/2014</b>	<b>Change %</b>
Earnings per share, EUR	0.00	0.03	0.14	0.10	
Diluted earnings per share, EUR	0.00	0.03	0.14	0.10	
Earnings per share, continuing operations, EUR	0.00	0.03	0.08	0.12	
Diluted earnings per share, continuing operations, EUR	0.00	0.03	0.08	0.12	

# BALANCE SHEET

<b>Assets</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Intangible assets	12.2	14.1
Tangible assets	3.4	7.2
Goodwill	7.6	19.4
Other financial assets	1.3	2.9
Non-current assets total	24.5	43.6
Inventories	0.1	0.1
Other receivables	42.7	44.6
Available-for-sale financial assets	64.4	40.3
Cash and bank accounts	29.9	21.1
Current assets total	137.2	106.1
Discontinued operations	6.4	0.0
Total	168.1	149.7
<b>Shareholders' equity and liabilities</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Equity	77.1	79.9
Other non-current liabilities	0.9	0.4
Deferred revenues	12.1	11.0
Non-current liabilities total	13.0	11.4
Other current liabilities	32.4	26.4
Deferred revenues	36.0	32.0
Current liabilities total	68.4	58.4
Discontinued operations	9.6	0.0
Total	168.1	149.7

# CASH FLOW STATEMENT

<b>CASH FLOW STATEMENT</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Cash flow from operations	28.9	29.1
Cash flow from investments <sup>1)</sup>	29.1	-6.7
Cash flow from financing activities <sup>2)</sup>	-24.9	-9.3
Change in cash	33.1	13.1
Cash and bank on 1 January	61.4	48.0
Change in net fair value of available-for-sale financial assets	-0.2	0.2
Cash and bank at end of period	94.3	61.3

<sup>1)</sup> More information in notes 2 and 3

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

In 2014 paid dividend totaled EUR 9,345,749.70. In 2015 paid dividend totaled EUR 24,928,430.40.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<b>Share capital</b>	<b>Share prem. fund</b>	<b>Unrestr. equity reserve</b>	<b>Treasury shares</b>	<b>Retained earnings</b>	<b>Assets avail. f.sale</b>	<b>Tranl.diff</b>	<b>Total</b>
Equity on: 31.12.2013	1.6	0.2	5.1	-7.8	73.5	0.3	-0.1	72.8
Total comprehensive income for the year					15.8	0.2	0.4	16.3
Dividend					-9.3			-9.3
Cost of share based payments			0.1	0.8	-0.7			0.2
Equity on: 31.12.2014	1.6	0.2	5.1	-7.0	79.3	0.5	0.3	79.9

	<b>Share capital</b>	<b>Share prem. fund</b>	<b>Unrestr. equity reserve</b>	<b>Treasury shares</b>	<b>Retained earnings</b>	<b>Assets avail. f.sale</b>	<b>Transl. diff</b>	<b>Total</b>
Equity on: 31.12.2014	1.6	0.2	5.1	-7.0	79.3	0.5	0.3	79.9
Total comprehensive income for the year					22.1	-0.1	0.3	22.2
Dividends					-24.9			-24.9
Cost of share based payments					-0.2			-0.2
Equity on: 31.12.2015	1.6	0.2	5.1	-7.0	76.2	0.4	0.6	77.1

# 1 SEGMENT INFORMATION

The Group has only one segment; data security.

<b>Quarterly development</b>	<b>Q4/2015</b>	<b>Q3/2015</b>	<b>Q2/2015</b>	<b>Q1/2015</b>	<b>Q4/2014</b>	<b>Q3/2014</b>	<b>Q2/2014</b>	<b>Q1/2014</b>
Revenues	38.9	37.2	35.5	35.9	34.5	34.5	34.4	34.0
Cost of revenues	1.4	1.1	1.8	1.4	1.9	1.8	1.7	1.7
Gross margin	37.6	36.2	33.7	34.6	32.7	32.7	32.7	32.3
Other operating income	1.2	0.4	1.2	1.1	0.5	0.4	0.3	0.4
Sales and marketing	22.6	20.9	22.0	20.8	19.4	16.9	18.0	18.1
Research and development	6.8	6.5	6.2	7.4	6.3	7.1	8.1	8.6
Administration	4.3	3.2	2.8	2.5	1.9	1.6	1.8	2.0
Operating result	5.0	6.0	4.0	5.0	5.6	7.4	5.2	4.0
Financial net	-0.6	-0.8	-0.1	2.1	0.1	0.6	0.2	0.1
Result before taxes	4.4	5.2	3.9	7.1	5.8	8.1	5.4	4.2

## Geographical information

<b>Revenue</b>	<b>10-12/2015</b>	<b>10-12/2014</b>	<b>1-12/2015</b>	<b>1-12/2014</b>
Nordic countries	14.0	11.7	49.9	46.7
Rest of Europe	15.6	15.9	63.7	63.7
North America	3.5	2.7	13.1	10.3
Rest of the world	5.8	4.3	20.9	16.6
Total	38.9	34.5	147.6	137.4

## 2 DISCONTINUED OPERATIONS

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

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

<b>Result for the period</b>	<b>1-12/2015</b>	<b>1-12/2014</b>
Revenues	8.5	17.8
Expenses	-9.7	-21.3
Result before taxes	-1.2	-3.5
Taxes	0.2	0.7
Result for the period	-1.0	-2.8
Net gain on disposal	18.6	
Attributable taxes	-7.6	
Result after taxes	10.0	-2.8

<b>Earnings per share</b>	<b>1-12/2015</b>	<b>1-12/2014</b>
Earnings per share, discontinued operations, EUR	0.06	-0.02
Diluted earnings per share, discontinued operations, EUR	0.06	-0.02

<b>Cash flow statement</b>	<b>1-12/2015</b>	
Cash flow from operations	-5.3	
Cash flow from investments	44.3	
Change in cash	39.0	

## 3 ACQUISITION

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

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

### Fair values

#### Consideration

Consideration transferred	10.9
Total consideration transferred	10.9

#### The fair values of the assets and liabilities arising from the acquisition

Intangible assets	2.9
Tangible assets	0.1
Receivable	2.0
Cash and cash equivalents	0.8
Total assets	5.8
Deferred tax liabilities	0.6
Trade payables	0.2
Other payables	1.7
Total liabilities	2.5
Total identifiable net assets at fair value	3.3
Goodwill arising on acquisition	7.6

The deferred payment and earn-out elements are in accordance with IFRS 3 recognized as expense through the consolidated income statement. For 2015, these elements amounted to EUR 1.5 million in total. In 2016–2018 the following is expected: a maximum of EUR 3.3 million in 2016, EUR 1.3 million in 2017 and EUR 0.6 million in 2018. The costs are recognized in Administration.

The fair values of the identifiable assets and liabilities of nSense as at the date of the acquisition were:

#### Cash flow from the acquisition

Consideration paid in cash	11.0
Cash and cash equivalents of the acquired company	0.8
Total cash flow from the acquisition	10.2

The fair values of the acquired identifiable intangible assets at the date of the acquisition (including technology and customer relationship) amounted to EUR 2.9 million. The fair value of receivables is approximately EUR 2.0 million, which amount is not considered to be subject to any significant risk. The goodwill of EUR 7.6 million reflects the value of know-how and expertise of nSense. The goodwill recognized for nSense is not tax deductible. Transaction costs were EUR 0.1 million and they are expensed on the profit and loss statement.

From the date of acquisition, nSense has contributed EUR 5.1 million in revenues. Contribution to the operating result of the Group was EUR 1.0 million. If the acquisition had taken place at the beginning of the year, revenues from continuing operations would have been EUR 150.9 million. Contribution to the operating result of the Group would have been EUR 1.3 million.

## 4 FAIR VALUES

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

<b>Assets measured at fairvalue</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Available-for-sale financial assets 31.12.2015	64.5	64.4		0.1
Available-for-sale financial assets 31.12.2014	40.3	40.2		0.1

## 5 KEY RATIOS AND OTHER KEY FIGURES

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

Key ratios calculated from continuing operations have been marked separately.

	<b>2015</b>	<b>2014</b>
Operating result. % of revenues, continuing operations	13.6	16.2
ROI %	52.1	26.7
ROE %	28.1	20.7
Equity ratio. %	64.1	74.9
Debt-to-equity ratio %	-122.4	-76.6
Earnings per share basic, EUR	0.14	0.10
Earnings per share diluted, EUR	0.14	0.10
Earnings per share basic, continuing operations, EUR	0.08	0.12
Earnings per share diluted, continuing operations, EUR	0.08	0.12
Shareholders' equity per share. EUR	0.49	0.50
P/E ratio	18.2	22.2
Capitalized expenditures, MEUR	14.6	5.8
Contingent liabilities, MEUR	8.5	10.1
Depreciations	5.9	7.9
Personnel average	894	937
Personnel end of period	926	921

# **CYBER SECURITY LIVES HERE**

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