



INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2017

**CORPORATE SECURITY REVENUE UP BY 11%
– GOOD GROWTH CONTINUED**



HIGHLIGHTS OF JULY–SEPTEMBER (Q3)

- Revenue increased by 6% year-on-year to EUR 41.0 million (38.8m)
- Revenue from corporate security increased by 11% to EUR 16.8 million (15.1m), representing 41% (39%) of all revenue
- Revenue from consumer security increased by 2% to EUR 24.2 million (23.7m), representing 59% (61%) of all revenue
- EBIT was EUR 3.3 million, representing 8% of revenue (4.5m, 12%) and reflecting significant investments in growth
- Earnings per share (EPS) was EUR 0.02 (EUR 0.02, EUR 0.02 including discontinued operations)
- Deferred revenue increased by 11% to EUR 56.0 million (50.4m) at the end of the quarter, reflecting strong order intake in corporate security
- Cash flow from operations was EUR 1.3 million (6.8m)

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HIGHLIGHTS OF JANUARY–SEPTEMBER

- Revenue increased by 8% year-on-year to EUR 125.3 million (115.9m)
- Revenue from corporate security increased by 16% to EUR 52.3 million (45.1m), representing 42% (39%) of all revenue
- Revenue from consumer security increased by 3% to EUR 72.9 million (70.8m), representing 58% (61%) of all revenue
- EBIT was EUR 7.2 million, representing 6% of revenue (12.3m, 11%)
- Earnings per share (EPS) was EUR 0.05 (EUR 0.06, EUR 0.06 including discontinued operations)
- Cash flow from operations was EUR 14.7 million (12.3m)

OUTLOOK FOR 2017

The company's outlook for 2017 is unchanged:

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

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

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

KEY FIGURES

Key figures are for continuing operations unless otherwise stated.

EUR m	7–9/2017	7–9/2016	Change	1–9/2017	1–9/2016	Change	1–12/2016
Revenue	41.0	38.8	6%	125.3	115.9	8%	158.3
Operating profit (EBIT)	3.3	4.5	–27%	7.2	12.3	–42%	19.2
% of revenue	8%	12%		6%	11%		12%
Profit before taxes	3.5	4.5	–23%	8.4	13.2	–36%	20.8
Earnings per share, continuing operations (EUR) ^{1) 3)}	0.02	0.02	–11%	0.05	0.06	–17%	0.10
Earnings per share, (EUR) ^{1) 2) 3)}	0.02	0.02	4%	0.05	0.06	–13%	0.10
Deferred revenue				56.0	50.4	11%	54.3
Cash and available-for-sale financial assets				81.1	86.6	–13%	92.7
ROI, % ²⁾	25.1%	24.6%		17.3%	24.9%		28.6%
Equity ratio, % ²⁾				64.7%	67.9%		66.7%
Gearing, % ²⁾				–121.6%	–123.4%		–122.1%
Personnel, end of period ²⁾				1,060	1,016	4%	1,026

¹⁾ Based on the weighted average number of outstanding shares during the period 156,710,000 (7–9/2017) and 156,430,933 (1–9/2017)

²⁾ Includes both continuing and discontinued operations

³⁾ Earnings per share (EPS) excluding returned withholding taxes was EUR 0.03 for 1–9/2017.

CEO SAMU KONTTINEN

In the third quarter, the good progress with F-Secure's new corporate security products underlined our on-going transformation into a broader provider of cyber security products and services. Our corporate security business continued to grow by double digits, as revenue from corporate security increased by 11%, and from consumer security by 2%. F-Secure's total revenue increased by 6% compared to the previous year, amounting to EUR 41.0 million. At the same time, our deferred revenue grew by 11%.

Our order intake in corporate security is growing clearly faster than revenue, as new multi-year deals have a strong impact on order intake but are less visible in reported quarterly revenue. This difference will be even more highlighted during the on-going quarter.

Our operating profit in July–September was EUR 3.3 million (8% of revenue). During the third quarter, our operating expenses were slightly lower than expected due to slowness in hiring, while overall we have continued our planned investments to support our growth.

In corporate security, we continue to see companies striving to improve their cyber resilience. There is strong customer demand for solutions that allow companies to safeguard themselves against targeted attacks, and to detect stealth mode breaches early on. This is driving interest both for F-Secure's new products as well as services. With new products, I was particularly pleased with the positive progress with F-Secure's Rapid Detection Service (RDS), including a significant win in the German financial sector, where we replaced a competing solution. With cyber security services we had another strong quarter, and added several new customer while expanding contracts with many existing key customers. Overall, we continued to see the benefits of having a comprehensive offering consisting of products that address most complicated cyber-attacks, as well as complementing services such as forensics, incident response and red teaming.

With endpoint security solutions, we continued to win market share, but the high performance in certain countries was partly offset by the lower performance in others. We are currently taking action to get those countries back to their anticipated growth pace. Due to the mixed performance with endpoint security solutions, our overall corporate security revenue growth was at the lower end of our expectations in the reporting period.

In consumer security, total revenue grew in line with our current thinking. Revenue from the operator channel was flat. However, we saw weakening in Latin America. In direct sales to consumers we experienced another very strong quarter. It is encouraging to see that we have been able to simultaneously increase sales of our endpoint protection (F-Secure SAFE) and privacy (F-Secure FREEDOME) solutions both individually and as a commercial bundle (F-Secure TOTAL). F-Secure SENSE continued to get positive reviews from the media, as well as generate interest among partners. However, revenue impact is still very limited and we continue to view SENSE primarily as a mid- to long-term opportunity.

As we continue to invest in growth, I'm pleased to see how our expanded portfolio of products and services is creating new business opportunities for F-Secure. Looking forward, cyber security will surely remain a top priority for organizations of every size as threats keep mounting. Moreover, as tensions build up globally, geopolitics are increasingly a factor when customers choose their security vendors. Being based in a neutral country such as Finland can be, and often is, viewed as an advantage.



Samu Konttinen



“GOOD PROGRESS WITH NEW CORPORATE SECURITY PRODUCTS UNDERLINED OUR ON-GOING 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 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.



F-Secure Sense is an innovative security solution protecting all the connected home devices.

F-Secure **SENSE**

FINANCIAL HIGHLIGHTS

EUR m	7-9/2017	7-9/2016	Change	1-9/2017	1-9/2016	Change	1-12/2016
Revenue	41.0	38.8	6%	125.3	115.9	8%	158.3
of which corporate security	16.8	15.1	11%	52.3	45.1	16%	62.5
of which consumer security	24.2	23.7	2%	72.9	70.8	3%	95.8
Fixed costs	-35.9	-33.7	6%	-114.4	-101.9	12%	-137.6
of which Sales & Marketing	-24.0	-23.8	1%	-77.4	-71.7	8%	-95.5
of which Research & Development	-8.6	-6.6	31%	-26.0	-20.6	26%	-28.4
of which Administration	-3.3	-3.4	-2%	-11.0	-9.6	15%	-13.7
Operating result (EBIT)	3.3	4.5	-27%	7.2	12.3	-42%	19.2
Deferred revenue				56.0	50.4	11%	54.3
Depreciation & amortization	-1.7	-1.3	29%	-4.5	-4.0	15%	-5.3
Cash flow from operations	1.3	6.8	-81%	14.7	12.3	19%	21.9

July–September (Q3)

In July–September, total revenue increased by 6% year-on-year to EUR 41.0 million (38.8m), driven by corporate security and with revenue from consumer security also growing.

Corporate security

Revenue from corporate security increased by 11% year-on-year to EUR 16.8 million (15.1m). Revenue from corporate product sales continued to show above-market growth, while cyber security services had a solid third quarter with very strong double-digit growth.

Order intake¹⁾ in corporate security grew clearly faster than revenue, which was also reflected in deferred revenue.

The majority of product revenue comes from endpoint protection solutions (Protection Service for Business, Business Suite), for which order intake continued to show above-market growth. Reported revenue growth was weaker than previous quarters, reflecting mixed country-level performance. Overall, new customer acquisition continued at a solid pace, and renewals and upsells to the existing customer base increased slightly from the previous year.

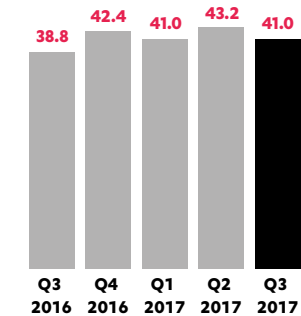
¹⁾ Order intake is recognized as revenue according to the accounting principles outlined in the Notes to the Financial Statements, Revenue recognition, as published in the Annual Report for 2016.

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). With both products, the geographical expansion of sales continued further, with several deals signed outside of the Nordics. New milestones included a significant RDS deal in the financial sector in Germany, as well as first deals for Radar in India and Italy. Additionally, F-Secure Cloud Protection for Salesforce continued to gain new customers in the USA, Europe and Asia-Pacific.

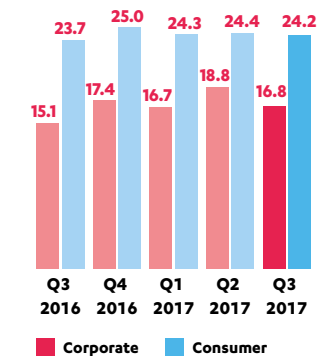
F-Secure continued to develop the corporate reseller channel to drive sales of the expanded portfolio with current and new partners. The number of active resellers increased from the previous year, and the company signed several new key partnerships for new solutions.

Regionally, three quarters of product sales growth (in terms of order intake) came from Europe while one quarter came from Asia-Pacific, Japan and North America.

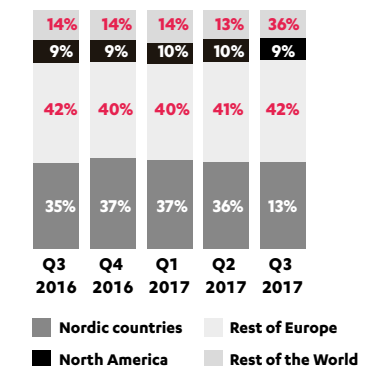
Revenue, MEUR



Revenue per business, MEUR



Regional revenue split, %



F-Secure’s cyber security consultancy had a solid quarter and revenue continued its very strong double-digit growth. The company won significant new deals with large international enterprises and governments, and utilization rates steadily increased. Overall, F-Secure continued to see strong demand in the market.

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 increased by 2% year-on-year to EUR 24.2 million (23.7m). Revenue from the operator channel remained at previous year’s level and direct sales continued to grow.

In the operator channel revenue was flat. We saw weakening in Latin America, but overall the company’s efforts in improving operational excellence with operator partners continued to result in increases in product activation rates.

In direct sales, F-Secure continued to outpace the market in revenue growth, with accelerating growth in order intake for the tenth consecutive quarter. Growth was driven by increased online and retail sales of both F-Secure SAFE and F-Secure FREEDOME. At the same time, order intake of F-Secure TOTAL – a commercial bundle of the two products – also increased. Additionally, order intake of F-Secure KEY – a password manager – developed favorably, following the first operator deals which were announced in the previous quarter.

F-Secure SENSE, an innovative security solution for protecting connected home devices, continued to make progress both in the operator channel as well as in direct sales, but impact on quarterly revenue remained limited as expected. The company continues to see growing interest in the product among customers, operator partners and retailers.

Deferred revenue

Deferred revenue increased by 11% (year-on-year) to EUR 56.0 million (50.4m), driven primarily by the increased order intake of corporate security products and services with multi-year contracts.

Costs

Fixed costs increased by 6% (year-on-year) to 35.9 million (33.7m). Key drivers behind the increase were recruitments in corporate security, and the impact of share-based incentive programs.

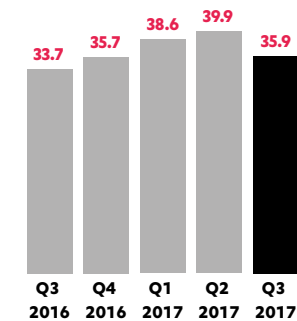
Profitability

EBIT was EUR 3.3 million and 8% of revenue (4.5m, 12%).

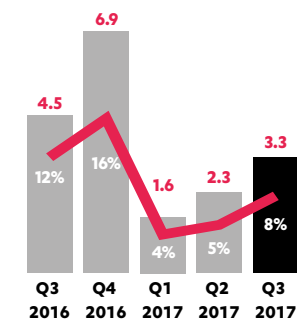
Cash flow

Cash flow from operations was EUR 1.3 million (6.8m). The decline in cash flow compared to comparison period in 2016 was mainly due to M&A related payments.

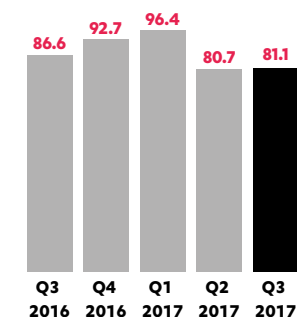
Fixed costs, MEUR



EBIT, MEUR and % of revenue



Cash and available-for-sale assets, MEUR



January–September (Q1–Q3)

In January–September, total revenue grew by 8% year-on-year to EUR 125.3 million (115.9m), driven by corporate security and with revenue from consumer security also growing.

Corporate security

Revenue from corporate security increased by 16% year-on-year to EUR 52.3 million (45.1m), and represented 42% (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 3% year-on-year to 72.9 million (70.8m), and represented 58% (61%) of F-Secure's total revenue. The direct consumer sales continued to show good growth, while sales from the operator channel also increased slightly.

Deferred revenue

Deferred revenue increased by 11% (year-on-year) to EUR 56.0 million (50.4m), driven primarily by the increased sales of corporate security products and services with multi-year contracts.

Costs

Fixed costs increased by 12% (year-on-year) to 114.4 million (101.9m). Key drivers behind the increase were recruitments in corporate security and the impact of share-based incentive programs.

Profitability

EBIT was EUR 7.2 million and 6% of revenue (12.3m, 11%), including a restructuring cost EUR 0.8 million related to the cooperation negotiations which were concluded in March.

Cash flow

Cash flow from operations was EUR 14.7 million (12.3m). In June, the company received a payment of EUR 3.1 million related to withholding taxes from 2009–2011.

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	7-9/2017	7-9/2016	Change	1-9/2017	1-9/2016	Change	1-12/2016
Cash and available-for-sale financial assets				81.1	86.6	-6%	92.7
Capital expenditure, EUR m	0.8	1.8	-58%	7.3	4.4	64%	6.9
Capitalized development expenses, EUR m	1.1	0.7	53%	2.9	2.1	37%	3.2
ROI, %	25.1%	24.6%		17.3%	24.9%		28.6%
Equity ratio, %				64.7%	67.9%		66.7%
Gearing, %				-121.6%	-123.4%		-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 September, F-Secure had 1,060 employees, which shows a net increase of 4% from the previous year (1,016 on 30 September in 2016), and an increase of 3% since the beginning of the year (1,026 on 31 December 2016). F-Secure continues to actively recruit security professionals, cyber security consultants and sales personnel especially in corporate security.

Leadership team

On 30 September 2017, the composition of the Leadership Team was the following:

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

Shares, Shareholders' Equity, Own Shares

The total number of company shares is currently 158,798,739. The company's registered shareholders' equity is EUR 1,551,311.18. The company currently holds 2,085,029 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

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

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

- Volatility of the economic environment and its potential impact on business volumes
- Security market transformation and changes in customer demand
- Changes in the competitive environment
- Potential loss of key customers and partnerships
- Failure to attract and retain required human capital
- Competitiveness of F-Secure's product portfolio in the rapidly changing market
- Intellectual property (IPR) claims against F-Secure
- Risk exposure from contractual liability requirements
- Failure to successfully complete acquisitions or divestments
- Failure of new product launches
- Potential security threats related to F-Secure's products and services
- Credit risk due to regional political or financial climate and regulation
- Tax risk relating to changing laws and regulations and interpretations of said regulations by the relevant authorities

Events after period-end

No material changes regarding the company's business or financial position have materialized after the end of the quarter.

Market overview

The growing number and variety of connected devices as well as digital services continues to create security challenges for both businesses and individuals. Combined with the increasing complexity of IT systems, these trends are driving demand for security services. While advanced cyber attacks are becoming more common and persistent, criminals are targeting companies of all sizes along with consumers by taking advantage of vulnerabilities in popular software, traditional and new connected devices as well as online services. Apart from pure criminal activity, governments and hacktivists use vulnerabilities and malware e.g. for espionage and surveillance.

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

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

The information security market overall was estimated to be worth USD 81.1 billion in 2016, and the market is expected to grow by 7.7% annually in 2016–2021. The endpoint security platforms (enterprise) market was worth USD 3.5 billion in 2016, and is expected to grow by 2.3% annually in 2016–2021. The consumer security software market was worth USD 4.6 billion in 2016, and is expected to grow by 1.3% annually in 2016–2021. The IT outsourcing market, including managed security services, was worth USD 15.1 billion in 2016, and is estimated to grow by 11.4% annually in 2016–2021 *.

*Source: * Gartner, Forecast: Information Security, Worldwide, 2015–2021, 2Q17 Update, Ruggero Contu, Christian Canales, Sid Deshpande, Lawrence Pingree, 8 August 2017. Market size and growth rates quoted in current dollars.*

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Strategy 2017–2020

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

The key driver behind the strategy is F-Secure's aspiration for growth. F-Secure continues its investments in the fastest growing markets within corporate security. These include new security products for cloud services, managed endpoint security services and managed detection and response services sold through the reseller channel as well as the cyber security services business. Investments in consumer security are continued at a level that targets profitable growth. To enable execution of the growth strategy, F-Secure is actively recruiting highly skilled security professionals, rising cyber security talents and capable sales personnel. The company also aims at growing through M&A.

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

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

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

F-Secure aims to maximize the commercial impact of its technical expertise and multiple sales channels for further growth in its chosen key market segments. These include cyber security services offerings to large enterprises in Europe and globally selected industry verticals, and corporate security business through the reseller channel globally. In consumer security, F-Secure continues with its existing sales channels aiming at profitable growth.

Outlook for 2017

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

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

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

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

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

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

Outlook for strategy period 2017–2020

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

ADDITIONAL INFORMATION

News conference and webcast

A news conference for analysts and media will be held (in Finnish) at the company's headquarters (address: Tammasaarekatu 7, 00180 Helsinki) today at 11.00–12.00 a.m. (EET).

A webcast will be held (in English) at 14.00 p.m. (EET).

- To participate in the online meetin, please click on the link:
<https://meet.f-secure.com/tapio.pesola/81VLJKPQ>
- To participate via phone, please dial in to +358975110100. The conference ID is 5779133.

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

Financial calendar

F-Secure Corporation will publish its financial calendar for 2018 later this year.

Capital Markets Day

- F-Secure will host a Capital Markets Day on 22 November in Helsinki

More information about the Capital Markets Day is available at www.f-secure.com/cmd. Analysts and institutional investors are requested to register by 15 November to investor-relations@f-secure.com.

Contact information



Samu Konttinen, CEO, F-Secure
+358 9 2520 0700



Eriikka Söderström, CFO, F-Secure
+358 40 669 1844



Tapio Pesola, IR Manager, F-Secure
+358 44 3734693

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 2016.

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

INCOME STATEMENT

Continuing operations	7–9/2017	7–9/2016	Change %	1–9/2017	1–9/2016	Change %	1–12/2016
Revenue	41.0	38.8	6	125.3	115.9	8	158.3
Cost of revenue	–2.3	–1.3	78	–5.3	–4.4	21	–5.8
Gross margin	38.7	37.5	3	120.0	111.5	8	152.5
Other operating income	0.5	0.8	–41	1.6	2.8	–41	4.3
Sales and marketing	–24.0	–23.8	1	–77.4	–71.7	8	–95.5
Research and development	–8.6	–6.6	31	–26.0	–20.6	26	–28.4
Administration	–3.3	–3.4	–2	–11.0	–9.6	15	–13.7
EBIT	3.3	4.5	–27	7.2	12.3	–42	19.2
Financial net	0.2	0.0		1.2	0.8	46	1.5
Result before taxes	3.5	4.5	–23	8.4	13.2	–36	20.8
Income taxes	–0.9	–1.6	–45	–0.3	–3.5	–91	–5.1
Result for the period, continuing operations	2.6	2.9	–10	8.1	9.7	–17	15.7
Discontinued operations		–0.4			–0.4		–0.5
Result for the period total	2.6	2.5	5	8.1	9.3	–13	15.2
Other comprehensive income							
Exchange differences on translating foreign operations	–0.3	–0.2	88	–0.7	–0.3	151	–0.3
Available-for-sale financial assets	0.1	0.5	–85	–0.1	1.2		0.9
Income tax relating to components of other comprehensive income	0.0	–0.1		0.0	–0.2		–0.2
Total comprehensive income (parent company owners)	2.4	2.8	–14	7.2	9.9	–27	15.6
Earnings per share							
Earnings per share, basic and diluted, EUR	0.02	0.02	4	0.05	0.06	–13	0.10
Earnings per share, continuing operations, basic and diluted, EUR	0.02	0.02	–11	0.05	0.06	–17	0.10

BALANCE SHEET

Assets	30 Sep 2017	30 Sep 2016	31 Dec 2016
Tangible assets	3.2	3.2	3.3
Intangible assets	14.5	12.5	13.4
Goodwill	10.1	7.6	7.6
Deferred tax assets	3.5	2.0	2.7
Other receivables	0.2		0.1
Total non-current assets	31.4	25.3	27.2
Inventories	0.4	0.5	0.1
Trade and other receivables	45.7	39.6	46.2
Income tax receivables	0.4	0.5	0.3
Available-for-sale financial assets	53.8	59.8	63.7
Cash and bank accounts	27.3	26.9	29.0
Total current assets	127.6	127.3	139.4
Discontinued operations		1.5	1.5
Total	159.0	154.1	168.1
Shareholders' equity and liabilities			
	30 Sep 2017	30 Sep 2016	31 Dec 2016
Equity	66.7	70.2	75.9
Deferred tax liabilities	0.4	0.6	0.4
Deferred revenue, non-current	16.4	12.5	13.7
Other non-current liabilities	0.2		0.2
Provisions	1.2		0.2
Total non-current liabilities	18.2	13.1	14.4
Trade and other payables	33.3	27.7	32.1
Income tax liabilities	1.2	2.4	2.5
Deferred revenue, current	39.6	37.8	40.5
Total current liabilities	74.1	67.9	75.1
Discontinued operations		2.9	2.6
Total	159.0	154.1	168.1

CASH FLOW STATEMENT

Cash flow statement	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Cash flow from operations	1.3	6.8	14.7	12.3	21.9
Cash flow from investments ¹⁾	0.3	-1.8	3.5	1.5	-4.6
Cash flow from financing activities ²⁾		0.3	-18.8	-17.4	-18.7
Change in cash	1.5	5.2	-0.6	-3.6	-1.4
Cash and bank beginning of period	26.1	21.8	29.0	29.9	29.9
Translation difference	-0.3	-0.1	-1.1	0.6	0.6
Cash and bank at end of period	27.3	26.9	27.3	26.9	29.0

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

²⁾ Cash flow from financing

Dividend paid in 2017 totaled EUR 18,750,984.00.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Available-for-sale assets	Translation difference	Total
Equity 31 Dec 2015	1.6	0.2	5.1	-7.0	76.2	0.4	0.6	77.1
Total comprehensive income for the year					9.3	1.0	-0.3	9.9
Dividend					-18.7			-18.7
Cost of share based payments			0.1	1.2	0.6			1.9
Equity 30 Sep 2016	1.6	0.2	5.2	-5.7	67.4	1.3	0.3	70.2
Equity 31 Dec 2016	1.6	0.2	5.2	-5.7	73.4	1.1	0.3	75.9
Total comprehensive income for the year					8.1	-0.1	-0.7	7.2
Dividend					-18.8			-18.8
Cost of share based payments			0.2	1.2	1.0			2.3
Equity 30 Sep 2017	1.6	0.2	5.4	-4.6	63.7	1.0	-0.5	66.7

1 SEGMENT INFORMATION

The Group has one segment (security).

Quarterly development	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
Revenue	41.0	43.2	41.0	42.4	38.8	39.3
Cost of revenue	-2.3	-1.5	-1.5	-1.4	-1.3	-1.5
Gross margin	38.7	41.7	39.6	41.0	37.5	37.8
Other operating income	0.5	0.5	0.6	1.6	0.8	1.1
Sales and marketing	-24.0	-27.3	-26.1	-23.8	-23.8	-24.4
Research and development	-8.6	-8.8	-8.7	-7.8	-6.6	-6.6
Administration	-3.3	-3.9	-3.8	-4.1	-3.4	-3.3
EBIT	3.3	2.3	1.6	6.9	4.5	4.6
Financial net	0.2	1.1	-0.1	0.7	0.0	1.1
Result before taxes	3.5	3.3	1.5	7.6	4.5	5.7

Geographical information

Revenue, continuing operations	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Nordic countries	14.7	13.7	45.5	41.7	57.4
Rest of Europe	17.3	16.1	51.0	47.9	65.0
North America	3.8	3.5	12.0	10.8	14.6
Rest of the world	5.2	5.4	16.7	15.6	21.2
Total Revenue	41.0	38.8	125.3	115.9	158.3

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.

Result for the period for discontinued operations	1–9/2017	1–9/2016	1–12/2016
Revenue		2.8	3.3
Expenses		–3.3	–3.9
Result before taxes		–0.5	–0.6
Taxes		0.1	0.1
Result for the period		–0.4	–0.5
Earnings per share	1–9/2017	1–9/2016	1–12/2016
Earnings per share, discontinued operations, basic and diluted, EUR		0.00	0.00
Cash flow statement	1–9/2017	1–9/2016	1–12/2016
Cash flow from operations		–2.3	2.7
Change in cash		–2.3	2.7

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

	1–9/2017
Other intangible assets	0.6
Other net assets	0.4
Total identifiable net assets	1.0
Goodwill	2.5
Total purchase consideration	3.5

4 FAIR VALUES

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

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Available-for-sale financial assets 30 Sep 2017	53.8		53.8	0.0
Available-for-sale financial assets 30 Sep 2016	59.8	0.1	59.6	0.1
Available-for-sale financial assets 31 Dec 2016	63.7	0.2	63.5	0.0

5 NEW REVENUE RECOGNITION STANDARD IFRS 15

The standard will be effective from 1 January 2018. IFRS 15 requires that revenue is recognized when an entity satisfies performance obligations towards its customers. The analysis of contracts and product offerings has been completed. It has been concluded that the revenue from customer contracts shall mainly be recognized over time, which for a part of the corporate business and consumer e-commerce contracts delays revenue recognition compared to the current accounting policy. A large portion of this delay for the new orders is expected to be off-set by delayed revenue recognition for the old orders. The recognition of the incremental costs of obtaining contracts with customers (e.g. sales commissions) as expenses will be deferred in accordance with revenue, which partially off-sets the adjustment on retained earnings for IFRS 15 implementation. The transition method will be full retrospective, meaning that 2017 will be restated. During Q4, F-Secure will finalize the necessary system changes and quantify the amount of the change.

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.

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Operating result, % of revenue, continuing operations	8.1	11.7	5.7	10.6	12.1
ROI, %	25.1	24.6	17.3	24.9	28.6
ROE, %	14.6	14.6	15.1	16.8	19.9
Equity ratio, %			64.7	67.9	66.7
Gearing, %			-121.6	-123.4	-122.1
Earnings per share, basic and diluted	0.02	0.02	0.05	0.06	0.10
Earnings per share, continuing operations, basic and diluted	0.02	0.02	0.05	0.06	0.10
Shareholders' equity per share, EUR			0.43	0.45	0.49
P/E ratio	63.8	52.4	62.0	42.4	35.6
Capitalized expenditure, MEUR	0.8	1.8	7.3	4.4	6.9
Contingent liabilities, MEUR			14.2	16.9	17.7
Depreciation and amortization, continuing operations, MEUR	-1.7	-1.3	-4.5	-4.0	-5.3
Personnel, average	1,073	999	1,059	962	981
Personnel, period end			1,060	1,016	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

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