



F-SECURE CORPORATION - INTERIM REPORT

**SOLID PROFITABILITY AND CASHFLOW,
FLAT REVENUES**

January 1 – September 30, 2014

SWITCH ON FREEDOM

HIGHLIGHTS IN Q3

- Total revenues were 37.9 million (38.3 m) showing decline of 1%
- EBIT was 6.9 million representing 18% of revenues (8.4m, 22% of revenues)
- Earnings per share was EUR 0.04 (EUR 0.03)
- Cash flow from operations was 5.3 million positive (6 m positive); change in cash 4.3 million (5.3 m positive)

OUTLOOK FOR 2014 - MANAGEMENT'S ESTIMATION FOR THE YEAR HAS BEEN REVISED

- Revenues are estimated to remain at a level of 2013
- Profitability estimate is unchanged at around 15% of revenues excluding one-off costs

The original guidance for the year was the following: revenues are estimated to grow from 2013 with a stronger second half and profitability is estimated to be around 15% of revenues excluding one-off costs.

KEY FIGURES

	2014	2013	2014	2013	2013
(Eur Million)	7-9	7-9	1-9	1-9	1-12
Revenues	37.9	38.3	115.6	115.1	155.1
Operating profit*	6.9	8.4	17	18.3	27.1
% of revenues*	18	22	15	16	17
Profit before taxes*	7.5	7.8	18	17.7	26.3
Earnings per share (Eur)	0.04	0.03	0.07	0.08	0.11
At the end of period: Deferred revenues			38.3	36.2	38.7
ROI%	42	51	28	39	41
Equity ratio, %			76	74	74
Debt-to-equity ratio, %			-68	-58	-66
Personnel			933	973	939

(This report is unaudited. Unless otherwise stated the comparisons refer to the corresponding period a year ago. The currency is euro. *1-9/14 excludes 2.9 m of one-off costs booked in Q1)

PRESIDENT AND CEO CHRISTIAN FREDRIKSON:

“Our financial performance in Q3 was below our expectations. The Company’s profitability and cash flow remained at a good level, but revenues disappointed compared to our plans. Our personal cloud business progress was weaker than anticipated. We still are very competitive in winning new operator partners, but younited subscriber growth, especially in the direct to consumer channel, has been slower than expected. While sales of traditional PC-centric security continued to slowly decline, the growth of the Company’s core cloud security products for consumers and corporates compensated for this in all channels, resulting in slightly positive total security sales. Our annual revenue estimate for 2014 has been revised to reflect the situation; the annual revenue is estimated to remain at 2013 levels, while the profitability estimation remains unchanged at around 15% of revenues.

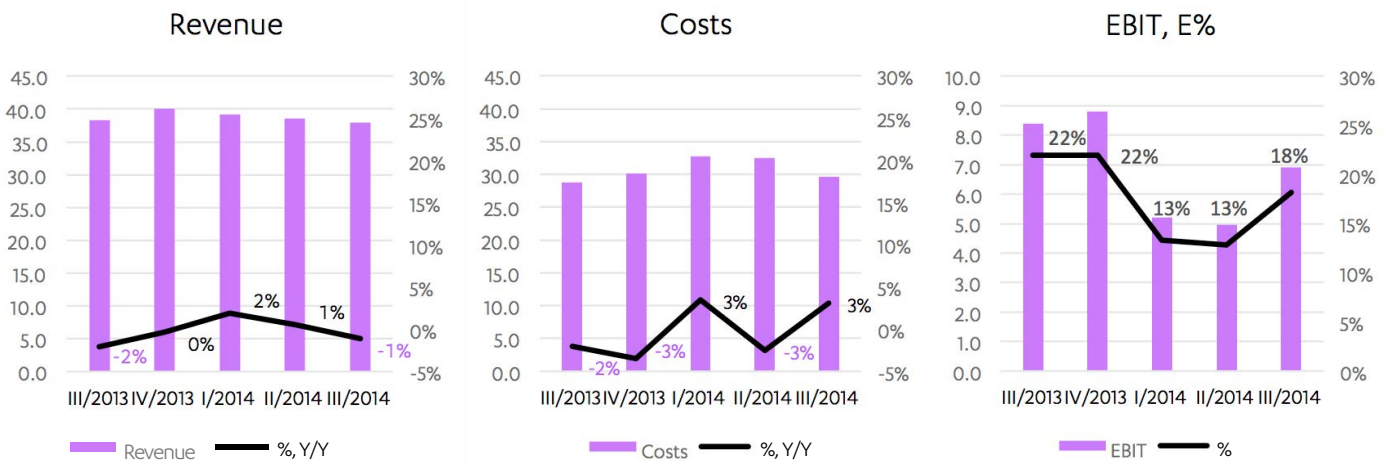
New security and privacy threats, the decline of PC-centricity and the ever-growing use of mobile devices continue to stir up the security markets. Cloud-based security is disrupting the way protection is provided. This transition creates great long term business opportunities.

I am pleased to see the progress of Freedom, our next-generation security product fully powered by the cloud, in app stores. We will soon introduce a new, comprehensive version of Freedom that can be used on PCs and has even more profound mobile security features. Our corporate security business, especially Protection Service for Business, is steadily gaining new customers and we expect it to represent an increasing part of our business in the future. Overall, our security product portfolio is comprehensive and well fulfills the needs of consumers and corporates.

We will be driving for efficiencies in the Company to be able to invest in developing and bringing cloud-based products to the market. I have strong confidence in our cloud security strategy.”

F-SECURE FINANCIALS

January – September 2014



Total revenues grew to 115.6 million (115.1 m). Revenues through the operator channel decreased by 2% from the previous year to 69.4 million (70.5m), representing 60% (61%) of F-Secure’s total revenues. Revenues through resellers and direct to consumer increased by 4% totaling 46.2 million (44.6 m). These channels represented 40% of F-Secure’s total revenues (39%). Deferred revenues were 38.3 million (36.2 m) at the end of the quarter.

EBIT was 14.1 million or 17 million excluding one-offs of 2.9 million related to overall restructuring costs in Q1 (18.3 m), representing 12% or 15% (16%) of revenues. Earnings per share were EUR 0.07 (EUR 0.08). Cash flow from operations was 17.5 million positive (19.1 m positive). The change of net cash was 3.8 million positive including paid dividend of 9.3 million (6.2 m positive including paid dividend of 9.3 m).

Total fixed costs were 97.8 million or 94.9 million excluding one-offs of 2.9 million related to the Bordeaux re-organization and efficiency gains (93.6m), an increase of 4% or 1% from the previous year. These increases are mainly related to investments in Sales and Marketing activities to core businesses and geographical expansions. Depreciations (R&D activations, software, hardware) increased to 6.9 million (6.7m). The capitalized development expenses were 1.6 million (0.3 m).

The 1-9/2014 geographical breakdown of revenues is as follows: Finland and Scandinavia 31% (30%), Rest of Europe 46% (45%), North America 10% (12%) and Rest of the World 13% (13%).

F-SECURE BUSINESS IN Q3

Security sales based on our cloud security strategy are steadily growing and compensating for the decline in traditional PC security sales. The Company's core cloud businesses in security consist of **SAFE** (our multi-device offering for consumers), **Protection Service for Business** (our corporate offering), and **Freedome**, our next-generation security product fully powered by the cloud.

F-Secure continued gaining traction in Q3 among operators, especially with our multi-device offering SAFE. The Company has signed new deals and launched new security services with operators; for example Polkomtel (PL) and Claro (Brazil). Traditional PC-centric security sales continue to decline among operators as well. The revenue growth in operator security was driven by Europe and the Nordics.

The Company's corporate security service, Protection Service for Business, continues to gain momentum. This service is partially replacing the declining traditional client security sales among corporate customers. The Company's SMB focus in Germany, France and the USA is progressing well and has led to the growth of our reseller network and thus to growing sales.

F-Secure's direct to consumer security business is performing very well. New 2015 versions of F-Secure SAFE and Internet Security, launched to consumers in September, have received highly positive feedback with very good ratings. F-Secure is the best Internet Security company in tests over a five year period. The next generation security app, Freedome, also continues to attract interest among its audience and is generating conversions from freemium to paid customers.

The Company's personal cloud business, younited, is very competitive in winning new operator partners. With younited, F-Secure has won around 30 operator partners, of which over 20 are already in production. In Q3, the company launched e.g. KPN (NL), TDC (DK) and Polkomtel (PL). However, direct consumer personal cloud sales have developed weaker than anticipated. Overall subscriber growth has grown slowly while conversion rates to premium customers have been low. The competition in the personal cloud business is fierce with multiple international players. Younited for Business, launched in Q2, is still in its early phase.

The Company's overall Q3 operator revenues continued to take a hit due to the phasing out of the first generation, legacy content cloud business with some operators. Revenues were also impacted by delays in personal cloud deliveries as well as declining traditional PC-centric sales. Much of the decline was compensated for by our multi-device offering SAFE; thus leading to stable total operator security sales. Revenues from the operator channel declined by 6% to 22.1 million (23.6m). Decline in the operator channel was partially compensated for by growing security sales to corporate and direct to consumers. These revenues grew by 7% to 15.8 million (14.7m). In total, revenues declined by 1% in Q3.

The Company is investing in developing and bringing cloud-based products successfully to the market. Geographically, the Company continues its expansion in Latin America with Telefonica and American Moviles. Another investment area is corporate focus in Germany, France and the USA. The Company is also investigating new geographical entries in the APAC area.

PRODUCT ANNOUNCEMENTS IN Q3

F-Secure continued to invest in security excellence and launched a new version of **F-Secure SAFE** for multi-device security and **Internet Security** 2015. The products incorporate advanced heuristic protection capabilities and security-in-the-cloud to provide 100% protection against zero-day malware attacks and prevalent malware as proven by independent certification organizations. As tablets and smartphones are becoming more commonplace for mobile banking, F-Secure expanded its Banking Protection capabilities to all mobile devices to secure the ever growing need for online shopping and mobile banking.

F-Secure is the world's first security vendor to embed its pioneering Antibot technology into endpoint security; i.e. F-Secure SAFE, and to create a unified security app to meet the network security demand. More about the service <http://www.f-secure.com/safe>

New versions of the **younited** service have been released at a steady pace in Q3. New functionalities include, among other features, a timeline view for content in mobile devices, Chromecast TV integration, customer value vouchers and a younited Android app for Jolla devices. More about the service <https://app.younited.com/>

A completely renewed version of **F-Secure Key**, the password manager for online services that helps the user control their online identity safely, was published for both Android and iOS devices. The improvements focus on usability and easier take-in-to-use, both essential for non-tech users. More about the app <http://www.f-secure.com/key>

In September, in tandem with the Consumer Launch 2015, F-Secure released a **new consumer website**, which is also optimized for mobile device visitors with responsive design. The new web and whole product portfolio was rebranded to the new brand design and tone of voice. <http://www.f-secure.com/>

RISKS AND UNCERTAINTIES

F-Secure's risks and uncertainties are related to, among other things, the competitiveness of F-Secure's product portfolio, competitive dynamics in the industry, market fluctuations, pricing models (e.g. free services, cost of content cloud services), FX changes, impact of changes in technology, timely and successful commercialization of complex technologies and new products and solutions, the ability to protect intellectual property (IPR) in F-Secure's solutions as well as the use of third party technologies on reasonable commercial terms, subcontracting relationships, regional development in new growth markets, sustainability of partner relationships, compromising stored personal data, service quality related penalties, and risk exposure from increasing contractual liability requirements and forming of the new business areas.

EVENTS AFTER PERIOD-END

F-Secure issued a stock exchange release on October 16 related to lowered revenue guidance for 2014.

PERSONNEL AND ORGANIZATION

F-Secure's personnel totaled 933 at the end of the quarter (973).

Currently, the Leadership Team consists of the following persons: **Christian Fredrikson** (President and CEO), **Janne Juvonen** (Customer and Market Operations), **Samu Konttinen** (Consumer Security Business), **Timo Laaksonen** (Content Cloud Business), **Johanna Orjatsalo** (Human Resources & Facilities), **Pirkka Palomäki** (Chief Strategy Officer), **Jari Still** (R&D Operations), **Pekka Usva** (Corporate Security Business) and **Taneli Virtanen** (Chief Financial Officer).

FINANCING AND CAPITAL STRUCTURE F-SECURE FINANCIALS JANUARY-SEPTEMBER

Cash flow from operations was 17.5 million positive (19.1 m positive). The change of net cash was 3.8 million positive including paid dividend of 9.3 million in April (6.2 m positive including paid dividend of 9.3m). Net financial income was 1.0 million positive (0.7m negative).

The market value of the liquid assets of F-Secure at the end of the quarter was 51.6 million (39.3 m). Changes in exchange rates, especially USD, JPY, SEK and BRL, decreased slightly sales and costs.

The Company's capital expenditure was 5.1 million (2.8m). The capitalized development expenses were 1.6 million (0.3m).

F-Secure's financial position remained solid. F-Secure's equity ratio at the end of the quarter was 76% (77%) and gearing ratio was 68% negative (58% negative).

SHARES, SHAREHOLDERS' EQUITY, OWN SHARES AND OPTION PROGRAMS

The total number of Company shares is currently 158,798,739. The Company's registered shareholders' equity is EUR 1,551,311.18. Currently, the Company holds 3,017,773 own shares.

CORPORATE GOVERNANCE

F-Secure complies with the Corporate Governance recommendations for publicly listed companies published by the Securities Market Association, a body established by the Confederation of Finnish Industries EK, the Central Chamber of Commerce and NASDAQ OMX Helsinki Ltd., as explained on F-Secure's web pages. F-Secure published its corporate governance statement for 2013 in the Annual Report and on the Company website.

MARKET OVERVIEW, LONG TERM OBJECTIVES AND STRATEGY 2014-16

The software business is in transition. The Software-as-a-Service business model and cloud-based delivery are rapidly disrupting the traditional way of doing business. The Company has communicated its renewed strategy in the February, Q4 interim stock exchange release. The Company is focusing on cloud-based initiatives to serve and protect the post-PC multi-device environment.

During the strategy period 2014-2016, the Company aims to grow the overall subscriber base by tens of millions of users and seeks accelerating revenue growth. As the Company invests in growth, the relative profitability remains at its current level and longer-term profitability continues to be driven by revenue growth and scalable operations.

Further details of the market overview and the strategy can be found in the Q4 interim release (February 5, 2014) and on the Company's web pages at http://www.f-secure.com/en/web/corporation_global/company/vision-and-strategy.

OUTLOOK FOR 2014

The Company will drive for efficiencies to be able to invest in bringing new cloud-based products to the market. Revenue growth is expected to come from the Company's core cloud businesses, consisting of converged PC and mobile security (SAFE), Protection Service for Business, personal cloud via operators (younited) and security from the cloud (Freedome). Traditional PC security sales are expected to be in decline. Geographically, Latin America is expected to continue as a growth driver.

Slower than anticipated development in the personal cloud business combined with declining traditional PC-centric sales is estimated to impact negatively on revenues in 2014. The Company has revised (see stock- exchange release on October 16) its original guidance for the year: the annual revenue in 2014 is estimated to remain at the level of 2013 (2013 revenues were 155.1 million euros). The annual profitability estimate is unchanged at around 15% of revenues excluding one-off costs (2013 EBIT was 27.1 million euros; 17% of revenues).

The original guidance was stated as follows: revenue is estimated to grow from 2013 with a stronger second half and profitability is estimated to be around 15% of revenues excluding one-off costs.

One-off costs 2.9 million related to efficiency improvements and reorganization in F-Secure SDC (France) has been recognized in the Q1 financials.

The revenue estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts as well as current exchange rates. The Company continues to prioritize growth over short-term profitability and plans to invest the majority of the improved earnings in growth opportunities in its core business.

NEWS CONFERENCE TODAY AT 11 AM

A news conference for analysts and press is arranged today, October 23rd, 2014 at 11 am Finnish time at F-Secure's Headquarters, address: Tammasaarencatu 7, Ruoholahti, Helsinki. At the news conference, President & CEO Christian Fredrikson will present the Q3 financial results.

An online meeting for international investors and analysts will be held (in English) on the same day at 2.00 p.m. (EEST). To participate in the online meeting, click on the link below:

<https://meet.F-Secure.com/gia.forsman-harkonen/DNG04SF9>

To participate in the online meeting through phone, please dial in to +358975110100. Conference ID is 3345794.

The webcast will be organized through Lync to enable a better experience with video and presentation also for the international investors and analysts. If you have not used Lync before, need to download and install it, or need more advice on how to use it, please visit

<http://r.office.microsoft.com/r/rlidOC10?clid=1033&p1=4&p2=1041&pc=oc&ver=4&subver=0&bld=7185&bldver=0>

It is possible to participate through the Lync web application, but please note that this will not have sound and it is necessary to also call in to the meeting via phone.

The Q3 financial results presentation material, including a video where Christian Fredrikson will present the Q3 results, will be available on our Investors web pages at www.f-secure.com under Investors before the call begins:

<http://www.f-secure.com>

FINANCIAL CALENDAR FOR 2014

F-Secure Corporation will publish its financial calendar for 2015 later this autumn.

F-Secure Corporation

Additional information

F-Secure Corporation

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This interim report is prepared in accordance with IAS 34 standard Interim Financial Reporting and with accounting principles stated in the annual report 2013 and with the IFRS 12 –standard effective as of 1 January 2014.

KEY FIGURES (UNAUDITED):

INCOME STATEMENT (EUR million)	2014 7-9	2013 7-9	2014 1-9	2013 1-9	Change %	2013 1-12
Revenues	37.9	38.3	115.6	115.1	0	155.1
Cost of revenues	2.0	1.5	5.8	5.0	16	7.0
Gross margin	35.9	36.8	109.8	110.1	0	148.1
Other operating income	0.6	0.3	2.0	1.8	14	2.7
Sales and marketing	19.5	17.8	62.4	56.0	12	73.6
Research and development	8.6	9.5	29.9	31.3	-4	41.7
Administration	1.6	1.5	5.4	6.3	-14	8.4
Operating result	6.9	8.4	14.1	18.3	-23	27.1
Financial net	0.6	-0.6	1.0	-0.7		-0.7
Result before taxes	7.5	7.8	15.1	17.7		26.3
Income taxes	-1.4	-2.5	-3.8	-5.8		-9.9
Result for the period	6.1	5.4	11.3	11.9		16.5

OTHER COMPREHENSIVE INCOME:

INCOME STATEMENT (EUR million)	2014 7-9	2013 7-9	2014 1-9	2013 1-9	Change %	2013 1-12
Exchange diff. on translating foreign operations	0.3	-0.1	0.3	0.0		-0.1
Available-for-sale fin. assets	-0.5	0.1	0.0	-0.1		0.1
Income tax rel. to components of other comprehensive income	0.1	0.0	0.0	0.0		0.0
Total compr. income (owners)	6.0	5.4	11.5	11.8		16.5
Earnings per share EUR	0.04	0.03	0.07	0.08		0.11
EPS diluted, EUR	0.04	0.03	0.07	0.08		0.11

BALANCE SHEET

ASSETS	30/9/2014	30/9/2013	31/12/2013
Intangible assets	14.7	18.0	16.8
Tangible assets	8.2	8.7	8.3
Goodwill	19.4	19.4	19.4
Other financial assets	3.8	4.5	4.4
Non-current assets total	46.1	50.5	49.0
Inventories	0.1	0.3	0.3
Other receivables	40.2	35.1	39.5
Available-for-sale financial assets	35.0	23.5	25.7
Cash and bank accounts	16.7	15.9	22.2
Current asset total	92.0	74.8	87.7
Total	138.1	125.3	136.6

SHAREHOLDERS' EQUITY AND LIABILITIES	30/9/2014	30/9/2013	31/12/2013
Equity	75.6	68.1	72.8
Other non-current	0.4	0.4	0.4
Provisions 1)	1.0	0.0	0.0
Deferred revenues	7.3	8.5	9.2
Non-current liabilities total	8.7	9.0	9.5
Other current	22.8	20.5	24.8
Deferred revenues	31.0	27.7	29.6
Current liabilities total	53.8	48.2	54.3
Total	138.1	125.3	136.6

CASH FLOW STATEMENT

	30/9/2014	30/9/2013	31/12/2013
Cash flow from operations	17.5	19.1	28.5
Cash flow from investments	-4.6	-3.2	-4.0
Cash flow from financing activities 2)	-9.3	-9.3	-9.3
Change in cash	3.5	6.6	15.2
Cash and bank at 1 Jan	48.1	32.7	32.4
Change in net fair value of Available-for-sale	0.0	-0.1	0.1
Cash and bank at end of period	51.6	39.3	47.7

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share-capital	Share prem. fund	Unrestr. equity reserve	Treasury shares	Retained earnings	Assets avail. f.sale	Tranl.diff	Total
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					11.3		0.3	11.5
Dividend					-9.3			-9.3
Cost of share based payments			0.1	0.7	-0.1			0.7
Equity on 30.9.2014	1.6	0.2	5.1	-7.0	75.3	0.3	0.2	75.6

NOTES

1)The one-offs due to restructuring of the French subsidiary.

2)Cash flow from financing

Dividend for year 2013 0.06 euro per share totaling 9,345,749.70 euro was paid on 15th April 2014. In 2013 paid dividend totaled 9,322,974.24 euro.

KEY RATIOS

	2014	2013	2013
	9 m	9 m	12 m
Operating result % of revenues	12.2	15.9	17.5
ROI %	27.9	38.5	40.9
ROE %	20.2	24.8	24.9
Equity ratio, %	75.8	76.5	74.3
Debt-to-equity ratio %	-68.2	-57.7	-65.6
Earnings per share, EUR	0.07	0.08	0.11
Earnings per share diluted, EUR	0.07	0.08	0.11
Shareholders' equity per share, EUR	0.48	0.43	0.46
P/E ratio	25.8	17.7	17.6
Capitalized expenditures, MEUR	5.1	2.8	3.7
Contingent liabilities, MEUR	10.9	15.8	12.2
Personnel average	940	950	949
Personnel end of period	933	973	939

SEGMENT INFORMATION

The Group has only one segment; data security.

Quarterly development	1/13	2/13	3/13	4/13	1/14	2/14	3/14
Revenues	38.4	38.4	38.3	40.0	39.1	38.6	37.9
Cost of revenues	1.7	1.8	1.5	2.1	2.0	1.8	2.0
Gross margin	36.7	36.6	36.8	37.9	37.2	36.8	35.9
Other operating income	0.8	0.7	0.3	0.9	0.8	0.6	0.6
Sales and marketing	18.4	19.8	17.8	17.6	22.1	20.8	19.5
Research and development	10.7	11.1	9.5	10.4	11.5	9.8	8.6
Administration	2.5	2.4	1.5	2.1	2.0	1.8	1.6
Operating result	5.9	4.0	8.4	8.8	2.3	5.0	6.9
Financial net	0.1	-0.2	-0.6	-0.1	0.1	0.2	0.6
Result before taxes	6.0	3.8	7.8	8.7	2.4	5.2	7.5

GEOGRAPHICAL INFORMATION

Revenue	7-9/2014	7-9/2013	1-9/2014	1-9/2013
Nordic countries	11.7	12.2	36.1	34.5
Rest of Europe	17.4	16.5	53.7	52.3
North America	3.6	4.7	11.4	13.5
Rest of the world	5.2	4.9	14.4	14.8
Total	37.9	38.3	115.6	115.1

FAIR VALUES

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

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Available-for-sale financial assets 30.9.2014	35.0	34.9		0.1
Available-for-sale financial assets 30.9.2013	23.5	23.4		0.1
Available-for-sale financial assets 31.12.2013	25.7	25.6		0.1

SWITCH ON FREEDOM

www.f-secure.com/digitalfreedom

