

F-SECURE CORPORATION

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F-SECURE GROUP FINANCIAL RESULTS JANUARY 1 - SEPTEMBER 30, 2005

Continuing solid growth in all segments of antivirus and intrusion prevention business

(Unless otherwise stated comparisons are made to the same period one year ago.)

Q3 Highlights

- Total revenues increased by 23% to a record level of 15.7m
- Anti-virus and intrusion prevention revenues increased by 44% to a record level of 15.2m
- Corporate business increased by 16% to 8.5m
- Service provider business increased by 98% to 4.4m
- Consumer business increased by 131% to 2.3m
- EBIT 3m (2.7m)
- Deferred revenues decreased by 0.4m to 19.9m
- Cash flow 4.2m positive

Business at the Group level in the first nine months

Steady and profitable growth continued across all business segments in anti-virus and intrusion prevention. For the first nine months of 2005 total revenues were 43.7m (34.7m), representing 26% growth. EBIT was 5.3m (4.9m). Cash flow was 9.7m positive (7.1m) and deferred revenues were 19.9m at the end of September (16.1m).

The geographical breakdown of the business was as follows: Nordic Countries 35% (34%), Rest of Europe 44% (47%), North America 11% (10%) and Rest of the World 10% (9%). Anti-virus and intrusion prevention represented 95% of the business (85%), encryption 4% (14%) and other products and services less than 1% (1%).

During the first nine months of 2005 anti-virus and intrusion prevention business grew by 44%. The gradual exit from the encryption business continued steadily and encryption revenues declined by 65%. In anti-virus and intrusion prevention growth was good overall, but particularly strong in the ISP and consumer segments.

The development is fully in line with the Group's communicated strategy to strengthen its position in the key European markets and to focus on the anti-virus and intrusion prevention business. The Group has also been successful in anti-virus and intrusion business in North America where the growth has been very strong during 2005 especially in ISP segment.

The total fixed costs during the first nine months of 2005 were 35.3m (27.6m), representing 28% growth. The Group now capitalizes some of its development expenses according to the IFRS rules. This decreases costs by approximately 0.5m. The proportional growth of costs has been a bit faster than the growth of revenues that reflects the Group's strategy to prioritize growth over profitability for the short term and invest into achieving a strong sustainable position in the fast growing security service provisioning market. The cost increase was due to new product development and the increase in sales resources in the field.

Third quarter cost levels are normally well below an average quarter's cost level due to reduced business activity during the summer holidays and 3Q2005 was no exception when the costs were 11.7m, down 0.4m from 2Q05.

According to the latest survey customer satisfaction has stabilized at good levels (overall satisfaction 4.26; 2004: 4.29 on a scale of 1 to 5). Continuous following of customer satisfaction is one of the Group's core values.

#### Business in different segments in Q3

In the third quarter of 2005, corporate customer revenues through resellers and IT services companies were 8.5m (7.3m), representing 56% of the anti-virus and intrusion prevention business. Competitive solutions, a strong focus on support and a renewed partner program have all contributed to the growth in this segment. Annual growth in this segment was 16%. Business on the Linux platform represented ca. 15% of the overall corporate business.

Growth in the corporate reseller channel remained above market average. New reseller recruitment and continuous work with the existing ones are equally important ongoing activities necessary to maintain the momentum.

Revenues through the service provider channel were 4.4m (2.2m), representing 29% of the anti-virus and intrusion prevention business. Annual growth in this segment was 98 %.

Consumer revenues were 2.3m (1m), representing 15% of the anti-virus and intrusion prevention business. Revenue growth rate continued strong, 131% from previous year. Sales were boosted by a large number of new retail and reseller partners, positive press visibility through review wins, increased web sales and the release of new products alongside with the "All in One" marketing campaign. Germany continued to be a particularly strong geographical area in this segment in Q3, while there were positive signs of consumer channel development in the US.

Mobile security revenues represented less than 1% of the anti-virus and intrusion prevention business. The interest in the Group's solutions among phone vendors, mobile operators and corporate customers remained at a high level. The Group continued to receive

numerous RFPs/RFIs (Requests for Proposal or Information) from operators in this area.

#### Antivirus and intrusion prevention market and competitive situation

In the Consumer segment, the growth is driven by an increasing number of high-speed Internet connections and continuously growing threat awareness. Based on various market analyses, the Group estimates the overall market growth in this segment to be 25-30% annually until 2008.

In the Small and Medium Business segment annual market growth is expected to be 10-15% until 2008. The large Enterprise segment is over 95% satisfactorily protected and new business comes mostly from replacements, either from switching vendors or buying security as a service. As corporate software purchasing patterns evolve towards a service model, the latter is expected to become a significant new market opportunity for the Group in the coming years.

Competitive situation in the anti-virus and intrusion prevention business has remained unaltered and price levels have remained relatively stable. Some competitors have even been raising their prices moderately. However, in some countries there have been signs of increasing price competition. The Group has successfully flanked these attacks through offering a premium product with richer functionality.

Microsoft's Onecare "PC health service" looks likely to become a competing antivirus solution in the consumer segment later on as the concept matures. The Group believes that there continues to be an ever growing demand for more comprehensive security solutions, including anti-spyware and parental control, from independent third parties. Also, there is a growing number of service providers with more ambitious "all in one" service aims. Staying one step ahead both in product feature richness and service channel development is the cornerstone of the Group's competitive positioning.

#### Security as a Service

The Group has launched various F-Secure Service Platforms™ that take into account the different business models and needs that the different types of service providers have. There are five different platforms for Enterprises, Businesses, Consumers, Gateways and Mobile Phones. These platforms cater for the needs and provide new business opportunities for the Security Service Provider, the business-focused Internet or IT service provider, the consumer-focused ISP and the mobile operator.

During Q3 the Group launched 13 ISP partnerships. The number of ISP partners is currently 74. The Group is clearly the leading vendor in Europe in this category. The ISP channel represents an easy way to buy anti-virus and intrusion prevention for consumer customers.

Deutsche Telekom's (DT) is restructuring and consolidating its operations which may lead to changes in their vendor relations and may impact F-Secure revenues from DT during the first half of 2006.

The Group has progressed well in creating solutions to provide Security as a Service for the SMB and Enterprise segments. In these segments, the partners are facilities management and outsourcing companies and various types of service providers. During Q3, the Group has signed more partnerships with these types of companies.

#### Mobile security

The Group's ambitions lie in capturing a large market share in the operator market. The current track record of being the chosen partner in more than half of the announced deals globally in this domain has been further amplified by a large number of ongoing RFP/RFI processes with operators.

The Group's mobile security is preinstalled with two TeliaSonera's phone models and with one T-Mobile's phone model. The key vendor partner is Nokia. The Group's current relationship enables Nokia to preinstall F-Secure solutions in Symbian based devices. Nokia has shipped multiple models over the last 12 months with F-Secure software. In addition, the corporate and consumer channels are already selling the Group's anti-virus solutions for mobile and handheld devices.

#### Product Leadership

For consumers, the key product announcements in Q3 were F-Secure Anti-Virus 2006 and F-Secure Internet Security 2006 that is comprehensive, "all in one" security solution. It includes antivirus, integrated antispyware, rootkit detection, a personal firewall, spam filtering and parental control.

For corporate customers the Group released the F-Secure Messaging Security Gateway™, a security solution for e-mail combining an enterprise-class messaging platform with perimeter security, antispam, antivirus, secure messaging and outbound content security capabilities in an easy-to-deploy appliance.

The leading US IT magazine Infoworld tested various antispyware products in its September 19 issue. F-Secure Client Security 6.0 was the only product ranked "excellent" with the highest points by a wide margin.

#### SRV Viitaset Oy

In September, by the decision of Helsinki District Court, F-Secure was sentenced to pay the amount of EUR 793,230.53 and litigation costs plus interest to SRV Viitaset Oy for the additional construction and refurbishment work at the Group's headquarter premises.

F-Secure considers the work was already covered by the original rental agreement and is appealing to change the verdict.

Even though the process is still open F-Secure has decided to start accruing the costs. In Q3, this impacts on financial costs where the accrual is ca 250k. Construction costs are periodized for the duration of the rental period until the year 2010 starting September 2005.

#### Personnel and Organization

The Group's personnel numbered 374 at the end of Q3 (295).

The Group's Executive Team consists of the following persons: Risto Siilasmaa (President and CEO), Pekka Kuusela (Executive Vice President, Sales and Marketing), Pirkka Palomäki (Executive Vice President, Research and Development), Aki Mänttari (Director, Human Resources) and Taneli Virtanen (Chief Financial Officer).

#### Financing

The Group's financial position remained strong throughout the year. The Group's equity ratio on September 30, 2005, was 84% (77%). Financial income for the first nine months was 0.7m (0.8m) including SRV accrual for interest.

During 2005 cash flow was 9.7m positive (7.1m). The market value of the liquid assets of the Group was 60.4m on September 30, 2005 (47.1m).

The change in the USD-EUR exchange rate has had a negative effect on both revenues and results.

#### Capital Expenditures

The Group's capital expenditures for the first nine months were 1.7m (0.9m). These consisted mainly of IT hardware, software and capitalization of development expenses.

#### Shares, Shareholders' Equity, and Option Programs

In Q3, A total of 467,323 F Secure shares were subscribed for with the 1999D, 2001B, 2001C, 2001D, 2002A and with 2002B warrants attached to the F Secure 1999 II Warrant Plan. A total of 56,047 F-Secure shares were subscribed for with the 2001B, 2001D, 2002A, and with 2002B warrants attached to the F-Secure 1999 III Warrant Plan. A total of 12,300 F-Secure shares were subscribed for with the A1/A2 warrants attached to the F-Secure 2002 Warrant Plan. These were registered in the Finnish Trade Register on August 17, 2005.

After the reporting period a total of 205,462 F Secure shares were subscribed for with 1999B, 1999C and with 1999D warrants attached to the F-Secure 1999 I Warrant Plan. A total of 1,072,862 F Secure

shares were subscribed for with the 1999D, 2001B, 2001C, 2001D, 2002A, 2002B and with 2002C warrants attached to the F-Secure 1999 II Warrant Plan. A total of 156,466 F-Secure shares were subscribed for with 1999D, 2001B, 2001D, 2002A, and with 2002B warrants attached to the F-Secure 1999 III Warrant Plan. A total of 13,650 F-Secure shares were subscribed for with A1/A2 warrants attached to the F-Secure 2002 Warrant Plan. These were registered in the Finnish Trade Register on October 7, 2005.

As a result of the increases, the share capital of F-Secure currently is EUR 1,539,060.12 and the total number of shares is 153,906,012.

#### IFRS Reporting

F-Secure publishes interim reports and annual financial statement in accordance with the IFRS standards for 2005. The group has published on February 15, 2005 its IFRS impacts and comparison data for 2004.

#### Corporate Governance

F-Secure complies with the Corporate Governance recommendations for public listed companies published in December 2003 by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers as explained on company's web pages.

#### Future Outlook

The Group's key goal is to continue to grow its anti-virus and intrusion prevention business significantly faster than the industry. The recent estimates for market growth vary between 10-15% in the corporate segment and between 25-30% in the consumer segment.

This growth will be pursued through systematically growing various channels in the key European markets and an increasingly comprehensive product offering. The Group also sees tangible business opportunities in North America and Asia.

The breakthrough for Security as a Service (SaaS), both with consumer and corporate end customers, is expected to continue.

Partnership recruitment will continue vigorously in all service platform segments and the Group is well positioned to benefit from the development of Security as a Service trend with a comprehensive, leading product offering and an ever-stronger position with service providers in Europe, North America and Asia.

The visibility in mobile security business is improving constantly through increased operator and corporate customer awareness in mobile security issues and increased vendor interest. The Group expects to see the number of mobile malware outbreaks continue growing steadily. This will further underline the value of an up-to-date security solution for smartphone and PDA users and will gradually escalate the uptake of mobile security solutions.

The Group's highly competitive consumer offering is expected to keep the revenue growth for this market segment at a high level.

During the course of 2005 the encryption business is expected to continue to decline as the group is gradually completing its exit from the business.

The management estimates 4Q05 total revenues to be around 17m, with an error margin of +/-10%. The estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts, previous experience on purchasing patterns and a EUR/USD exchange rate of 1.25.

Based on its strategy to prioritize growth over short term profitability, the Group is investing in new sales and marketing activities as well as in major new development efforts and new projects expanding the Group's offering to service providers and facilities management companies. The actual cost level due to made recruitments is still increasing though the pace should be slowing down. Costs are estimated to be around 13.5m in Q4.

This interim report is prepared in accordance with IFRS standards. The change in accounting standards has been reported on 15th February 2005.

Key figures (unaudited):

Euro million

INCOME STATEMENT	2005	2004	2005	2004	Chge	2004
	7-9	7-9	1-9	1-9	%	1-12
Revenues	15.7	12.8	43.7	34.7	26	47.3
Cost of revenues	1.2	1.0	3.8	2.8	39	3.7
Gross margin	14.5	11.8	39.9	32.0	25	43.5
Other operating income	0.2	0.2	0.7	0.6	5	0.9
Sales and marketing	7.4	5.9	22.5	18.0	25	24.6
Research and development	3.7	2.7	10.5	7.7	35	10.7
Administration	0.6	0.6	2.3	1.9	21	2.7
Operating result	3.0	2.7	5.3	4.9	7	6.5
Financial net	-0.1	0.3	0.7	0.8		1.2
Result before taxes	2.9	3.0	6.0	5.7		7.7
Income taxes	-0.8	-1.0	-1.4	-1.2		5.8
Result for the period	2.2	2.0	4.6	4.6		13.5
Earnings per share, e			0.03	0.03		0.09
EPS, diluted, e			0.03	0.03		0.09

BALANCE SHEET

ASSETS	30/9/2005	30/9/2004	31/12/2004
Non-current			
Intangible assets		3.6	0.8
Tangible assets		2.0	1.6
Other financial assets		5.6	0.6
Current			
Other receivables	12.4		11.7
Available-for-sale			11.2

financial assets	52.5	41.9	42.4
Cash and bank accounts	8.0	5.3	7.8
Total	84.2	61.8	72.1

SHAREHOLDERS' EQUITY

AND LIABILITIES	30/9/2005	30/9/2004	31/12/2004
Equity	54.1	35.3	45.2
Non-current liabilities			
Other non-current	1.5	0.3	0.4
Deferred revenues	3.0	2.3	2.7
Current liabilities			
Other current	8.7	10.2	8.1
Deferred revenues	16.9	13.8	15.7
Total	84.2	61.8	72.1

Cash flow statement	30/9/2005	30/9/2004	31/12/2004
Cash flow from operations	8.0	7.7	11.7
Cash flow from investments	-1.7	-0.8	-2.8
Cash flow from financing activities	3.4	0.3	1.0
Change in cash	9.7	7.1	9.9
Cash and bank at 1 Jan	50.2	39.7	39.6
Change in net fair value of Available-for-sale	0.5	0.3	0.6
Cash and bank at 30 Sep	60.4	47.1	50.1

Statement of changes in shareholders' equity

	share capital	share premium fund	transl. diff.	reval. reserve	retained earnings	total
Equity on 31.12.2004	1.5	28.6	0.0	0.5	14.7	45.2
Available-for-sale financial asset, net				0.4		0.4
Translation diff.			0.0			0.0
Cost of share based payments					0.4	0.4
Profit					4.6	4.6
Exercise of options	0.0	3.4				3.5
Equity on 30.9.2005	1.5	32.0	0.0	0.9	19.7	54.1

Key ratios	2005 9 m	2004 9 m	2004 12 m
Operating result, % of revenues	12.1	14.2	13.8
ROI, %	17.2	24.0	21.3
ROE, %	12.3	18.6	35.9
Equity ratio, %	84.1	77.1	84.2
Debt-to-equity ratio, %	-111.6	-133.6	-110.7
Earnings per share (EUR)	0.03	0.03	0.09
Earnings per share diluted	0.03	0.03	0.09
Shareholders' equity per share, e	0.35	0.24	0.30

P/E ratio	45.0	39.8	19.8
Capitalized expenditures (Me)	1.7	0.9	2.9
Contingent liabilities (Me)	12.9	15.2	14.6
Personnel, average	345	287	291
Personnel, Sep 30	374	295	306

#### Segment information

The Group has only one primary segment; data security.

#### Quarterly development

	1/04	2/04	3/04	4/04	1/05	2/05	3/05
Revenues	10.4	11.6	12.8	12.6	13.3	14.7	15.7
Cost of revenues	0.8	1.0	1.0	1.0	1.3	1.3	1.2
Gross margin	9.6	10.6	11.8	11.6	12.0	13.4	14.5
Other operating income	0.2	0.2	0.2	0.3	0.2	0.3	0.2
Sales and marketing	6.0	6.0	5.9	6.6	7.4	7.7	7.4
Research and development	2.4	2.6	2.7	3.0	3.2	3.6	3.7
Administration	0.7	0.6	0.6	0.8	0.8	0.8	0.6
Operating result	0.7	1.5	2.7	1.6	0.8	1.5	3.0
Financial net	0.4	0.1	0.3	0.4	0.5	0.3	-0.1
Result before taxes	1.0	1.7	3.0	2.0	1.2	1.8	2.9

#### Financial Reporting

A press and analyst conference will be arranged today, October 25, at 11 am Finnish time at the Group's Headquarters, Tammasaarenkatu 7, Helsinki. A conference call for international investors and analysts will be arranged at 1400 Finnish time (1300 CET, 12.00 UK time). Instructions can be found at <http://www.europe.f-secure.com/investor-relations/>

The Q4 and full year 2005 financial report will be published on February 14, 2006, and the Annual Report on March 15. Annual General Meeting will be held on March 22.

Quarterly reports for 2006 will be published on April 27 (Q1), August 1 (Q2) and October 24 (Q3). A Stock Exchange bulletin will be sent at 9am Finnish time to the Helsinki Exchanges, a press and analyst conference will be arranged at 11am Finnish time in Helsinki, and an international conference call will be arranged in the afternoon. Full details will be provided later on the Group's web site

F-Secure Corporation

Board of Directors

Additional information:

F-Secure Corporation

Risto Siilasmaa, President and CEO  
Taneli Virtanen, CFO  
<http://www.F-Secure.com>

tel.358 9 2520 5510  
tel.358 9 2520 5655

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