

F-SECURE GROUP'S FINANCIAL RESULTS JANUARY 1 - JUNE 30, 2002

Steady anti-virus sales growth in a challenging environment, continued positive cash flow

For the 2nd quarter of 2002, F-Secure reported revenues of 9.1 million euros. This represents a decrease of 15% from the second quarter of 2001 and a decrease of 9% from the previous quarter. For the first six months of 2002 revenue was 19.0 million euros, representing a decline of 8% from the first six months of 2001. The decline was due to an unprecedented low level of corporate software demand. This affected especially the group's encryption sales to the corporate sector.

The operating result for the second quarter was EUR 1.4 million negative (0.7m negative in 1Q2002 and 4.0m negative in 2Q2001). For the first six months of 2002 the operating result was EUR 2.1 million negative (8.9m negative in the first six months of 2001). Cash flow remained positive for the third quarter in a row and was 1.0 million in 2Q2002.

Business Highlights

The anti-virus business continued stable with moderate annual growth, 9% for the first six months of 2002, compared to the same period a year ago. Steady progress was made in all geographical regions. Also the number of anti-virus service subscriptions grew steadily. The overall business climate continued to deteriorate and was tougher than ever witnessed by the Group. The encryption business continued to face long lead times resulting from extremely cautious IT spending, especially in the North American market, and declined overall by 18% in the first six months.

During the second quarter of 2002, the Group continued to leverage its key partnerships in the handheld and wireless content security space (Compaq, Fujitsu-Siemens, Hewlett-Packard and Nokia). However, according to recent market studies the market for handheld devices has declined in Q2 and the impact can be seen from a slow ramp-up of revenues in this business area.

The Group continued to successfully balance its activities to reflect the current business climate without compromising future growth. The total fixed expenses were 9.4m in the second quarter (compared to 9.6m in 1Q02 and 13.2m in 2Q01).

The Group has maintained a strong focus on improving its customer advocacy processes and systematically following customer satisfaction. The quarterly product satisfaction figures for the second quarter averaged at 3.89 on a scale from 1 to 5.

In addition to the recognized revenues, the Group had 12.4 million euros of deferred revenues on its balance sheet at the end of June (10.5m a year ago, 12.2m at the end of 1Q02). The increase reflects the continuing growth in support contracts, especially in anti-virus.

Compared to the situation a year ago, the percentage of revenues generated in North America decreased while the percentage of European revenues increased during the first six months of 2002. The geographical breakdown of revenues was as follows (compared to the first six months of 2001): North America 29% (35%), Nordic Countries 35% (34%), Rest of Europe 27% (23%), and Rest of the World 9% (8%). Anti-virus business has increased proportionally and represented 60% (51%) of the revenues, while encryption represented 38% (42%), and other products 2% (7%).

Product News

The group announced significant new versions of its key products, F-Secure Anti-Virus 5.40 and F-Secure Policy Manager 5.10. The new anti-virus version was granted the VB100 award for 100% virus protection by the Virus Bulletin magazine and in July the West Coast Labs' Checkmark Level 1 and Level 2 certifications.

The Group announced three security products for the Nokia 9200 Communicator series. The products will be distributed through both F-Secure and the Nokia Software Market.

Some Key Customers and Partners

Good progress was made with Deutsche Telekom in reselling security solutions. Telenordia (Sweden) and Lietuvos Telekomas (Lithuania) started providing anti-virus and distributed firewalls as a service to their customers with the Group's Personal Express concept.

Personnel and Organization

The Group's personnel was 322 at the end of the second quarter (312 at the end of 1Q2002). The increase was due to normal variation.

SOHO Business (previously F-Secure Online Solutions)

The Small Office and Home Office (SOHO) business advanced according to plans, though the uncertainty in the ISP sector continued to extend lead times in partnership negotiations. The growth of the security subscription business has remained strong with the subscriber base growing a minimum of 25% quarter-over-quarter for five consecutive quarters.

Financing

The Group's financial position remained strong during the year. The Group's equity ratio on June 30, 2002, was 73 % (74% on March 31, 2002 and 77% on June 30, 2001). Financial income was 0.4m for the first six months of 2002 (1.6m for the first six months of 2001).

Positive cash flow for the quarter increased the liquid assets of the Group to 33.1m on June 30, 2002 (32.1m on March 31, 2002 and 29.7m on June 30, 2001).

Impact of Currency Fluctuations

The change in the USD-EUR exchange rate during Q2 lowered both revenues and expenses by EUR 0.2m. The effect on deferred revenues at the end of Q2 was EUR 0.3m negative. If the exchange rates will stay at current levels they are estimated to have a further lowering effect of EUR 0.3m on both revenues and expenses in Q3.

Investments

For the first six months of 2002, the Group's investments were 0.8m euros (1.6m for the first six months of 2001). The investments consisted mainly of IT hardware and software.

Shares, Shareholders' Equity, and Option Programs

In Q2, a total of 1,258,907 new shares were entered into the Trade Register and as a result the shareholders' equity increased by 12,589.07 euros. A total of 1,348,147 new shares have been entered into the Trade Register in the first six months of 2002.

The number of shares was 143,419,915 on June 30, 2002. The corresponding number of shares fully diluted would be 163,256,465, including all stock option programs.

In March the Annual General Meeting accepted the Board proposal to authorize the Board, during the period of one year from the date of the shareholders' meeting, to decide on an increase of the share capital of the

company by one or more new share issues or by launching one or more convertible bonds or option loans or option rights. As a result of such share issues, option loans, option rights or convertible loans, the share capital of the company may be increased by a maximum of 280,000 euros. The maximum number of new shares to be issued is 28,000,000. To the extent the authorization is used to create incentive systems for the personnel of the Group, the share capital may increase by a maximum of EUR 70,000, in which case a maximum amount of 7,000,000 shares may be issued. The authorization remains fully unused.

The Annual General Meeting accepted the Board's proposal to create a new stock option plan to complement the extensive incentive program that the Company has utilized so far. In the new plan, key personnel of F-Secure will be offered a total of 5.5 million stock options, which entitle the holder to subscribe for a total of 5.5 million shares with an accountable par value of 0.01 euros per share. This means that, as a result of the share subscriptions, the Company's share capital may increase by a maximum of 55,000 euros.

The stock options now issued can be exchanged for shares constituting a maximum of 3.9 per cent of the company's shares and voting rights. The terms of the stock option program have been published in a stock exchange release on March 7, 2002.

The Annual General Meeting also decided that to offset the dilution effect of the new Stock Option Plan 2002, all stock options not granted in the Company Stock Option Plan 1999/I will be cancelled and a required amount of stock options in the Company Stock Option Plans 1998 and 1999/II and III will also be cancelled, to maintain the same number of issued stock options and subsequent increase in the share capital.

Share options

Trading of the C warrants of F-Secure Corporation's Warrant Program 1998 started on the Helsinki Exchanges Main List on April 2, 2002.

Future Outlook

The Group believes strongly in its strategic direction and the competitiveness of its product range and maintains a long-term positive outlook in the growing security market, especially in anti-virus business and handheld security.

The licensing and distribution deals with leading vendors put the Group in a strong position as a major player in the emerging handheld security solutions market. However, significant uncertainty continues regarding the timing, structure and growth of the handheld security solutions market. Significant handheld security revenues are not expected to materialize in the short term.

Despite the Group's strong product offering signs of weak software sales prevail in the market and in the short term the situation is expected to remain very challenging. The European holiday season will traditionally slow down Q3 sales and currently there are no signs of an increase in demand in North America. Management expects the anti-virus business to continue to grow at a moderate annual rate in 2002. The encryption business is expected to decline until software investments clearly pick up.

Q3 revenues are estimated to be 8.5 million euros, with an error margin of +/- 10%. Fixed costs are estimated to be below 10 million euros in Q3.

Key figures (unaudited) :

Euro million	2002	2001	2002	2001	Chge	2001
Income statement	4-6	4-6	1-6	1-6	%	1-12
Revenues	9.1	10.7	19.0	20.7	-8	41.7
Cost of revenues	1.2	1.6	2.3	3.1	-27	5.7
Gross Margin	7.9	9.1	16.7	17.6	-5	36.0

Sales and Marketing	6.0	8.8	12.2	17.6	-31	32.3
Research and Development	2.5	3.4	5.1	6.8	-26	12.4
Administration	0.8	1.0	1.7	2.0	-16	3.7
Other Operating Income	0.1	0.0	0.1	0.0		0.3
Operating result	-1.4	-4.0	-2.1	-8.9		-12.2
Financial Income and Expenses	0.3	0.7	0.4	1.6		2.3
Profit (Loss) Before Extraordinary items	-1.1	-3.4	-1.7	-7.3		-9.9
Extraordinary items +/-	-	-	-	-		-
Result Before Taxes	-1.1	-3.4	-1.7	-7.3		-9.9
Income Taxes	-0.0	-0.1	-0.1	-0.2		-0.2
Result for the Period	-1.2	-3.5	-1.8	-7.5		-10.2

The stock option related social security expenses have had no effect on the Income Statement.

BALANCE SHEET

ASSETS	30/6/2002	30/6/2001	31/12/2001
Intangible assets	1.9	2.2	1.5
Tangible assets	2.0	3.5	2.6
Investments	0.2	0.3	0.3
Receivables	11.0	13.2	13.4
Cash and Bank Accounts	33.1	29.7	31.0
Total	48.1	48.9	48.8

LIABILITIES AND

SHAREHOLDERS' EQUITY	30/6/2002	30/6/2001	31/12/2001
Total Shareholders' Equity	25.9	29.5	27.4
Mandatory Provisions	1.9	1.9	1.9
Non-Current Liabilities	-	-	-
Advance Payments	12.4	10.5	11.5
Other Current Liabilities	7.8	7.0	8.0
Total	48.1	48.9	48.8

Key ratios	2002	2001	2001
	6 m	6 m	12 m
Operating result, % of Revenues	-11.1	-42.9	-29.3
ROI, %	-11.6	-41.1	-28.3
ROE, %	-13.3	-45.0	-31.5
Equity ratio, %	72.7	76.7	73.4
Debt-to-equity ratio, %	-127.5	-100.7	-113.2
Earnings per Share (EUR)	-0.01	-0.05	-0.07
Earnings per Share Diluted	x)	x)	x)
Shareholders' equity per Share, (EUR)	0.18	0.21	0.19
Investments (Meuro)	0.8	1.6	1.4
Contingent liabilities (Me)*	18.9	21.3	20.2
Personnel, average	317	413	376

x) Not given, as the effect of dilution would improve the figure

* Includes the lease responsibility for the facilities at Helsinki High Tech Center

Quarterly development

	1/01	2/01	3/01	4/01	1/02	2/02
Revenues	10.0	10.7	9.9	11.1	10.0	9.1
Cost of Revenues	1.6	1.6	1.3	1.3	1.1	1.2
Gross Margin	8.4	9.1	8.5	9.9	8.8	7.9
Sales and Marketing	8.8	8.8	7.7	7.0	6.1	6.0
Research and Development	3.4	3.4	2.6	3.0	2.6	2.5
Administration	1.0	1.0	0.9	0.9	0.9	0.8
Other Operating Income	0.0	0.0	0.1	0.1	0.1	0.1
Operating result	-4.8	-4.0	-2.5	-0.8	-0.7	-1.4
Financial Income and Expenses	0.9	0.7	0.4	0.3	0.1	0.3
Profit (Loss) Before Extraordinary items	-3.9	-3.4	-2.2	-0.5	-0.6	-1.1

Financial Reporting

A press and analyst conference will be arranged today, August 6, at 11 am Finnish time at the Group's Headquarters, Tammasaarekatu 7, Helsinki. A conference call for international investors and analysts will be arranged at 1530 Finnish time (1430 CET, 1.30 pm UK time). Instructions can be found at <http://www.europe.f-secure.com/investor-relations/>

The Q3 Quarterly Report will be published on October 29, 2002. A Stock Exchange bulletin will be sent at 9 am Finnish time to the Helsinki Exchanges, a press and analyst conference will be arranged at 11 am 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

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