

F-SECURE's Q4 AND FULL YEAR 2006 REPORT

Accelerating Service Provider revenue growth towards the end of the year

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

Q4 Highlights

- Total revenue increased by 22% to a record level of 22.1m
- Service provider business increased by 39% to 7.3m; quarter-over-quarter growth 10%
- Keeping leading market position in ISP business; partners' share of the consumer broadband market 34% in Europe, 10% in North-America
- Corporate business increased by 7% to 9.5m
- Consumer business increased by 37% to 4.4m
- Other revenues 0.9m
- EBIT 0.7m negative (2.1m); without impairment loss of 4.8m from Network Control EBIT was 4.1m (2.1m), 19% of revenues.
- Deferred revenues increased by 2.8m to 27.6m during Q4
- Cash flow was 5.4m positive
- New CEO into office

2006 Highlights

- Total revenue increased by 31% to a record level of 80.7m
- Service provider business increased by 57% to 26m
- 51 new service provider (ISP) partners
- Corporate business increased by 13% to 36.7m
- Consumer business increased by 59% to 15.2m
- EBIT 8.9m (7.4m); without impairment loss of 4.8m from Network Control EBIT was 13.7m, 17% of revenues
- Deferred revenues increased by 4.4m to 27.6m during 2006
- Cash flow was 5.4m positive; a dividend of 10.8m was paid in April
- Strengthening operations in Asia Pacific through Malaysia office

Business in 2006 at the Group level

Steady and profitable growth continued across all business segments in anti-virus and intrusion prevention. In 2006 total revenues were 80.7m (61.8m), representing 31% growth. EBIT was 8.9m (7.4m), representing 20% growth. Without the impairment loss of 4.8m from Network Control EBIT was 13.7m (7.4m). Cash flow was 5.4m positive including paid dividend of 10.8m in April (12.1m with no dividend). Deferred revenues were 27.6m at the end of the year (23.2m).

The strong development in Service Provider business continued and a total of 51 new ISP partnerships were signed. Mobile security showed steadily increasing interest and continuously growing but still modest sales traction.

The total fixed costs were 65.2m (49.4m) including the impairment loss of 4.8m from Network Control, representing 32% growth. The Group's short-term strategy continues to be to prioritize growth over profitability. Above all, investments into achieving a strong sustainable position in the fast growing security service market are seen as vital for the Group's future growth.

The Group capitalizes some of its development expenses according to the accounting rules. This decreases costs by approximately 0.9m.

The geographical breakdown of the business was as follows: Nordic Countries 37% (36%), Rest of Europe 44% (45%), North America 10% (10%) and Rest of the World 9% (9%). Anti-virus and intrusion prevention represented 98% of the total revenues.

According to the latest global survey made during the summer months of 2006 customer satisfaction has remained at strong levels. Overall satisfaction was 4.26 (4.27) on a scale of 1 to 5. High customer satisfaction is one of the Group's core values.

Business in different segments in Q4

In the fourth quarter of 2006, revenues through the service provider channel were 7.3m (5.3m), representing 35% of the anti-virus and intrusion prevention business and a growth of 39% from the previous year. The quarter-over-quarter revenue growth improved to 10% (6% in Q3).

Revenues in the corporate customer segment through resellers and IT services companies were 9.5m (8.9m), representing 44% of the anti-virus and intrusion prevention business and a growth of 7% from the previous year. New license sales continued weaker than expected, while renewals of old licenses exceeded expectations.

Consumer revenues were 4.4m (3.2m), representing 20% of the anti-virus and intrusion prevention business and growth of 37% from the previous year. Comprehensive products and solutions along with continuing successes in online sales were key contributors to growth.

Mobile security revenues represented approximately 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. F-Secure Mobile Anti-Virus showed an increase in both consumer and corporate channel sales in the Nordic market.

Competitive situation

Competitive situation in the anti-virus and intrusion prevention business has remained mostly unaltered and price levels have remained relatively stable. Competitiveness of the Group's service provider solutions has remained very high.

The consumer market has seen new entrants, who follow traditional retail license sales models. The entrants have not had a material effect to the Group's competitive position. However, there have been signs of price competition in individual countries, especially during competitors' product launches. In the consumer market it has become increasingly common to offer three licenses as a basic "family pack" offering for a discounted price.

Based on analyst estimates, Microsoft, with its OneCare security product, is expected to become an active player during 2007 especially in the traditional consumer market.

The Group will provide its security solutions on Microsoft's new Vista operating system. F-Secure was one of the first three anti-virus vendors whose product beta for Vista could be downloaded from Microsoft's web site.

Security as a Service

The Group's Security as a Service offering has been very successful with Internet Service Provider (ISP) partners serving the consumer and small businesses market. In the corporate segment the Security as a Service model is still at an early stage of development.

The total number of ISP partners was 136 operating in 34 countries at the end of the year, an increase of 11 partners from Q3. In addition, the Group has some tens of corporate security service provider partners and mobile operator partners.

As stated in Q3 financial results, the Group has strengthened its service provider account management resources to facilitate fast service rollout and to increase service adoption rate among ISP partners. The quarter-over-quarter revenue growth rate improvement to 10% was partly due to this investment.

The Group continued to have a strong market share globally, an excellent partner retention track record and the fastest speed of signing new partners in the industry. The overall share of the entire broadband ISP market of the Group's current partners is approximately 34% (34% in Q3) in Europe and approximately 10% (9% in Q3) in North America (Source: Dataxis and F-Secure, based on the most recent estimates. Historical comparative data has also been revised).

New service provider partnerships in Q4 include Brazil Telecom and the U.S. operators Cincinnati Bell and Echostar.

Mobile security

The Group has maintained its leadership in the gradually developing mobile security market. Revenues for mobile security solutions continued to grow at a steady pace.

F-Secure Mobile Anti-Virus showed an increase in consumer and corporate sales through the traditional reseller channels in the Nordic countries.

The Group's mobile antivirus service to T-Mobile UK customers was launched in Q4.

The current operator partnerships, such as Orange UK, Orange Switzerland, T-Mobile Germany, Swisscom, TeliaSonera and Elisa, are a prime vehicle to make security applications available to a large number of end users. The adoption rate among end users is expected to steadily increase over the coming years.

F-Secure continued close cooperation with Nokia. F-Secure Mobile Anti-Virus was the first antivirus software for the S60 3rd edition operating systems and it will be available for majority of the currently shipping or upcoming Nokia S60 3rd edition devices, including Nokia Nseries & Eseries devices.

Products & Services

F-Secure Client Security 7, which offers deep proactive protection for the corporate customers, was pre-released in Q4 with a full release due in early 2007. A new version of F-Secure Protection Service for Businesses was released, as well as beta versions of F-Secure Anti-Virus for the Vista operating system.

The Group's Internet Security 2007 product received high marks in various product reviews, such as the PC Pro Recommended and A list awards in PC Pro magazine (UK), Editor's Choice award in Windows News magazine (France), test winner with full points in Windows XP magazine (France), Best in Test award in PC World (Norway), "Sehr Gut" recommendation in PC Magazin (Germany) and the first prize in the PC Info Magazine (Germany). The product also received high praise for its very comprehensive protection and its advanced DeepGuard technology from one of the key industry authorities, the Virusbulletin magazine.

Personnel and Organization

The Group's personnel numbered 479 at the end of the year (390).

The Group has progressed as planned to set up the Malaysia office, which focuses on the Asia Pacific (APAC) area leadership and carries certain global responsibilities in R&D and customer support. The Malaysia office improves the Group's overall efficiency, product and support competitiveness, and commercial presence in one of the world's key market areas.

On November 6th, 2006, Mr. Kimmo Alkio assumed the responsibilities of President & CEO. Mr. Siilasmaa was appointed Chairman of the Board. Former Chairman Mr. Pertti Ervi was appointed Vice Chairman of the Board. Other members are Ms. Sari Baldauf and Mr. Alex Sozonoff. Mr. Ari Hyppönen is deputy member.

During 2006, The Group's Executive Team consisted of the following persons: Pekka Kuusela (Executive Vice President, Sales and Marketing), Aki Mänttari (Director, Human Resources), Pirkka Palomäki (Executive Vice President, Research and Development), Risto Siilasmaa until November 5th, after that Kimmo Alkio (President and CEO), Taneli Virtanen (Chief Financial Officer) and Travis Witteveen (Senior Vice President, Products & Services).

In early January 2007, the Group enhanced its Executive Team and refined the responsibilities as follows: Ari Alakiuttu (Products and Services), Kimmo Alkio (President and CEO), Aki Mänttari (Human Resources), Trond Neergaard (Marketing - effective February 15th), Pirkka Palomäki (Research & Development), Antti Reijonen (Strategy), Taneli Virtanen (Finance & Administration) and Travis Witteveen (Sales and Geography Operations).

After the reporting period, the Group also launched an extension to its Executive Team, called the Global Leadership Team, which consists of regional and business line directors.

Financing

The Group's financial position remained strong. The Group's equity ratio on December 31, 2006, was 80% (81%). Financial income for 2006 was 1.5m (1.9m).

During the year the cash flow was 5.4m positive and a dividend of 10.8m was paid in April (12.1m positive without dividend).

The market value of the liquid assets of the Group was 66.7m (61.8m) on December 31, 2006.

The change in the USD-EUR exchange has not had material effect on revenues and results.

Impairment loss of Network Control product

F-Secure acquired Rommon Oy in November 2005 to strengthen its network technology competencies and the offering to the ISP customer segment. The technology is targeted for network security and anomaly detection for the operators' networks sold as F-Secure Network Control.

Changes in the product strategy related to the Network Control product caused a significant change in the earnings model used in the impairment test. This resulted in a non-recurring impairment loss of EUR 4.8m for the year 2006, impact on result being EUR 3.9m negative. The difference was due to deferred tax liabilities. The impairment loss is recognized on goodwill and intangible assets. The Group will aim to utilize the technology and competencies in its future products.

Capital Expenditures

The Group's capital expenditures for 2006 were 3.7m (8.3m). These consisted mainly of IT hardware, software and capitalization of development expenses.

Shares, Shareholders' Equity, and Option Programs

In 2006, A total of 138,250 F-Secure shares were subscribed for with the A1/A2 warrants and a total of 86,400 F-Secure shares were subscribed for with the B1/B2/B3 warrants attached to the F-Secure 2002 Warrant Plan. In aggregate the number of shares was increased by 224,650. The corresponding increase in the share capital, in total EUR 2246.50 was registered in the Finnish Trade Register. F Secure received as additional shareholders' equity a total of EUR 160,710.

After the reporting period, a total of 51,900 F-Secure shares were subscribed for with the A1/A2 warrants and a total of 41,700 F-Secure shares were subscribed for with the B1/B2/B3 warrants attached to the F-Secure 2002 Warrant Plan. In aggregate the number of shares was increased by 93,600. The corresponding increase in the

share capital, in total EUR 936.00 was registered in the Finnish Trade Register. F Secure received as additional shareholders' equity a total of EUR 68,670.

As a result of the increases, the share capital of F-Secure currently is EUR 1,550,300.68 and the total number of shares is 155,030,068. The corresponding number of shares fully diluted would be 161,464,443 including all stock option programs.

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 three key goals in 2007 are:

1) To continue to grow the anti-virus and intrusion prevention business faster than the industry. The Group continues to prioritize growth over profitability.

The prime engine for the Group's overall growth remains Security as a Service. However, management remains somewhat cautious about traditional license sales in the corporate and consumer market through resellers. This is partially due to decreased visibility with reference to the launch and adoption of Microsoft's new operating system, Vista.

Special emphasis is placed on the Group's continuing competitiveness and execution in reseller channels.

2) To continue capitalizing on the Group's industry leadership in the Service Provider segment, both with Internet Service Providers and Mobile Operators.

During 2007 the Group's Service Provider business is anticipated to grow multiple times the overall industry growth rate. However, the quarter-over-quarter growth is expected to be moderate during the first quarter and accelerate towards the end of the year. The Group aims to further increase its market share in this segment.

Partnership development and recruitment will continue actively 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.

To accelerate the growth in the service provider segment, special account management effort will continue with service provider partners to ensure a fast path to full commercial rollout and to increase adoption rate within current partners.

3) To further develop the Group's leading position in mobile security, and, as the market matures, start turning the leadership into revenues.

The visibility in mobile security business is improving constantly through increased operator and corporate customer awareness in mobile security issues. The value of up-to-date security solutions for smartphones will gradually increase as a result of applications such as mobile email. Mobile security solutions will be sold through device manufactures, resellers and operators. The management expects to see tangible revenues at the end of the year.

The Group continues to invest in new sales and marketing activities and new projects expanding the Group's offering to service providers. The management expects total revenues to be 95m +/- 10% for the full year.

Profitability is anticipated to remain in line with 2006 levels, as further investments are taking place to build scalability for future growth in the Service Provider segment. The management expects an EBIT of 14%-18% for the full year 2007.

In the 3-5 year horizon the Group aims to steadily exceed market growth rates in revenues and seeks profitability levels around 25%.

The estimation for first quarter 2007 revenues is between 21m and 24m. Management remains cautious on the visibility towards new license sales in the corporate market. The estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts and a EUR/USD exchange rate of 1.30.

The actual cost level due to recent and planned recruitments is still increasing. Fixed costs are estimated to be around 17.5m in Q1.

Financial Reporting

A press and analyst conference will be arranged today, January 30, 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 audited annual report for the full year 2006 will be announced on February 15 and the report will be published on March 12. The annual general meeting will be held on March 20, 2007. Quarterly reports for 2007 will be published on April 24 (Q1), July 31(Q2) and October 24 (Q3). 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

Board of Directors

Additional information:

F-Secure Corporation

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This interim report is prepared in accordance with IAS 34 standard.

Key figures (unaudited):

Euro million

INCOME STATEMENT	2006 10-12	2005 10-12	2006 1-12	2005 1-12	Chge %
Revenues	22.1	18.1	80.7	61.8	31
Cost of revenues	2.2	2.1	7.3	5.9	23
Gross margin	19.8	16.0	73.4	55.9	31
Other operating income	0.2	0.2	0.6	0.8	-26
Sales and marketing	9.8	9.1	38.6	31.6	22
Research and development*	9.8	4.2	22.5	14.7	53

Administration	1.2	0.8	4.1	3.1	31
Operating result	-0.7	2.1	8.9	7.4	20
Financial net	1.0	1.2	1.5	1.9	
Result before taxes	0.3	3.3	10.4	9.3	
Income taxes	-0.5	-1.3	-3.1	-2.7	
Result for the period	-0.2	2.0	7.3	6.6	

Earnings per share, e			0.05	0.04	
EPS, diluted, e			0.05	0.04	

*) includes impairment loss of 4.8

BALANCE SHEET

ASSETS	31/12/2006	31/12/2005
Intangible assets	4.5	8.9
Tangible assets	3.2	3.0
Other financial assets	0.9	4.3
Non-current assets total	8.7	16.2
Inventories	0.2	0.1
Other receivables	19.4	15.8
Available-for-sale financial assets	54.7	53.5
Cash and bank accounts	12.2	8.5
Current asset total	86,4	77.8
Total	95.1	94.0

SHAREHOLDERS' EQUITY

AND LIABILITIES	31/12/2006	31/12/2005
Equity	54.2	57.1
Other non-current	0.1	1.3
Provisions	1.2	1.1
Deferred revenues	4.4	3.8
Non-current liabilities total	5.7	6.2
Other current	12.1	11.3
Deferred revenues	23.2	19.4
Current liabilities total	35.2	30.7
Total	95.1	94.0

Cash flow statement	31/12/2006	31/12/2005
Cash flow from operations	19.5	14.4
Cash flow from investments	-3.5	-5.8
Cash flow from financing Activities*	-10.6	3.5
Change in cash	5.4	12.1
Cash and bank at 1 Jan	61.7	50.2
Change in net fair value of Available-for-sale	-0.4	-0.4
Cash and bank at 31 Dec	66.7	61.8

* dividends paid/increase in share capital

Statement of changes in shareholders' equity

	share capital	share premium fund	transl. diff.	reval. reserve	retained earnings	total
Equity on						

31.12.2005	1.5	33.5	0.0	0.2	21.8	57.1
Available-for-sale financial asset, net				-0.3		-0.3
Translation diff.			0.0			0.0
Cost of share based payments					0.6	0.6
Profit					7.3	7.3
Dividend					-10.8	-10.8
Exercise of options	0.0	0.2				0.2
Equity on 31.12.2006	1.5	33.7	0.0	-0.1	19.0	54.2

Key ratios

	2006	2005
	12 m	12 m
Operating result, % of revenues	11.0	11.9
ROI, %	19.3	19.0
ROE, %	13.1	12.9
Equity ratio, %	80.2	80.6
Debt-to-equity ratio, %	-123.2	-108.2
Earnings per share (EUR)	0.05	0.04
Earnings per share diluted	0.05	0.04
Shareholders' equity per share, e	0.35	0.37
P/E ratio	47.6	46.9
Capitalized expenditures (Me)	3.7	8.3
Contingent liabilities (Me)	11.2	12.7
Personnel, average	439	354
Personnel, Dec 31	479	390

Segment information

The Group has only one primary segment; data security.

Quarterly development

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06
Revenues	13.3	14.7	15.7	18.1	18.8	19.8	20.0	22.1
Cost of revenues	1.3	1.3	1.2	2.1	1.7	1.6	1.7	2.2
Gross margin	12.0	13.4	14.5	16.0	17.0	18.2	18.4	19.8
Other operating income	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.2
Sales and marketing	7.4	7.7	7.4	9.1	9.6	10.3	9.0	9.8
Research and development	3.2	3.6	3.7	4.2	3.7	4.3	4.7	9.8
Administration	0.8	0.8	0.6	0.8	1.0	0.9	0.9	1.2
Operating result	0.8	1.5	3.0	2.1	2.9	2.8	3.8	-0.7
Financial net	0.5	0.3	-0.1	1.2	0.2	0.1	0.1	1.0
Result before taxes	1.2	1.8	2.9	3.3	3.2	2.9	3.9	0.3