

F-Secure Group's Financial Results January 1 - September 30, 2004

Strong growth continued in anti-virus and intrusion prevention business with 54% annual revenue growth, total revenues increased 23%

Helsinki, Finland - October 26, 2004

Q3 Highlights (unless otherwise stated comparisons made to the same period one year ago):

- Total revenues increased by 24% to 12.5m
- Anti-virus and intrusion prevention (content security) revenues increased by 50% to a record level of 10.5m
- Corporate business increased by 41% to ca. 7.2m
- Service provider business increased by 150% to ca. 2.3m
- Consumer business revenues increased by 130% to ca. 1.0m
- The Group signed eight new ISPs from July to October
- Encryption business declined by 30% to 2.0m
- Exclusive encryption distribution agreement signed with WRQ Inc.
- EBIT 2.5m positive (0.8m positive), 20 % of revenues
- Deferred revenues 16.1m (16.5m in 2Q04, 13.3m a year ago)
- Cash flow 1.5m positive

Business at the Group Level

For the third quarter of 2004, F-Secure reported revenues of 12.5 million euros. This represents an increase of 24% from the previous year. The operating result was 2.5 million euros positive, 20% of revenues (1.7m positive in 2Q04 and 0.8m positive in 3Q03). Cash flow was 1.5m positive.

For the first nine months of 2004, revenues were 34.7m euros, representing an annual increase of 23%. The operating result was 5.0m euros, 14% of revenues (0.2m positive a year ago). Cash flow was 7.1m positive.

The Group's deferred revenues declined by 0.4 million to 16.1m euros in the balance sheet during Q3 (2Q04 16.5m, 3Q03 13.3m).

The geographical breakdown of revenues during the first nine months of 2004 was as follows (compared to the first nine months of 2003): Nordic Countries 34% (33%), Rest of Europe 47% (31%), North America 10% (25%), and Rest of the World 9% (11%). The growth in Rest of Europe reflects the company strategy of seeking significant market share increase in key European markets, Germany, France, UK and Italy.

Anti-virus and intrusion prevention represented 84% (68%) of the revenues, while encryption represented 16% (30%), and other products less than 1% (2%).

Anti-virus and intrusion prevention revenues grew by 54% in the first nine months and 50% in the third quarter compared to 2003. New license sales continued to grow strongly in the corporate and consumer segments. Security as a Service offering through operators continued its steady and strong growth.

The encryption business declined by 30% in the third quarter and by 39% in the first nine months compared to respective 2003 figures.

During the course of 2004, the Group has continued to prioritize anti-virus and intrusion prevention as the Group's primary business area. The signing of a partnership with WRQ Inc in September supports this track. WRQ is now the exclusive distributor for the F-Secure SSH product line globally. The Group received a one time down payment for the license to the encryption libraries and for other related services. The Group will continue to receive royalties from WRQ, but the level of encryption revenues will decrease due to distributor discounts.

Nokia Inc (Enterprise Solutions) has notified that it has, between 4Q01 and 3Q04, incorrectly reported and paid F-Secure SSH OEM royalties to F-Secure, Inc. The Group and Nokia are in discussions on how to correct the error. Maximum impact of possible reimbursement is about 1.1 m negative on net profit. The Group has accrued this amount in 3Q04 interim report. Royalties from year 2004 are credited through sales and royalties from previous years have been booked as extraordinary costs.

The total fixed expenses were 9.2m in Q3 (9.2m in 2Q04 and 8.1m in 3Q03). The Group's gross margins were at 92% of revenues (92% in 2Q04 and 88% in 3Q03).

The Group has maintained a strong focus on improving its customer advocacy processes and systematically following customer satisfaction. Customer satisfaction has remained at good level, averaging around 4.30 (pr. y. 4.31) on a scale of 1-5.

Strong growth in all major business segments with anti-virus and intrusion prevention solutions

Anti-virus and intrusion prevention revenues grew by 54% and were 29.5m in the first nine months. In Q3 the annual growth was 50% over an exceptionally strong quarter a year ago.

Corporate customer revenues represented 70% of the anti-virus and intrusion prevention revenues and were 20.7m during the first nine months of 2004. The first nine months of 2004 were characterized by solid revenue growth of 32% compared to previous year. This was due to a successful launch of new products for the corporate market in late 2003, the "Be Sure" marketing campaign and the continuing acquisition of new channel partners, especially in Central and Western Europe. Products on the Linux platform represented 15% of this segment (3% a year ago) during Q3.

The amount of corporate channel partners has increased by 30-50% in key European countries in one year while the average value per partner has remained at previous levels. The service provider business revenues (Security as a Service) represented 20% of the anti-virus and intrusion prevention revenues and were 5.8m in the first nine months of 2004. The number of service subscriptions continued to show good growth and related revenues grew annually by 150% in Q3. Sequential growth from Q2 was 17%.

The Group was successful in launching the Security as a Service offering in North America with a large number of significant leads. Partnerships were announced with four new ISPs including TeliaStofa, the 2nd largest supplier of cable TV and broadband in Denmark and with Bahnhof Internet in Sweden. During early Q4 four new ISP relationships have already been announced. These new partners include Finnet Group (Finland) and OTEnet (Greece). The total number of announced Service Provider partnerships is currently 34 in 15 countries.

The consumer segment represented 9% of the anti-virus and intrusion prevention revenues and was 2.7m during the first nine months. Revenue growth has been rapid as this is a relatively new area to the Group. Q3 revenues grew annually by 130%. A number of new consumer partners, increased web sales, and successes in media visibility through a long list of positive trade press reviews, all contributed to accelerate this business area.

Handheld and wireless security revenues represented less than 1% of the anti-virus and intrusion prevention business, but visibility on future business opportunities increased. One milestone was achieved with the launch of the Nokia 6670 phone in September. The Group's F-Secure Mobile Anti-Virus product will be offered as a free one-month trial to all the buyers of the new phone, with the opportunity to purchase a continuation of the anti-virus update service later on.

The Group has also just announced the world's first partnership with a mobile operator to deliver anti-virus subscription services to smartphone users. Elisa Corporation, a major Finnish telecommunications group, will start offering the solution to its customers during this week.

Competitive situation in the anti-virus and intrusion prevention business remained mostly unaltered. The Group has managed to increase market share in all major business segments in its key territories. Price levels have remained stable.

Product Leadership

The year 2004 can be characterized as a transition period from “plain vanilla” anti-virus products to a broader approach to anti-virus and intrusion prevention. During Q3 new security functionalities, such as spam control, spyware detection and parental guidance started to be added to the latest versions of the Group’s products.

F-Secure Spam Control was released to detect, filter and remove email spam messages. It can be used in conjunction with F-Secure Internet Gatekeeper and F-Secure Anti-Virus for Microsoft Exchange.

The Group’s Anti-Virus and Intrusion Prevention offerings on the Linux platform saw a number of new product and version releases for clients, servers and gateways during Q3.

The F-Secure Policy Manager 5.60 was released in August. It is used for deploying and monitoring the Group’s Anti-Virus and Intrusion Prevention software through a graphical, web-based interface.

In early Q4, the Group announced F-Secure Internet Security 2005 and F-Secure Anti-Virus 2005. Both products are targeted for home users as well as for small companies without IT departments. The F-Secure Internet Security 2005 provides total security against Internet threats including fully featured antivirus, firewall and daily security updates with industry leading response times for new threats. The new improved product also includes anti-spyware, parental control, anti-spam, anti-dialer, leak test protection, a rescue CD feature and an automatic update agent.

Personnel and Organization

The Group’s personnel numbered at the end of the quarter 295 (288 at the end of 2Q04).

The Group’s Executive Team consists of the following persons: Risto Siilasmaa (President and CEO), Kimmo Alkio (Chief Operating Officer), Pirkka Palomäki (Vice President, Research and Development), Aki Mänttari (Director, Human Resources) and Taneli Virtanen (Chief Financial Officer). Financing

The Group’s financial position remained strong. The Group’s equity ratio on September 30, 2004, was 78% (75% on September 30, 2003). Financial income was 0.8m for the first nine months of 2004 (0.6m in the first nine months of 2003).

Cash flow was 7.1m positive for the first nine months. The liquid assets of the Group were 46.6m on September 30, 2004 (45.1m on June 30, 2004 and 36.1m on September 30, 2003).

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

Investments

In the first nine months, the Group’s investments were 0.7m (0.5m in F9M03). The investments consisted mainly of IT hardware and software.

Shares, Shareholders' Equity, and Option Programs

A total of 4,600 F-Secure shares were subscribed to with the C warrants attached to the F-Secure 1998 Warrant Plan. A total of 8,000 F Secure shares were subscribed to with the 2001B warrants attached to the F Secure 1999 II Warrant Plan. In aggregate the number of shares increased by 12,600. The corresponding increase in the share capital, in total EUR 126.00 was registered in the Finnish Trade Register on August 24, 2004.

As a result of the increase, the share capital of F-Secure currently is EUR 1,482,551.28 and the total number of shares is 148,255,128. F Secure received as additional shareholders' equity a total of EUR 7,723.10.

In October, after the reporting period, a total of 510,102 new shares were entered into the Trade Register. The corresponding increase in the share capital was EUR 5101.02. As a result of the increases, the share

capital of F-Secure currently is EUR 1,487,652,30 and the total number of shares is 148,765,230. The corresponding number of shares fully diluted would be 163,185,050, including all stock option programs.

IAS/IFRS Reporting

F-Secure plans to publish Financial Statements in accordance with the IAS/IFRS for 2005. The preparations have progressed according to plan. During 2004, the Group will produce comparison data according to IAS/IFRS for 2005.

The major IFRS changes are related to the possible capitalizing of the product development and to the costs of granted options. Currently, all product research and development are expensed immediately.

Corporate Governance

F-Secure complies with the Corporate Governance recommendations for public listed companies published in December 2003 by Helsinki Exchanges, 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 the anti-virus and intrusion prevention (content security) business faster than the industry. The current focus in the corporate segment is on Europe, the Group's home market. The Security as a Service business and online sales (e-Store) will have global focus. Marketing campaigns will continue to promote the importance of all-encompassing content security and underline the richness of the Group's offering in that field.

The visibility in the mobile security business is expected to improve towards the end of 2004 through increased operator awareness in mobile security issues and increased vendor interest. Strong growth in all other areas of anti-virus and intrusion prevention is expected to continue.

During the course of 2005 the encryption business is expected to gradually decline to insignificant levels.

The management estimates 4Q04 total revenues to be around 12.5m, with an error margin of +-10%. That would result the growth of 40-50% in anti-virus and intrusion prevention revenues. The estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts, previous experience and a EUR/USD exchange rate of 1.22.

The Group is currently prioritizing growth before earnings and it will maintain an increased level of activities in sales and marketing while gradually increasing the research and development investment to launch new projects expanding the Group's offering to service providers and facilities management companies.

Fixed costs are estimated to be slightly over 10 million euros in Q4.

Strong growth in the anti-virus and intrusion prevention business is expected to continue in 2005.

Key figures (unaudited):

Euro million

Income statement	2004	2003	2004	2003	Chge	2003
	7-9	7-9	1-9	1-9	%	1-12
Revenues	12.5	10.1	34.7	28.2	23	39.0
Cost of revenues	1.0	1.3	2.8	3.3	-16	4.4
Gross margin	11.5	8.8	31.9	24.9	28	34.6
Sales and marketing*	5.9	5.3	17.9	16.3	9	22.3
Research and development*	2.8	2.1	7.9	6.7	17	9.0
Administration*	0.6	0.6	1.9	2.0	-6	2.6

Other operating income	0.2	0.1	0.6	0.4	0.9
Operating result	2.5	0.8	5.0	0.2	1.5
Financial income and expenses	0.3	0.2	0.8	0.6	1.1
Profit (loss) before extraordinary items	2.8	1.1	5.8	0.9	2.7
Extraordinary items +/-**	-0.9	-	-0.9	-	1.7
Result before taxes	1.9	1.1	4.9	0.9	4.3
Income taxes	-0.2	-0.0	-0.3	-0.1	-1.2
Result for the period	1.8	1.0	4.6	0.8	3.2

*Mandatory provision related a social security expense of stock options is measured based on the fair value of the options and the amount of provision is adjusted to reflect the change in the share price. ** OEM-agreement correction. For year 2003 the effect of the change in accounting method relevant to IFRS in mandatory provision for the social security expenses have been recorded as an extraordinary item.

BALANCE SHEET

ASSETS	30/9/2004	30/9/2003	31/12/2003
Intangible assets	0.7	1.0	0.9
Tangible assets	1.4	1.2	1.2
Investments	0.1	0.2	0.1
Short-term receivables	12.2	11.7	12.2
Cash and bank accounts	46.6	36.1	39.5
Total	61.0	50.2	53.9

LIABILITIES AND

SHAREHOLDERS' EQUITY	30/9/2004	30/9/2003	31/12/2003
Total shareholders' equity	35.1	27.7	30.2
Mandatory provisions	0.2	1.9	0.2
Deferred revenues	16.1	13.3	15.2
Other current liabilities	9.7	7.3	8.3
Total	61.0	50.2	53.9

Cash flow statement	30/9/2004	30/9/2003	31/12/2003
Cash flow from operations	7.5	2.2	5.8
Cash flow from investments	-0.6	-0.5	-0.7
Cash flow from financing activities	0.3	0.2	0.3
Change in cash	7.1	1.9	5.3
Cash and bank at 1 Jan	39.6	34.2	34.2
Cash and bank at 30 Sep	46.6	36.1	39.5

Key ratios	2004	2003	2003
	9 m	9 m	12 m
Operating result, % of revenues	14.4	0.8	3.9
ROI, %	24.1	6.7	11.5
ROE, %	22.2	3.8	7.0
Equity ratio, %	78.1	75.1	78.1

Debt-to-equity ratio, %	-132.9	-130.3	-130.7
Earnings per share (EUR)	0.04	0.01	0.01
Earnings per share diluted	0.04	x)	0.01
Shareholders' equity per share, e	0.24	0.19	0.21
P/E ratio	44.5	-	97.1
Investments (Meuro)	0.7	0.5	0.6
Contingent liabilities (Me)*	15.2	16.2	15.4
Personnel, average	287	299	295
Personnel, Dec 31	295	284	283

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

	1/03	2/03	3/03	4/03	1/04	2/04	3/04
Revenues	9.1	9.1	10.1	10.8	10.5	11.7	12.5
Cost of revenues	1.0	1.1	1.3	1.1	0.8	1.0	1.0
Gross margin	8.1	8.0	8.8	9.7	9.7	10.7	11.5
Sales and marketing	5.5	5.6	5.3	6.0	6.0	6.0	5.9
Research and development	2.3	2.3	2.1	2.3	2.4	2.6	2.8
Administration	0.7	0.7	0.6	0.6	0.7	0.6	0.6
Other operating income	0.1	0.2	0.1	0.5	0.2	0.2	0.2
Operating result	-0.2	-0.4	0.8	1.3	0.8	1.7	2.5
Financial income and expenses	0.2	0.2	0.2	0.5	0.4	0.1	0.3
Profit (Loss) before extraordinary items	0.0	-0.2	1.1	1.8	1.2	1.8	2.8

Financial Reporting

A press and analyst conference will be arranged today, October 26, 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 Q4 and full year 2004 financial report will be published on February 15, 2005, and the Annual Report on March 16. Annual General Meeting will be held on March 23.

Quarterly reports for 2005 will be published on April 26 (Q1), August 2 (Q2) and October 25 (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:

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