

## F-Secure Group's Financial Results January 1 - March 31, 2004

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### Record high content security revenues, 46% growth in content security

Helsinki, Finland - April 27, 2004

Q1 Highlights (unless otherwise stated comparisons made to the same period one year ago):

- Revenues increased by 16% to 10.5m
- Content security revenues increased by 46 %
- Service provider business increased by 158 % annually and 28% quarter-over-quarter -Encryption business declined by 47 % (declined by 31% without SSH royalties 1Q03)
- EBIT 0.8m positive (0.2m negative) -Deferred revenues increased by 1m to 16.2m (1Q03 13.0m)
- Cash flow 3.7m positive

#### Business at the Group Level

For the 1st quarter of 2004, F-Secure reported revenues of 10.5 million euros. This represents an increase of 16% from the previous year. The operating result was 0.8 million euros positive (1.3m positive in 4Q03 and 0.2m negative in 1Q03). Cash flow was 3.7m positive.

The Group's deferred revenues increased by 1.0 million to 16.2m in the balance sheet (4Q03 15.2m, 1Q03 13.0m). Growth of deferred revenues reflects the strong growth of content security sales.

The geographical breakdown of revenues was as follows (compared to 1Q2003): Nordic Countries 34% (35%), Rest of Europe 43% (28%), North America 13% (24%), and Rest of the World 10% (13%). Content security (formerly shown as Anti-virus) represented 85% (67%) of the revenues, while encryption represented 14% (31%), and other 1% (2%).

The content security revenues grew by 46% year-over-year and by 10% from the previous quarter. The growth exceeded estimates as the first quarter has traditionally been a weak one. New license sales continued to grow strongly in the corporate segments and especially strongly in the consumer segment. Service Provider business continued its steady and strong growth. The encryption business declined by 47% from last year (declined by 31% without SSH royalties 1Q03).

Investments in sales and marketing continued to be on the increase during Q1 in accordance to the company strategy to focus on growth. The total fixed expenses increased and were 9.1m in the last quarter (8.9m in 4Q03 and 8.4m in 1Q03). The Group improved its gross margins to 92% of revenues (90% in 4Q03 and 89% in 1Q03).

The Group has maintained a strong focus on improving its customer advocacy processes and systematically following customer satisfaction. Customer satisfaction in technical services was temporarily hampered by the high amount of support requests during the wide virus outbreaks towards the end of 2003. The situation improved during Q1 due to process fine-tuning and increased capacity.

#### Strong Growth in All Major Business Areas

The Group has four business areas in content security: corporate, service provider, consumer and wireless businesses. Content security contains among other things the following key solutions: anti-virus, firewall, intrusion prevention, anti-spam, application control and parental control.

Corporate customers represented 73% of the content security revenues. The quarter was characterized by solid growth in both revenues and new licenses, especially in Central Europe and Japan. This was due to launch of new products for the corporate market in late 2003, the "Be Sure" marketing campaign and the continuing acquisition of new partners. The amount of partners has nearly doubled in one year while the average value per partner has remained at previous levels.

Q1 marked the shift from “plain vanilla” anti-virus products to a broader approach to content security and intrusion prevention. The F-Secure Anti-Virus Client Security product, launched in late 2003, already outsold the F-Secure Anti-Virus desktop product in the corporate segment. The service provider business (Security as a Service) represented 18% of the content security revenues. The number of service subscriptions continued to show excellent growth and related revenues grew annually by 158%. The quarter was the 12th consecutive quarter with sequential growth around 20% or better.

The consumer business represented 8% of the content security revenues. Revenue growth has been rapid as this is a relatively new area to the Group. 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 1% of the content security business. As expected that business area remains in the solutions development phase. Competitive situation in the content security business remained mostly unaltered. The Group has managed to grab market share in all major business areas in its key territories as it has succeeded in growing faster than the market without compromising price levels.

#### Key Customers and Partners

The key service provider partners, Deutsche Telekom in Germany and Wanadoo in France, continued to increase the business. In Q1 the Group announced new partnerships with Medinet (Slovenia), InterViVo (UK), Axelero (Hungary) and Raiffeisen OnLine (Italy). The total number of announced Service Provider partnerships now exceeds 20.

At CeBIT fair T-Com, the fixed networks division of Deutsche Telekom, launched a new product T-TeleSec Server and Desktop Security that offers content security in one integrated solution for small and medium-sized companies based on F Secure's products.

#### Product Leadership

The Group's newest product releases have continued to enjoy success in the industry press. Both the F-Secure Client Security and the F-Secure Internet Security 2004 product received a large amount of highly positive reviews by PC magazines in the UK, Germany and Sweden.

#### Personnel and Organization

The Group's personnel numbered 284 at the end of the quarter (283 at the end of 2003).

#### Financing

The Group's financial position remained strong. The Group's equity ratio on March 31, 2004, was 80 % (75% on March 31, 2003). Financial income was 0.4m for 1Q04 (0.2m in 1Q03).

Cash flow was 3.7m positive for the quarter. The liquid assets of the Group were 43.3m on March 31, 2004 (39.5m on December 31, 2003 and 35.0m on March 31, 2003).

The change in the USD-EUR exchange rate had a negative effect on 1Q04 revenues and results.

#### Investments

In Q1, the Group's investments were 0.2m (0.3m in 1Q03). The investments consisted mainly of IT hardware and software.

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

In Q1, A total of 209,775 F-Secure shares were subscribed for with the B warrants and 68,035 F-Secure shares with the C warrants attached to the F-Secure 1998 Warrant Plan. The issue of the 1998 Warrant Plan was approved by the Annual General Meeting of April 30, 1998, respectively.

In aggregate the number of shares was increased by 277,810. The corresponding increase in the share capital, in total EUR 2,778,10 was registered in the Finnish Trade Register on January 15, 2004. As a result of the increase, the share capital of F-Secure was EUR 1,468,109.14 on March 31, 2004 and the total number of shares was 146,810,914. F-Secure received as additional shareholders' equity a total of EUR 31,591,97. The corresponding number of shares fully diluted would be 163,230,484, including all stock option programs.

In April, after the reporting period, a total of 1,381,132 new shares were entered into the Trade Register. The corresponding increase in the share capital was EUR 13,811.32. As a result of the increase, the share capital of F-Secure currently is EUR 1,481,920.46 and the total number of shares is 148,192,046. F-Secure received as additional shareholders' equity a total of EUR 243,034.21.

#### 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.

#### Future Outlook

The Group's key goal is to continue to grow the content security business faster than the industry. The current focus in corporate business is on Europe, the Group's home market. The Security as a Service business and web sales (e Store) will have a 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 mobile security business is improving towards the end of 2004 through increased operator awareness in mobile security issues. Strong growth in all other areas of content security is expected to continue. The encryption business is expected to continue its decline from 2003 levels.

The management expects an improvement in EBIT for the full year 2004 compared to 2003. 2Q04 revenues are estimated to be around 10m, with an error margin of +/-10%. The estimates are based on the sales pipeline at the time of publishing, existing subscriptions and support contracts, previous experience on the annual sales pattern and a EUR/USD exchange rate of 1.25.

The Group is currently prioritizing growth before earnings and it will maintain the increased level of activities in sales and marketing. Fixed costs are estimated to be over 9 million euros in Q2.

#### Decisions of the Annual General Meeting

##### Dividend

The Board of Directors' proposal not to issue a dividend was accepted.

##### Matching retained earnings from share premium

It was decided to match retained earnings from share premium.

##### Members of the Board and Auditors

It was decided that the annual compensation for the member is 14,000 EUR and 10,000 stock options and for the chairman 21,000 EUR and 15,000 share options. Members of the board that are employed by the Group will not be compensated. Travelling expenses will be paid according to the company's travel policy.

It was decided that there would continue to be five Board members. The following members were re-elected: Mr. Pertti Ervi, Mr. Risto Siilasmaa, Mr. Antti Vasara and Mr. Matti Virtanen. Mr. Alex Sozonoff was elected as a new member. Ari Hyppönen was re-elected deputy member. The Board elected in the first meeting Mr. Pertti Ervi as Chairman of the Board.

It was decided that auditor's fee and travel expenses will be paid against approved invoice. Ernst & Young Oy was elected the Group's auditors. APA, Mr. Tomi Englund is acting as responsible partner. Authorizing the Board of Directors to increase the share capital of the company

The Board was authorized to increase the share capital of the Company as follows:

- The duration and purpose of the authorization

The Board is authorised during the period of one (1) 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 rights. As a result of such share issues, 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 70,000 EUR, in which case a maximum amount of 7,000,000 shares may be issued.

- Deviation from subscription rights

The shares, convertible bonds or option rights may be offered to be subscribed by deviating from the subscription rights of the shareholders. This deviation from the subscription rights is proposed for the purpose that the company may fund its possible acquisitions which are of strategic importance by way of share arrangements, or strengthen its financing and capital structure, or create incentive programs for Group's employees.

- Determination of the subscription price

The subscription price for the shares issued in the share capital increase and converted or subscribed on the basis of convertible bonds or option rights is determined by the Board of Directors. At minimum, the subscription or conversion price per share is the counter book value of the share. To the extent the authorization is used to create incentive systems for the personnel of the Group, the subscription price is determined by the Board of Directors so that it is based on the market price of the share. - Payment of the subscription price

The Board may accept as payment also a set-off or provision of other assets (in-kind contributions).

- Previous authorization

The proposal of the Board includes also that the unused portion of the authorisation given in the Shareholders' meeting on the March 26, 2003, will be cancelled simultaneously with the registration of the new authorization.

### Updating Articles of Association

The updating was approved as proposed by the board except regarding the publishing the call. The nature of the changes is technical and related to schedules to match the latest changes in corporate law. It was also decided that the meeting is to be called either by letters mailed to the addresses entered in the Shareholders' Register or by publishing the call to the meeting in one Finnish-language national daily paper selected by the Board of Directors and publishing the call on company's web pages.

Key figures:

Key figures (unaudited):

Euro million

Income statement	2004	2003	Chge	2003
	1-3	1-3	%	1-12
Revenues	10.5	9.1	16	39.0
Cost of revenues	0.8	1.0	-14	4.4
Gross margin	9.7	8.1	20	34.6
Sales and marketing*	6.0	5.5	9	22.3
Research and development*	2.4	2.3	8	9.0
Administration*	0.7	0.7	8	2.6
Other operating income	0.2	0.1		0.9
Operating result	0.8	-0.2		1.5
Financial income and expenses	0.4	0.2		1.1
Profit (loss) before extraordinary items	1.2	0.0		2.7
Extraordinary items +/-**	-	-		1.7
Result before taxes	1.2	0.0		4.3
Income taxes	0.0	-0.0		-1.2
Result for the period	1.2	0.0		3.2

\*The stock option related social security expenses have had no effect.

\*\*The effect of the change in accounting method relevant to IAS/IFRS in mandatory provision for the social security expenses have been recorded as an extraordinary item.

BALANCE SHEET

ASSETS	31/3/2004	31/3/2003	31/12/2003
Intangible assets	0.8	1.2	0.9
Tangible assets	1.3	1.4	1.2
Investments	0.1	0.2	0.1
Short-term receivables	10.2	11.4	12.2
Cash and bank accounts	43.3	35.0	39.5
Total	55.7	49.1	53.9
LIABILITIES AND SHAREHOLDERS' EQUITY	31/3/2004	31/3/2003	31/12/2003
Total shareholders' equity	31.7	26.9	30.2
Mandatory provisions	0.2	1.9	0.2
Deferred revenues	16.2	13.0	15.2
Other current liabilities	7.7	7.3	8.3
Total	55.7	49.1	53.9
Cash flow statement	31/3/2004	31/3/2003	31/12/2003
Cash flow from operations	3.6	0.8	5.8
Cash flow from investments	-0.2	-0.2	-0.7
Cash flow from financing activities	0.2	0.1	0.3
Change in cash	3.7	0.7	5.3
Cash and bank at 1 Jan	39.6	34.3	34.2

Cash and bank at 31 Mar	43.3	35.0	39.5
Key ratios	2004	2003	2003
	3 m	3 m	12 m
Operating result, % of revenues	7.6	-2.1	3.9
ROI, %	15.7	3.3	11.5
ROE, %	15.0	-0.1	7.0
Equity ratio, %	80.1	74.5	78.1
Debt-to-equity ratio, %	-136.7	-129.9	-130.7
Earnings per share (EUR)	0.01	-0.00	0.01
Earnings per share diluted	0.01	x)	0.01
Shareholders' equity per share, e	0.22	0.19	0.21
P/E ratio	178.8	-	97.1
Investments (Meuro)	0.2	0.3	0.6
Contingent liabilities (Me)*	16.0	17.2	15.4
Personnel, average	283	304	295
Personnel, Dec 31	284	303	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
Revenues	9.1	9.1	10.1	10.8	10.5
Cost of revenues	1.0	1.1	1.3	1.1	0.8
Gross margin	8.1	8.0	8.8	9.7	9.7
Sales and marketing	5.5	5.6	5.3	6.0	6.0
Research and development	2.3	2.3	2.1	2.3	2.4
Administration	0.7	0.7	0.6	0.6	0.7
Other operating income	0.1	0.2	0.1	0.5	0.2
Operating result	-0.2	-0.4	0.8	1.3	0.8
Financial income and expenses	0.2	0.2	0.2	0.5	0.4
Profit (Loss) before extraordinary items	0.0	-0.2	1.1	1.8	1.2

#### Financial Reporting

A press and analyst conference will be arranged today, April 27, 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 1530 Finnish time (1430 CET, 1.30 pm UK time). Instructions can be found at <http://www.europe.f-secure.com/investor-relations/>

Quarterly reports for 2004 will be published on August 3 (Q2) and October 26 (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

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