

## **F-Secure Corporation Announces Year 2000 Financial Results**

### **Strong Growth Continues, Progress Made to Establish Wireless Security Leadership**

**Espoo, Finland - February 21, 2001**

For the 4th quarter of 2000, F-Secure reported revenues of 12.4 million euros. This represents an increase of 57% from 7.9 million in the fourth quarter of 1999, and an increase of 14% over the previous quarter. Revenues for the full year 2000 were 41.1 million (23.3), an increase of 76% from the previous year. Focus on customer success increased customer satisfaction numbers of technical support customers from 3.40 to 3.84 on a scale of 1 to 5.

Operating loss for Q4 was 3.6 million euros (-1.9). For the full year 2000, operating result was -13.3 million euros (-4.0) including the positive effect of stock option related social security expenses of 0.2 million euros. In providing for the social security charges, the option programs have still been valued at the market price prevailing on September 30th.

Overall, the entire year represented good growth of revenues in all regions. The Group signed numerous customer deals and significant partnerships in its key markets on national, regional and global levels. However, the last two weeks of December were very difficult in North America as, in the wake of fast deteriorating US economic situation, many customers postponed purchasing decisions of large software licenses of encryption products. In the US, the Group was investing for and expecting a higher growth in Q4 and was disappointed by the adverse development in the market. In Europe, Q4 sales remained strong. Due to slightly exceeding budgeted costs and missing the sales target in the US, profitability turned out to be disappointing.

During 2000 F-Secure launched a Customer Advocacy (CA) organization or function to assure customer success in the use and deployment of F-Secure's data security solutions. Its goals are to provide exceptional customer support on a global basis, to positively effect customer relationships through customer facing electronic tools and systems and to provide qualified customer feedback to improve the quality and timeliness of key business decisions. CA has measured technical support customer satisfaction since July 2000 for every email and phone support contact. During that time customer satisfaction has improved continuously, from 3.40 to 3.84 from July through December, on a scale of 1 to 5.

The Group continued building its leadership in Wireless Security space. The Group launched the world's first wireless content security products on the Symbian EPOC(R) and Palm OS(R) platforms, and these products remain the technically most advanced in the market, with automated, device resident, real-time scanning and signature updating capabilities.

In the Managed Security Services area, the Security as a Service (SaaS) partnerships signed in 1999 and 2000 brought their first revenues. The SaaS business represented 2% of the Group's revenue for the full year. The group launched a subsidiary, F-Secure Online Solutions (F-SOS), in August 2000 to deliver managed security services to and through service providers. The subsidiary has performed well building its operational capability and infrastructure. F-SOS has stayed on budget throughout the year.

F-Secure's partner channel also continued to strongly evolve during the year. F-Secure Solutions Provider (FSSP) program was introduced to the markets and a large number of new FSSP partnerships were launched in the key strategic markets. In key European markets (UK, France, Germany) the number of certified FSSPs grew to 24.

Total fixed expenses - excluding social expenses for stock options – grew in Q4 by 17 % versus the previous quarter.

In addition to the recognized revenues, the Group has 10.4 million euros of deferred revenues on its balance sheet. The deferred revenues are a result of existing support contracts where the actual support activity will take place in the months ahead.

The geographical breakdown of revenues for the full year of 2000 (compared to 1999) was as follows: North America 41% (33%), Nordic Countries 27% (33%), Rest of Europe 23% (26%), and Rest of the World 9 % (8%). Anti-virus products represented 47% (60%) of the revenues, encryption 44% (40%), and other products 9% (0%).

#### Key Events in Q4

During the quarter, the Group continued to reinforce its presence in its key markets and attain new customers. The Group signed a Security as a Service partnership with the Swiss GSM operator diAx for the PersonalExpress solution. The Group also started a Security as a Service partnership with Concert, a joint venture between AT&T and British Telecom, to provide F-Secure's solutions as one part of the Concert IP Secure concept. The largest facilities management company in the Nordic Countries, TietoEnator, also became a Security as a Service partner.

A systems integration deal with Sprint Enterprise Network Services (Sprint SENS) was announced to jointly deliver a comprehensive solution to help their healthcare customers comply with the US Health Insurance Portability and Accountability Act (HIPAA). The Group also signed a global F-Secure Solutions Provider (FSSP) partnership with Siemens ICN (Integrated Communications Networks) division.

Major corporate customer deals include Tesco in the UK, BASF and Aachner-Münchener in Germany, Société Générale in France and Charles Schwab in the U.S.

In October, the Group announced its first partner to integrate their software on the F-Secure Policy Manager platform. Finjan Software Incorporated will integrate its SurfinShield proactive behaviour blocking software on F-Secure's leading security management platform. Proactive, application-level protection is becoming critical in fighting the increasingly intelligent network worms and viruses of today.

#### Personnel and Organization

The Group's personnel grew to 427 (from 415 at the end of Q3) of which the personnel of F-Secure Online Solutions accounted for 18 (5) employees

#### Financing

The Group's financial position remained strong during the quarter. The Group's equity ratio on December 31, 2000, was 78 % (compared to 76 % at the end of 1999). Financial income for the year 2000 was 1.4 m euros (0.9). The liquid assets of the Group on December 31, 2000 were 38.4m euros.

#### Investments

For the year 2000 the Group's investments were 3.4 m euros (3.0). The investments were mainly in IT hardware and software.

#### Shares, shareholders' equity, preferred capital note and option programs

The Extraordinary Shareholders' Meeting on December 29th, 2000, accepted the Board of Directors' proposal that the unused portions of the authorization to increase share capital given in the Annual Shareholders' meeting on April 12, 2000, will be cancelled and that the Board of Directors will be authorized, during the period of one (1) year from the date of the shareholders' meeting, to increase 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. The authorization remains totally unused.

During 2000, a total of 6,600,214 new F-Secure Corporation shares were entered into the Trade Register. 3,488,749 of those were subscribed with the warrants attached to the F-Secure Option Programs, 2,404,000 by the conversion of the F-Secure Corporation 1999 Preferred Capital Note and 707,465 were a result of a direct issue to the selling shareholders of Modera Point. The entire Preferred Capital Note has been converted into shares.

The number of shares was 140,628,589 at the end of January 2001. The number of shares fully diluted would be 163,256,465, including all stock options programs.

#### Key Events in Early Q1

In early 2001, F-Secure Online Solutions subsidiary announced their first major deal with Elisa Communications to provide anti-virus and distributed firewalls with Elisa's ADSL (Asymmetric Digital Subscriber Link) based service offering.

NEC Business Network Solutions, Inc. (NEC BNS) became an F-Secure Solutions Provider to enhance the service solutions of NEC BNS in the North American market.

In February, the project delivery team of the Group's Security as a Service Business Unit and F-Secure Online Solutions (F-SOS) Subsidiary were merged and streamlined into one organisational unit under F-SOS.

#### Future Outlook

The Group expects to continue to grow faster than the security software market and remains confident about its goals. The key emphasis for the Group going forward is to become a true leader in the area of wireless security and resources are refocused to this area.

The current uncertainty in the US economy will affect the Group's growth in the first half of 2001. As the US represents a significant percentage of the Group's overall revenues, the management believes year-on-year growth will only be 50% in the first half of 2001. The growth is expected to accelerate towards the end of the year as the US situation improves.

The management believes that the consolidation of the Group's project delivery organizations under F-SOS will speed up Security as a Service revenue generation starting in the first quarter 2001 with lower costs than budgeted earlier. The new F-SOS will present an operating loss of approximately 1.0 million euros in Q1 2001 compared to 0.4 million euros in Q4 2000. F-SOS revenues will start ramping up in Q1. In line with the statements issued when F-SOS was founded the Group remains open to external strategic investments to F-SOS. F-SOS is expected to become profitable during 2002.

Cost savings initiatives were launched in January as the US sales situation became clear. The company is now putting an equal emphasis on profitability and growth. As a result of cost saving activities the Group expects total expenses to decrease from Q4 to Q1 (excluding F-SOS). The total Group expenses should not grow from Q1 to Q2 (including F-SOS).

Regardless of the slowdown the Group expects to reach EBIT level profitability for the full year 2001 excluding the investment into F-SOS.

Proposals by the Board of Directors to the Annual General Meeting of Shareholders.

#### 1. Dividend proposal

The Board of Directors proposes not to issue dividend for year 2000.

#### 2. Authorization on increase of share capital

The Board of Directors proposes an Authorization of the Board of Directors to decide, within one year of the registration of the resolution of the General Meeting, on the increase of the Company's share capital in one or more issues of new shares, option loans, option rights, or one or more issues of convertible loans warrants. The share capital can be increased by a subscription for or a conversion for up to 280.000 euros. At the same time the Board of Directors proposes to cancel the previous authorization.

### 3. Change in the conditions of option program 1999III

The Board of Directors proposes to change the item II.4. (Prohibition to transfer) so that the warrants are freely transferable after they have become open for share subscription. The total prohibition of transfer has been in the conditions due to the US ISO regulations.

The General Shareholders' meeting will be held on April 3, 2001.

### Financial Reporting in 2001

The interim reports for 2001 will be published as follows: May 8th (Q1), August 7th (Q2) and October 30th (Q3). On each of these days the Stock Exchange bulletin will be sent at 9 am Finnish Time, 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, details to be provided on the Group's web site.

#### Key figures :

Income statement Euro million	2000 9-12	1999 9-12	2000 1-12	1999 1-12	Change %
Revenues	12.4	7.9	41.1	23.3	76
Cost of revenues	1.9	0.7	6.0	3.6	66
Gross Margin	10.4	7.2	35.1	19.7	78
Sales and Marketing*	9.2	5.7	31.4	13.6	132
Research and Development*	3.7	2.8	12.7	8.3	54
Administration*	1.1	0.8	4.2	2.3	85
Other Operating Income	0.0	0.2	0.0	0.4	
Operating result	-3.6	-1.9	-13.3	-4.0	
Financial Income and Expenses	0.6	0.0	1.4	0.9	
Profit (Loss) Before Extraordinary items	-3.0	-1.9	-11.9	-3.1	
Extraordinary items +/- **	0.0	-5.9	-0.5	-5.9	
Result Before Taxes	-3.0	-7.9	-12.3	-9.0	
Income Taxes	-0.4	-0.2	-0.8	-0.3	
Result for the Period	-3.4	-8.1	-13.1	-9.3	

\* Net effect of social charges relating to option programs is 0.2 million euros positive for the period 1-12/2000

\*\* The provision for the social security costs of U.S. options, which are included this year for the first time, have been recorded as an extraordinary item due to a change in accounting principles.

#### BALANCE SHEET

ASSETS	31/12/2000	31/12/1999
Intangible assets	1.9	0.9
Tangible assets	3.3	2.7
Investments	0.3	0.2

Receivables	13.9	9.6
Cash and Bank Accounts	38.4	52.8
Total	58.0	66.3

#### LIABILITIES AND SHAREHOLDERS' EQUITY

	31/12/2000	31/12/1999
Total Shareholders' Equity	37.2	44.1
Convertible Capital Notes	-	5.0
Mandatory Provisions	2.0	2.5
Non-Current Liabilities	0.0	0.1
Advance Payments	10.4	8.0
Other Current Liabilities	8.4	6.6
Total	58.0	66.3

Key ratios	2000	1999
	12 m	12 m
Operating result, % of Revenues	-32.4	-17.3
ROI, %	-25.3	-10.9
ROE, %	-31.1	-14.3
Equity ratio, %	78.2	75.7
Debt-to-equity ratio, %	-103.2	-108.1
Earnings per Share (EUR)	-0.09	-0.03
Earnings per Share Diluted (x) Shareholders' equity per Share, e	0.26	0.33
Investments (euro million)	3.4	3.0
Contingent liabilities (Me)*	23.6	23.4
Personnel, average	399	226

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

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

#### Quarterly development

	1/99	2/99	3/99	4/99	1/00	2/00	3/00	4/00
Net sales	4.0	5.5	5.9	7.9	8.1	9.8	10.9	12.4
Material and Service	0.7	0.9	1.3	0.7	1.3	1.4	1.3	1.9
Gross Margin	3.3	4.6	4.6	7.2	6.8	8.4	9.5	10.4
Sales and Marketing	1.9	2.7	3.3	5.7	7.8	7.8	6.6	9.2
Research and Development	1.5	1.9	2.0	2.8	2.9	3.2	3.0	3.7
Administration	0.3	0.7	0.5	0.8	1.1	1.2	0.8	1.1
Other Operating Income	-	0.2	-	0.2	0.0	0.0	0.0	0.0
Operating result	-0.4	-0.5	-1.2	-1.9	-5.1	-3.8	-0.8	-3.6
Financial Income and Expenses	0.3	0.1	0.6	0.0	0.1	0.0	0.7	0.6
Profit (Loss) Before Extraordinary items	-0.1	-0.4	-0.6	-1.9	-5.0	-3.8	-0.1	-3.0

F-Secure Corporation

Board of Directors

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