

F-SECURE GROUP'S FINANCIAL RESULTS JANUARY 1 - SEPTEMBER 30, 2003

Strong growth in anti-virus, excellent growth in service subscriptions through ISPs, moderate encryption sales

Highlights in Q3 2003 (comparisons made to the same period one year ago):

- Revenues in Q3 10.1m (9.6m), in first nine months 28.2m (28.7m)
- Anti-virus revenues increased by 32% in Q3 and by 15% in first nine months of 2003
- Anti-virus revenues achieved the industry's fastest growth rate in Europe during Q3 with a y-to-y growth rate of over 40%
- Encryption business declined by 32% in Q3 and by 27% in first nine months of 2003
- 10th consecutive quarter with approximately 20% growth from the previous quarter in the Security as a Service business
- Security as a Service revenues increased by 153% in Q3
- EBIT 0.8m positive (0.3m negative), 0.2m positive for first nine months (2.4m negative)
- Profit before extraordinary items 1.1m positive (0.1m negative), 0.9m positive for first nine months (1.8m negative)
- Cash flow 0.8m positive

Business In Brief

The anti-virus business grew strongly during Q3. This was due to newly established European channels in the consumer and small business segments, and to the Group's quality products and leading anti-virus laboratory. The increased awareness due to the global virus epidemics in August helped sales in markets where the company's products are widely available. Encryption revenues were moderate with a slight increase from Q2 revenues, but a clear decrease from the previous year. Maintenance and support sales remained at a moderate level.

For the third quarter of 2003, F-Secure reported revenues of 10.1 million euros. This represents an increase of 11% from the previous quarter and 5% from the third quarter of 2002. The Group's deferred revenues increased by 0.5 m€ at the end of the quarter (3Q03 13.3m, 2Q03 12.8m).

The operating result turned positive and was EUR 0.8 million for the third quarter (0.3m negative in 3Q02 and 0.4m negative in 2Q03).

The anti-virus revenues grew strongly, by 32% in the third quarter and by 15% in the first nine months of 2003. The number of anti-virus service subscriptions continued to show excellent growth and related revenues grew by 153% in the third quarter compared to the same period a year ago.

The encryption business declined by 32% in the third quarter and by 27% in the first nine months compared to the same period a year ago.

Awareness about handheld and wireless security threats increased during the quarter.

The total fixed expenses were 8.1m in the third quarter (compared to 8.6m in 3Q02). Regardless of the cost reductions the Group continues to invest strongly into research and development.

Customer satisfaction has remained at high levels. In the annual customer satisfaction survey where 4282 customers in 24 countries were interviewed F-Secure got the following grades (on a

scale 1-5): F-Secure as a company: 4.31 (4.27 in 2002); the willingness to recommend F-Secure's products: 4.36 (4.34 in 2002).

The geographical breakdown of revenues in the first nine months was as follows (compared to the first 9 months in 2002): North America 25% (31%), Nordic Countries 33% (33%), Rest of Europe 31% (28%), and Rest of the World 11% (8%). Anti-virus business represented 68% (58%) of the revenues, while encryption represented 30% (40%), and other products 2% (2%).

Security as a Service

The Security as a Service business (service subscriptions through ISPs) grew steadily. The third quarter of 2003 was the 10th consecutive quarter with approximately 20% quarterly growth in this business area. In the third quarter service subscriptions accounted for 13% of anti-virus revenues and annual growth was 153% compared to the third quarter last year.

After the reporting period, the Group announced partnerships with Czech Telecom (Czech Republic), TDC Cable (Denmark) and BlueCom (Norway).

The Group currently has 17 public ISP partners in nine countries.

New Customers and Partners

Some key wins during the quarter include US Department of Defense, and the City of Tampere (Finland)

Some of the key partnerships in the European Small and Medium Businesses and consumer market gained leverage through the introduction of the Group's new products. These partners include Techdata (Sweden), Ingram Micro Data (Sweden), Komplett (Norway), Norsoft (Denmark) and Varcity (France).

Product Leadership

The Group's anti-virus research team's role was instrumental in cracking down the potentially very dangerous Sobig.F virus together with FBI and CERT organizations around the world.

The F-Secure Anti-Virus Client Security product was piloted by first SMB customers in early Q3. It contains anti-virus, email scanning, stateful inspection firewall, intrusion detection and application control with centralized management in one single package. The F-Secure Internet Gatekeeper anti-virus gateway product for web and email traffic was also introduced. These two comprise the most important product introductions for the year 2003.

F-Secure Anti-Virus Client Security received the Editor's Choice award from PCPlus Magazine in the UK. This was the first test this product participated in.

After the reporting period, the Group announced F-Secure Mobile Services™, a platform for hosting automatic subscription-based wireless security services with a patented SMS update mechanism and F-Secure Anti-Virus for Series 60, a fully automatic security solution that offers transparent real-time protection against harmful content locally on the Symbian OS™ device.

Personnel and Organization

In August the Group concluded employee negotiations according to the Finnish Labour Statute with the goal to seek cost savings to ensure the continuation of positive cash flow. The negotiations resulted in a headcount reduction of 14 people in R&D, Customer Advocacy and Business Information Services. In addition, 4 employees' working contracts were converted into part-time contracts.

The Group's personnel numbered 284 at the end of the quarter (303 at the end of 2Q03).

At the end of September 2003, the Group's Executive Team consisted of the following persons: Mr. Risto Siilasmaa (President & CEO), Mr. Kimmo Alkio (COO), Mr. Ilkka Starck (Executive Vice President, North America), Mr. Pirkka Palomäki (Vice President, R&D), Mr. Seppo Rantanen (Director, Human Resources) and Mr. Taneli Virtanen (CFO).

Financing

The Group's financial position remained strong throughout the quarter. The Group's equity ratio on September 30, 2003, was 75 % (72% on September 30, 2002). Financial income was 0.6m for first nine months of 2003 (0.6m in the first nine months of 2002).

Cash flow was 0.8m positive for the quarter. The liquid assets of the Group were 36.1m on September 30, 2003 (35.3m on June 30, 2003).

The change in the USD-EUR exchange rate had negative impact on the revenues and slightly on results. The exchange rate has weakened over 15% compared to the previous year.

Investments

In the first nine months of 2003, the Group's investments were 0.5 m euros (0.9m in the first nine months of 2002). The investments consisted mainly of IT hardware and software.

Shares, Shareholders' Equity, and Option Programs

During the third quarter a total of 283,990 F-Secure shares were subscribed for with the B warrants and 95,313 F-Secure shares with the C warrants attached to the F-Secure 1998 Warrant Plan.

In aggregate the number of shares were increased by 379,303. The corresponding increase in the share capital, in total EUR 3,793.03 was registered in the Finnish Trade Register on August 21, 2003.

After the reporting period a total of 263,730 F-Secure shares were subscribed for with the B warrants and 45,366 F-Secure shares with the C warrants attached to the F-Secure 1998 Warrant Plan.

In aggregate the number of shares were increased by 309,096. The corresponding increase in the share capital, in total EUR 3,090.96 was registered in the Finnish Trade Register on October 15, 2003.

As a result of the increases, the share capital of F-Secure currently is EUR 1,460,012.71 and the total number of shares is 146,001,271. F-Secure has received as additional shareholders' equity a total of EUR 78,283.02

The corresponding number of shares fully diluted would be 163,230,484, including all stock option programs.

Relationship with SSH Communications

After the expiration of the three-year exclusivity at the end of September 2003 between the Group and SSH Communications Limited, SSH Communications has ceased to pay royalties to the Group. The corresponding impact on gross margins would have been ca. 0.3m with Q3 revenue levels. This is less than the average of 0.6 m estimated in the previous interim report.

F-Secure will continue its F-Secure SSH business normally on a non-exclusive basis and will continue to benefit from the leading market position achieved over the last five years.

Partnership with Pointsec Mobile Technologies

The Group announced a deal with Pointsec Mobile Technologies for exclusive rights to sell and develop the Group's FileCrypto product family. Remuneration will take place in the form of advance and sales based royalty payments. These royalties have no impact on revenues for first nine months of 2003, slight impact going forward. Pointsec will also represent the Group's anti-virus solutions to its customer base.

Future Outlook

In 2003 and 2004 the Group's key goal is to grow the anti-virus business faster than the industry in the European Small and Medium Businesses and consumer market. This will be accomplished through leveraging the existing service provider partnerships and increasing the number of reselling partners in selected countries.

4Q03 revenues are estimated to be 10.5 million euros, with an error margin of +/- 10%. The estimates are based on the sales pipeline at the time of publishing, existing subscriptions and support contracts, and previous experience on the annual sales pattern.

Fixed costs are estimated to be approximately at the level of 8.5 million euros in 4Q03.

The management expects a positive EBIT for the full year 2003.

Going forward, the product focus will grow around the anti-virus core in both the traditional PC environment as well as the new wireless platforms. In addition to the current distributed firewall, application control and intrusion prevention features, new features in the area of anti-spam and parental control will be added.

In 2004 the Group is expecting an improvement in gross margins through rationalizing product structures. This will represent over EUR 1m savings in annual royalty payments.

In 2004, the wireless security area is expected to start growing while the encryption business area is expected to remain volatile.

Key figures (unaudited):

Euro million

Income statement	2003	2002	2003	2002	Chge	2002
	7-9	7-9	1-9	1-9	%	1-12
Revenues	10.1	9.6	28.2	28.7	-2	38.5
Cost of revenues	1.3	1.3	3.3	3.7	-10	4.6
Gross margin	8.8	8.3	24.9	25.0	0	33.9
Sales and marketing	5.3	5.6	16.3	17.8	-8	23.4
Research and development	2.1	2.4	6.7	7.5	-10	9.8
Administration	0.6	0.6	2.0	2.3	-14	2.9
Other operating income	0.1	0.1	0.4	0.2		0.4
Operating result	0.8	-0.3	0.2	-2.4		-1.7
Financial income and expenses	0.2	0.2	0.6	0.6		0.8
Profit (loss) before extraordinary items	1.1	-0.1	0.9	-1.8		-0.9
Extraordinary items +/-	-	-	-	-		-

Result before taxes	1.1	-0.1	0.9	-1.8	-0.9
Income taxes	-0.0	-0.0	-0.1	-0.1	-0.1
Result for the period	1.0	-0.1	0.8	-1.9	-1.0

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

BALANCE SHEET

ASSETS	30/9/2003	30/9/2002	31/12/2002
Intangible assets	1.0	1.7	1.2
Tangible assets	1.2	1.8	1.6
Investments	0.2	0.2	0.2
Short-term receivables	11.7	11.4	12.5
Cash and bank accounts	36.1	32.7	34.4
Total	50.2	47.7	49.8

LIABILITIES AND

SHAREHOLDERS' EQUITY	30/9/2003	30/9/2002	31/12/2002
Total shareholders' equity	27.7	25.8	26.8
Mandatory provisions	1.9	1.9	1.9
Non-current liabilities	-	-	-
Advance payments	13.3	11.9	13.2
Other current liabilities	7.3	8.0	7.8
Total	50.2	47.7	49.8

Cash flow statement	30/9/2003	30/9/2002	31/12/2002
Cash flow from operations	2.2	2.3	3.9
Cash flow from investments	-0.5	-0.9	-1.0
Cash flow from financing activities	0.2	0.4	0.6
Change in cash	1.9	1.8	3.6
Cash and bank at 1 Jan	34.2	30.8	30.8
Cash and bank at 3 Sep	36.1	32.7	34.4

Key ratios	2003	2002	2002
	9 m	9 m	12 m
Operating result, % of revenues	0.8	-8.4	-4.5
ROI, %	6.7	-8.1	-1.3
ROE, %	3.8	-9.4	-3.6
Equity ratio, %	75.1	72.2	73.4
Debt-to-equity ratio, %	-130.3	-126.7	-128.1
Earnings per share (EUR)	0.01	-0.01	-0.01
Earnings per share diluted	x)	x)	x)
Shareholders' equity per share, e	0.19	0.18	0.19
Investments (Meuro)	0.5	0.9	1.2
Contingent liabilities (Me)*	16.2	18.4	17.9
Personnel, average	299	317	315

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

	1/02	2/02	3/02	4/02	1/03	2/03	3/03
Revenues	10.0	9.1	9.6	9.9	9.1	9.1	10.1
Cost of revenues	1.1	1.2	1.3	0.9	1.0	1.1	1.3
Gross margin	8.8	7.9	8.3	8.9	8.1	8.0	8.8
Sales and marketing	6.1	6.0	5.6	5.6	5.5	5.6	5.3
Research and development	2.6	2.5	2.4	2.3	2.3	2.3	2.1
Administration	0.9	0.8	0.6	0.6	0.7	0.7	0.6
Other operating income	0.1	0.1	0.1	0.2	0.1	0.2	0.1
Operating result	-0.7	-1.4	-0.3	0.7	-0.2	-0.4	0.8
Financial income and expenses	0.1	0.3	0.2	0.3	0.2	0.2	0.2
Profit (Loss) before extraordinary items	-0.6	-1.1	-0.1	0.9	0.0	-0.2	1.1

Reporting

A press and analyst conference will be arranged today, October 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 14.00 Finnish time (13.00 CET, 12.00 am UK time). Instructions at: <http://www.europe.fsecure.com/investor-relations/>

Financial Reporting in 2004

The Q4 and full year 2003 financial report will be published on February 12, 2004, and the Annual Report on March 16. Annual General Meeting will be held on March 24. Quarterly reports for 2004 will be published on April 27 (Q1), 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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