



F-Secure Group January 1 - December 31, 2007 Financial Results

Year of strong growth and solid profitability, successful execution in ISP segment

(Unless otherwise stated comparisons are made to the same period one year ago. The currency is euro. The audited full year financial report will be announced together with the Board proposals to the annual general meeting on February 14, 2008)

Q4 Highlights

- Total revenue growth was 18% and resulted in an all-time high quarterly revenue of 26.0m
- ISP business growth was 7% quarter over quarter, and 38% year over year, reaching revenues of 10.1m
- EBIT increased to 5.5m, 21% of revenues (0.7m negative)
- Cash flow positive 5.2m (5.4m positive)
- Customer satisfaction survey result 4.1 (scale 1-5)

2007 Highlights

- Total revenue growth was 20% and resulted in an all-time high annual revenue of 96.8m
- ISP business growth was 38% year over year, reaching revenues of 35.9m
- EBIT increased by 120% to 19.5m, 20% of revenues
- Cash flow positive 17.6m (5.4m positive)
- EPS EUR 0.10 (EUR 0.05)

Business at the Group level during the full year of 2007 (unaudited figures)

For the full year 2007 total revenues were 96.8m (80.7m), representing 20% growth. EBIT was 19.5m (8.9m including the 4.8m write-off of Network Control product) and 20% of revenues, representing 120% growth. Cash flow was 17.6m positive (5.4m positive). Deferred revenues were 31.9m at the end of the quarter (29.1m at the end of 3Q2007).

The annual revenues were in line with the given guidance at the beginning of 2007 (guidance 95m +/-10%). The profitability was better than guided at the beginning of 2007 (guidance 14-18% of revenues).

The total costs were 70.6m (65.2m including the 4.8m write-off of Network Control product), representing 8% growth. The Group capitalizes some of its development expenses according to the accounting rules. This had no material impact on the cost level.

The geographical breakdown of the business was as follows: Nordic Countries 39% (37%), Rest of Europe 43% (44%), North America 9% (10%) and Rest of the World 9% (9%). Anti-virus and intrusion prevention represented 99% of the total revenues.

ISP channel in Q4 and 2007

Strong development in the Service Provider business continued and a total of 7 new ISP partnerships were signed in Q4. The total number of ISP partners was 166 operating in 36 countries at the end of 2007. New service provider partnerships announced in Q4 include Airtel India, Sify India and Irish Broadband.

In the fourth quarter of 2007, revenues through the Internet Service Provider (ISP) partners were 10.1m (7.3m), representing 39% of the total revenues (33%) and a growth of 38% from the previous year. The quarter-over-quarter revenue growth was 7% (10% in 3Q2007). The quarterly growth was negatively affected by a non-recurring billing correction caused by a historical reporting error made by one of the Group's ISP partners.

The annual revenues through the Internet Service Provider (ISP) partners were 35.9m (26m), representing 37% of the total revenues (32%) and a growth of 38% from the previous year.

The total number of the Group's ISP partners is significantly larger than with any other security service vendor. At the end of 2007 the Group's ISP partners held approximately 37% (34%) market share of total high-speed consumer connections in Europe, approximately 10% (10%) in North America and approximately 9% (n/a%) in APAC (Source: Dataxis and F-Secure).

Other channels in Q4 and 2007

The traditional sales channels, including Value Added Resellers, IT Service Providers, Managed Security Service Providers, e-Store and Retail channels performed below expectations during Q4. Revenues were 15.9m (14.7m). This represented 61% of the total revenues (67%) and a growth of 8% from the previous year.

The annual revenues through other channels during 2007 were 60.8m (54.7m) representing 63% of the total revenues (68%) and a growth of 11% from the previous year.

Mobile security in Q4 and 2007

In the fourth quarter F-Secure started a long-term co-operation with Sony Ericsson. Co-operation started with an integration project that positively affected Q4 mobile revenues. The co-operation with Sony Ericsson is also an important element in enabling future mobile revenue streams. Mobile security revenues were at the level of approximately 3% of the Group's total revenues in Q4 and approximately 2% in 2007. These revenues are included in the above-mentioned channel revenues and the percentage figure is shown as an indicator only.

Close co-operation with Nokia and Sony Ericsson together with the current operator partnerships, such as Orange UK, Orange Switzerland, T-Mobile Germany, T-Mobile UK, Swisscom, TeliaSonera and Elisa, is the prime vehicle to make mobile security applications available to a large number of end users. Co-operation initiatives with other major mobile operators are also progressing well.

F-Secure's co-operation with Nokia continued strong. F-Secure Mobile Anti-Virus continues to be available for majority of the currently shipping or upcoming Nokia S60 3rd edition devices, Nseries & Eseries.

Products & Services

Key announcements in Q4 include the launch of the security as a service concept to business customers (Protection Service for Businesses 3.0/3.1) and F-Secure Mobile Anti-Virus 4.0 for Windows Mobile. F-Secure Health Check to Service Providers was pre-released in Q4 and followed by a public launch in January 2008.

During the year F-Secure continued to introduce new solutions and versions to both business and consumer customer segments, including F-Secure Client Security (for Businesses) and F-Secure Protection Service for Consumers. The consumer flagship product F-Secure Internet Security 2008 was launched in September.

F-Secure continued its good co-operation with Microsoft. The Group was announced the first security partner for Microsoft's Windows Home Server platform. Earlier in the year F-Secure Internet Security 2007 2nd Edition added support for the Microsoft Vista operating system for consumer customers.

Competitive situation

There were no significant changes in the competitive landscape nor in the pricing levels during the year. However, there have been occasional signs of increasing price competition in some countries.

Customer satisfaction

F-Secure updated its annual customer satisfaction survey in Q4. Survey was updated to cover customer and product satisfaction in more detail and it was extended to new areas like user experience. New survey and method provides F-Secure more accurate and detailed information in the following areas: customer demography, overall satisfaction, purchasing experience, support services, F-Secure web, detailed product satisfaction, and user experience.

The overall satisfaction was at good level of 4.1 on a scale from 1 to 5.

Personnel and Organization

The Group's personnel numbered 566 at the end of the Q4 (479).

The Group has re-organized its operations at the beginning of the year 2008. The current Executive Team consists of the following persons: Mr. Ari Alakiuttu (Vice President, Human Resources), Mr. Kimmo Alkio (President and CEO), Mr. Trond Neergaard (Vice President, ISP Operations), Mr. Pirkka Palomäki, (Chief Technology Officer), Mr. Antti Reijonen, (Vice President, Strategy), Mr. Taneli Virtanen (Chief Financial Officer) and Mr. Travis Witteveen (Senior Vice President, Sales and Geography Operations).

Financing

The Group's financial position remained strong. The Group's equity ratio on December 31, 2007, was 82% (80%). Financial income for 2007 was 1.9m (1.5m).

During 2007 cash flow was 17.6m positive after paid dividend of 3.1m (5.4m positive after paid dividend of 10.8m). The market value of the liquid assets of the Group on December 31, 2007 was 84.1m (66.7m).

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

Capital Expenditures

The Group's capital expenditures during 2007 were 2.2m (3.7m). These consisted mainly of IT hardware, software and capitalization of development expenses.

Shares, Shareholders' Equity, and Option Programs

On October 31, the 2002 C3-warrants of F-Secure Corporation were consolidated into 2002 C1/C2-warrants. After that the name of the warrants is F-Secure Corporation 2002 C1/C2/C3 warrants and their ISIN-code is F10009610190.

During Q4, no shares were subscribed for with F-Secure warrants.

After the reporting period, a total of 68,880 F-Secure shares were subscribed for with the A1/A2 warrants and a total of 5,900 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 74,780. The corresponding increase in the share capital, in total EUR 747.80 was registered in the Finnish Trade Register on January 7, 2008. As a result of the increase, the share capital of F-Secure currently is EUR 1,551,311.18 and the total number of shares is 155,131,118. F-Secure received as additional shareholders' equity a total of EUR 46,638. The corresponding number of shares fully diluted would be 161,464,443 including all stock option programs.

The Annual General Meeting decided to decrease share premium by 36m on March 20, 2007. F-Secure Corporation share premium was decreased during the third quarter and the amount (FAS 36,000,000 €, IFRS 33,582,113 €) transferred to the company's distributable equity.

Corporate Governance

F-Secure complies with the Corporate Governance recommendations for public listed companies published in December 2003 by OMX Nordic Exchange Helsinki, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers as explained on the Group's web pages.

In the beginning of 2008, the Board has decided to establish an Audit Committee and an Executive Committee (nomination and remuneration topics). It has nominated Mr. Pertti Ervi to chair the Audit Committee and Ms. Sari Baldauf to chair the Executive Committee.

Risks and Uncertainties in the Near Future

The Group has not seen any material changes to the risks and uncertainties during the reporting period.

The Group's risks and uncertainties are related to, among other things, the competitiveness of the Group's product portfolio, competitive dynamics in the industry, the impact of changes in technology, timely and successful commercialization of complex technologies as new products and solutions, the ability to protect own intellectual property (IPR) in the Group's solutions as well as the use of third party technologies on reasonable commercial terms, subcontracting relationships, regional development in new growth markets, sustainability of partner relationships, service quality level requirements and the overall development of value added security solutions in the Service Provider and mobile operator market.

Future Outlook

The Group's first priority is to drive strong growth. The core growth element is the ISP channel.

The Group continues to invest in new sales and marketing activities to build scalability for future growth especially for the service providers and in the mobile segment. The Group continues to pursue innovations in security related technologies as well as in new services related to the online wellbeing of Internet users.

The quarter-over-quarter growth rate in the ISP business is expected to remain strong, around 10% as a quarterly average in 2008. However, for the first quarter of 2008 the growth rate is expected to be below the planned quarterly average of the year.

In the mobile security business revenues are expected to grow steadily. However, it is expected to remain a small part of the Group's revenues during 2008.

Management expects full year 2008 revenues to be between 110 and 120 million and full year EBIT between 19 and 23% of revenues. In the 2-4-year horizon the Group aims to continue to exceed the average market growth rates in revenues and seeks an EBIT level around 25%.

The first quarter 2008 revenues are estimated to be between 26m and 28m. Fixed costs are estimated not to exceed 20m in Q1.

The revenue estimates are based on the sales pipeline at the time of publishing, existing subscriptions and support contracts and a EUR/USD exchange rate of 1.45.

Financial Reporting

A press and analyst conference will be arranged today, January 30th, 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 on the investor pages of the Group's web site.

The audited financial report for the full year 2007 will be announced together with Boards' proposals to the AGM on February 14, 2008. The Annual Report will be published in mid-March, 2008. The Annual General Meeting will be held on March 26, 2008.

Quarterly reports for 2008 will be published on April 23 (Q1), July 29 (Q2) and October 21 (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

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

Key figures (unaudited):

Euro million

INCOME STATEMENT	2007 10-12	2006 10-12	2007 1-12	2006 1-12	Chge %
Revenues	26.0	22.1	96.8	80.7	20
Cost of revenues	2.0	2.2	7.5	7.3	4
Gross margin	24.0	19.8	89.2	73.4	22
Other operating income	0.4	0.2	0.8	0.6	30
Sales and marketing	11.5	9.8	43.2	38.6	12
Research and development*)	5.7	9.8	21.2	22.5	-6
Administration	1.8	1.2	6.2	4.1	52
Operating result	5.5	-0.7	19.5	8.9	120
Financial net	1.4	1.0	1.9	1.5	
Result before taxes	6.9	0.3	21.4	10.4	
Income taxes	-2.1	-0.5	-5.9	-3.1	
Result for the period	4.8	-0.2	15.4	7.3	

Earnings per share, e 0.10 0.05

EPS, diluted, e 0.10 0.05

*) 1-12/2006 includes impairment loss of 4.8

BALANCE SHEET

ASSETS	31/12/2007	31/12/2006
Intangible assets	3.8	4.5
Tangible assets	3.3	3.2
Other financial assets	0.9	0.9
Non-current assets total	8.0	8.7
Inventories	0.3	0.2
Other receivables	22.1	19.4
Available-for-sale financial assets	71.6	54.7
Cash and bank accounts	12.7	12.2
Current asset total	106.6	86.4
Total	114.7	95.1

SHAREHOLDERS' EQUITY

AND LIABILITIES	31/12/2007	31/12/2006
Equity	67.5	54.2
Other non-current	0.1	0.1
Provisions	1.3	1.2
Deferred revenues	4.8	4.4
Non-current liabilities total	6.2	5.7
Other current	13.8	12.1
Deferred revenues	27.1	23.2
Current liabilities total	40.9	35.2
Total	114.7	95.1

Cash flow statement	31/12/2007	31/12/2006
Cash flow from operations	22.7	19.5

Cash flow from investments	-2.1	-3.5
Cash flow from financing Activities*	-3.0	-10.6
Change in cash	17.6	5.4
Cash and bank at 1 Jan	66.4	61.7
Change in net fair value of Available-for-sale	0.1	-0.4
Cash and bank at 31 Dec	84.1	66.7

* dividends paid/increase in share capital

Statement of changes in shareholders' equity

	share capital	share premium fund	transl. diff.	reval. reserve	unres- tricted reserve	retained earnings	total
Equity on 31.12.2006	1.5	33.7	0.0	-0.1	0.0	19.0	54.2
Available-for-sale financial asset, net				0.1			0.1
Translation diff.			0.0				0.0
Cost of share based payments						0.9	0.9
Profit						15.4	15.4
Dividend						-3.1	-3.1
Exercise of options	0.0	0.1					0.1
Other change							
Equity on 31.12.2007	1.5	-33.6 0.2	0.0	0.0	33.6 33.6	32.2	67.5 0.0

Key ratios	2007 12 m	2006 12 m
Operating result, % of revenues	20.1	11.0
ROI, %	36.3	19.3
ROE, %	25.4	13.1
Equity ratio, %	81.6	80.2
Debt-to-equity ratio, %	-124.6	-123.2
Earnings per share (EUR)	0.10	0.05
Earnings per share diluted	0.10	0.05
Shareholders' equity per share, e	0.44	0.35
P/E ratio	24.6	47.6
Capitalized expenditures (Me)	2.2	3.7
Contingent liabilities (Me)	9.2	11.2
Personnel, average	528	439
Personnel, Dec 31	566	479

Segment information

The Group has only one primary segment; data security.

Quarterly development

	1/06	2/06	3/06	4/06	1/07	2/07	3/07	4/07
Revenues	18.8	19.8	20.0	22.1	23.1	23.3	24.3	26.0
Cost of revenues	1.7	1.6	1.7	2.2	1.9	1.8	2.0	2.0
Gross margin	17.0	18.2	18.4	19.8	21.3	21.6	22.3	24.0
Other operating income	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.4
Sales and marketing	9.6	10.3	9.0	9.8	10.6	11.1	10.0	11.5
Research and development	3.7	4.3	4.7	9.8	5.3	5.3	5.0	5.7
Administration	1.0	0.9	0.9	1.2	1.4	1.6	1.3	1.8
Operating result	2.9	2.8	3.8	-0.7	4.1	3.7	6.2	5.5
Financial net	0.2	0.1	0.1	1.0	0.2	0.3	0.1	1.4
Result before taxes	3.2	2.9	3.9	0.3	4.2	4.0	6.3	6.9

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