



F-SECURE GROUP JANUARY 1- JUNE 30, 2007, FINANCIAL RESULTS

ISP growth accelerated to 11% Q over Q, solid profitability, strong cash flow, full year guidance revised

(Unless otherwise stated comparisons are made to the same period one year ago.)

Q2 Highlights

- Total revenue increased by 18% to a record level of 23.3m
- ISP business growth accelerated to 11% quarter over quarter, and 37% year over year, to 8.6m
- EBIT increased by 31% to 3.7m, 16% of revenues
- Strong cash flow, 5.6m positive

Business at the Group level during the first half of 2007

For the first six months of 2007 total revenues were 46.5m (38.6m), representing 20% growth. EBIT was 7.8m (5.8m), representing 34% growth. Cash flow was 10.9m positive (4.5m negative). Deferred revenues were 30.2m at the end of the quarter (30.1m at the end of 1Q2007).

The total costs were 35.3m (29.8m), representing 18% 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% (43%), North America 9% (11%) and Rest of the World 9% (9%). Anti-virus and intrusion prevention represented 99% of the total revenues.

ISP channel during Q2

In the second quarter of 2007, revenues through the Internet Service Provider (ISP) partners were 8.6m (6.2m), representing 37% of the total revenues (32%) and a growth of 37% from the previous year. The quarter-over-quarter revenue growth accelerated to 11% (6% in 1Q2007).

Strong development in the Service Provider business continued and a total of 7 new ISP partnerships were signed. The total number of ISP partners was 150 operating in 35 countries at the end of Q2.

Most significant new service provider partnerships in Q2 and early Q3 were Optus (Australia), SingTel (Singapore) and NextGenTel (Norway).

The Group's overall share of the entire broadband ISP market is strong. At the end of 2006 the Group's partners held approximately 34% market share in Europe and approximately 10% in North America (Source: Dataxis and F-Secure).

Other channels during Q2

Other channels, including Value Added Resellers, IT Service Providers, Managed Security Service Providers, e-Store and Retail channels performed at the lower end of the range of expectations with a revenue of 14.8m (13.6m). This represented 63% of the total revenues (68%) and a growth of 9% from the previous year.

Mobile security during Q2

The amount of trial users for F-Secure's mobile solutions showed a healthy and accelerating growth, indicating a growing interest in the market.

Despite the growing amount of trial users, and the gradual growth of sales the revenues for mobile security solutions were still a small part, over 1% of the Group's total revenues. They are included in the above mentioned channel revenues and the percentage figure is shown as an indicator only.

Close co-operation with Nokia and the current operator partnerships, such as Orange UK, Orange Switzerland, T-Mobile Germany, T-Mobile UK, Swisscom, TeliaSonera and Elisa, are the prime vehicle to make mobile security applications available to a large number of end users.

F-Secure's co-operation with Nokia continued strong. F-Secure Mobile Anti-Virus was the first antivirus software for the S60 3rd edition operating systems and it will be available for majority of the currently shipping or upcoming Nokia S60 3rd edition devices, Nseries & Eseries.

Products & Services

The latest version of the primary platform product for ISP's, F-Secure Protection Service for Consumers 7, was launched during Q2. It provides a comprehensive set of security applications, including antivirus, antispyware, firewall and parental control, to be offered as a service by ISPs. The new solution has been well received by F-Secure's ISP partners, and the launch has progressed according to plan.

Another significant launch was the F-Secure Internet Security 2007 2nd Edition, which added support for the Microsoft Vista operating system. F-Secure has also continued its co-operation with Microsoft, and, for instance, the Group was announced the first security partner for Microsoft's upcoming Windows Home Server platform.

Competitive situation

There were no major changes in the competitive situation during the period. Price levels have remained relatively stable. The latest analyst estimate for the antivirus market overall growth rate is 11% (source: IDC).

Customer satisfaction

According to the latest annual global survey made during the summer months of 2006 customer satisfaction has remained at strong levels. Overall satisfaction was 4.26 (4.27) on a scale of 1 to 5. High customer satisfaction is important for the Group.

Personnel and Organization

The Group had 540 employees at the end of Q2 (454).

The Group's Executive Team consists of the following persons: Mr. Ari Alakiuttu (Vice President, Products and Services), Mr. Kimmo Alkio (President and CEO), Ms. Eila Mustala (Vice President, Human Resources, as of April 26th), Mr. Trond Neergaard (Vice President, Marketing), Mr. Pirkka Palomäki (Executive Vice President, Research and Development), 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 June 30, 2007, was 79% (80%). Financial income for 1H2007 was 0.5m (0.3m).

During 1H2007 the cash flow was 10.9m positive (4.5m negative). The market value of the Group's liquid assets on June 30, 2007 was 78.1m (56.9m).

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

Capital Expenditures

The Group's capital expenditures during first six months 2007 were 1.2m (2.2m). These consisted mainly of IT hardware, software and capitalization of some development expenses.

Shares, Shareholders' Equity, and Option Programs

During Q2, A total of 4,400 F-Secure shares were subscribed for with the A1/A2 warrants attached to the F-Secure 2002 Warrant Plan.

The corresponding increase in the share capital, in total EUR 44.00 has been registered in the Finnish Trade Register.

As a result of the increases in Q2, the share capital of F-Secure currently is EUR 1,550,383.18 and the total number of shares is 155,038,318. F Secure received as additional shareholders' equity a total of EUR 2,596. The corresponding number of shares fully diluted would be 161,464,443 including all stock option programs.

Corporate Governance

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

Risks and Uncertainties in the Near Future

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.

During the first half of 2007, the Group did not identify material changes in this area.

In December 2006, Diagnostic Systems Corporation filed a patent infringement lawsuit against F-Secure, Inc. and six other co-defendants in California, and a trial was recently scheduled to October 2008. The Group strongly believes that these claims have no merit and does not expect any material impact on the Group's financials.

Future Outlook

The Group's first priority is to drive strong growth. The core growth driver is the ISP channel. Based on 1H performance and current outlook, the management expects full year 2007 revenues to be between 94m and 100m and an EBIT between 16% and 19% of revenues. Guidance given in January for the full year was following; revenues 95m +/- 10% and EBIT of 14%-18% of revenues.

The Group continues to invest in new sales and marketing activities, technology innovation and new solutions to build scalability for future growth especially for the service providers and in the mobile segment.

The quarter-over-quarter growth rate in the ISP business is expected to remain at a good level, around 10%, during 2H 2007. In the mobile security business, revenue continues to grow, but slower than anticipated at the beginning of the year. Mobile security is expected to remain a small part of the Group's revenues during 2007.

In the 3-5-year horizon the Group aims to exceed market growth rates in revenues and seeks EBIT level around 25%.

The third quarter 2007 revenues are estimated to be between 23.5m and 25.5m. The estimates are based on the sales pipeline at the time of publishing, existing subscriptions and support contracts and a EUR/USD exchange rate of 1.35.

The actual cost level is still increasing. However, due to seasonality cost level is traditionally lower during summer time. Fixed costs are estimated to be below 17.5m in Q3.

Financial Reporting

A press and analyst conference will be arranged today, July 31st, 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 in investor pages.

The next quarterly report will be published on October 23rd (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	2006	2007	2006	Chge	2006
	4-6	4-6	1-6	1-6	%	1-12
Revenues	23.3	19.8	46.5	38.6	20	80.7
Cost of revenues	1.8	1.6	3.6	3.4	8	7.3
Gross margin	21.6	18.2	42.8	35.2	22	73.4
Other operating income	0.1	0.2	0.2	0.4	-36	0.6
Sales and marketing	11.1	10.3	21.7	19.8	9	38.6
Research and development*)	5.3	4.3	10.6	8.0	32	22.5
Administration	1.6	0.9	3.0	1.9	55	4.1
Operating result	3.7	2.8	7.8	5.8	34	8.9
Financial net	0.3	0.1	0.5	0.3		1.5
Result before taxes	4.0	2.9	8.2	6.1		10.4
Income taxes	-1.0	-0.8	-2.1	-1.7		-3.1
Result for the period	3.0	2.1	6.1	4.5		7.3

Earnings per share, e			0.04	0.03		0.05
EPS, diluted, e			0.04	0.03		0.05

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

BALANCE SHEET

ASSETS	30/6/2007	30/6/2006	31/12/2006
Intangible assets	4.2	9.6	4.5
Tangible assets	3.3	3.2	3.2
Other financial assets	0.8	3.2	0.9
Non-current assets total	8.4	16.1	8.7
Inventories	0.4	0.2	0.2
Other receivables	17.0	15.9	19.4
Available-for-sale financial assets	62.4	48.7	54.7
Cash and bank accounts	15.8	8.3	12.2
Current asset total	95.6	73.1	86.4
Total	104.0	89.2	95.1

SHAREHOLDERS' EQUITY

AND LIABILITIES	30/6/2007	30/6/2006	31/12/2006
Equity	58.0	50.9	54.2
Other non-current	0.2	1.2	0.1
Provisions	1.2	1.1	1.2
Deferred revenues	3.4	4.1	4.4
Non-current liabilities total	4.9	6.4	5.7
Other current	14.3	10.6	12.1
Deferred revenues	26.8	21.3	23.2
Current liabilities total	41.1	31.9	35.2
Total	104.0	89.2	95.1

Cash flow statement	30/6/2007	30/6/2006	31/12/2006
Cash flow from operations	15.1	8.4	19.5

Cash flow from investments	-1.2	-2.1	-3.5
Cash flow from financing Activities*	-3.1	-10.8	-10.6
Change in cash	10.9	-4.5	5.4
Cash and bank at 1 Jan	66.6	61.8	61.7
Change in net fair value of Available-for-sale	0.5	-0.4	-0.4
Cash and bank at 31 Jun	78.1	56.9	66.7

* dividends paid/increase in share capital

Statement of changes in shareholders' equity

	share capital	share premium fund	transl. diff.	reval. reserve	retained earnings	total
Equity on 31.12.2006	1.5	33.7	0.0	-0.1	19.0	54.2
Available-for-sale financial asset, net				0.4		0.4
Translation diff.			0.0			0.0
Cost of share based payments					0.5	0.5
Profit					6.1	6.1
Dividend					-3.1	-3.1
Exercise of options	0.0	0.0				0.0
Equity on 30.6.2007	1.5	33.7	0.0	0.3	22.4	58.0

Key ratios

	2007 6 m	2006 6 m	2006 12 m
Operating result, % of revenues	16.7	15.0	11.0
ROI, %	30.2	23.6	19.3
ROE, %	21.6	16.5	13.1
Equity ratio, %	78.7	79.7	80.2
Debt-to-equity ratio, %	-134.5	-111.9	-123.2
Earnings per share (EUR)	0.04	0.03	0.05
Earnings per share diluted	0.04	0.03	0.05
Shareholders' equity per share, e	0.37	0.33	0.35
P/E ratio	32.9	44.9	47.6
Capitalized expenditures (Me)	1.2	2.2	3.7
Contingent liabilities (Me)	10.0	11.8	11.2
Personnel, average	511	418	439
Personnel, Jun 31	540	454	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
Revenues	18.8	19.8	20.0	22.1	23.1	23.3
Cost of revenues	1.7	1.6	1.7	2.2	1.9	1.8
Gross margin	17.0	18.2	18.4	19.8	21.3	21.6
Other operating income	0.2	0.2	0.1	0.2	0.1	0.1
Sales and marketing	9.6	10.3	9.0	9.8	10.6	11.1
Research and development	3.7	4.3	4.7	9.8	5.3	5.3
Administration	1.0	0.9	0.9	1.2	1.4	1.6
Operating result	2.9	2.8	3.8	-0.7	4.1	3.7
Financial net	0.2	0.1	0.1	1.0	0.2	0.3
Result before taxes	3.2	2.9	3.9	0.3	4.2	4.0