

SECURING THE MOBILE,
DISTRIBUTED ENTERPRISE

F-SECURE®



ANNUAL REPORT 1999

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Shareholder Info

F-Secure Corporation, formerly known as Data Fellows Ltd., became a publicly traded company in November 1999. F-Secure Corporation is listed on the Helsinki Exchanges (www.hex.fi) under the ticker symbol FSC.

F-Secure Corporation will release quarterly reports on May 19, August 15, and November 9, 2000. The annual shareholders' meeting will be held on April 12, 2000. Investor inquiries may be directed to F-Secure Corporation, Investor Relations Department, at +358 9 8599 0542.

F-Secure in Brief



F-Secure Corporation is a leading provider of centrally managed data security solutions for mobile and widely distributed enterprises. F-Secure products protect the integrity and privacy of information wherever it is created, stored, transferred or transmitted.

The F-Secure product portfolio comprises a full range of integrated anti-virus, file encryption, virtual private network and distributed firewall solutions. F-Secure solutions are built on a highly scalable management infrastructure to support the data security needs of widely distributed IT fleets and mobile user bases.

In recent years F-Secure technologies and products have received widespread recognition from industry observers, as well as numerous awards from the IT trade press. Group's revenue in 1999 was EUR 23.3 million (12.2 in 1998) and operating result EUR -4.0 million (0.0).

F-SECURE CLIENTS AND PARTNERS

Many of the world's largest corporations and governments rely on F-Secure to make information secure, reliable and accessible for electronic business and commerce.

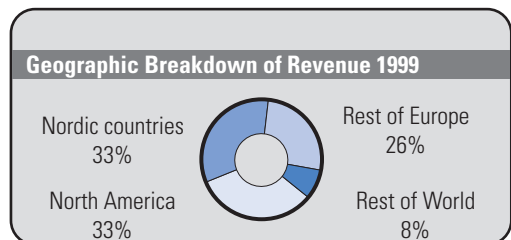
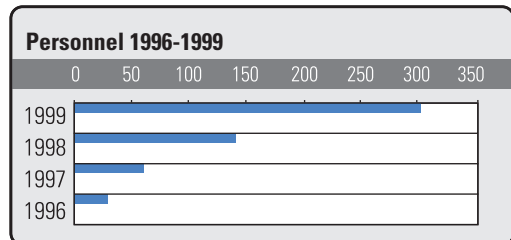
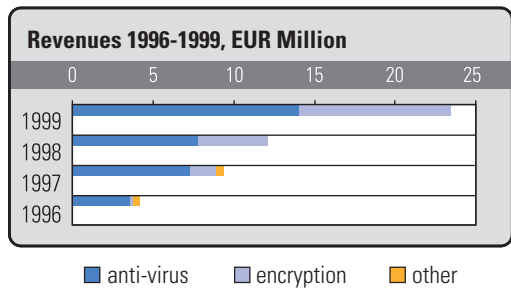
A growing number of IT outsourcing firms and Internet service providers offer F-Secure solutions through the Security as a Service™ concept, deploying F-Secure's integrated solutions as a platform for security outsourcing or as a value-added service for millions of consumers.

Through strategic OEM agreements, F-Secure solutions are integrated into the products of the world's leading manufacturers of equipment, systems and infrastructure for telecommunications and the Internet.

F-SECURE WORLDWIDE

F-Secure Corporation is headquartered in Espoo, Finland with North American headquarters in San Jose, California. Regional F-Secure offices are located in Canada, China, France, Germany, Japan, Sweden and the United Kingdom.

Through an extensive global network of resellers and distributors, F-Secure solutions are supported in over 90 countries around the world.



We secure ideas and knowledge in the new e-economy



We live in a world of proliferating clicks and vanishing bricks. Every day, an increasing amount of confidential information is being created, stored, processed, and accessed outside corporate walls and networks. Computing devices are becoming smaller and more personal. Desktops are being replaced by laptops, and laptops by palmtops and personal digital assistants.

At this very moment, a new generation of wireless networks is being rolled out to support tomorrow's Internet-capable mobile devices. And they will be in a state of perpetual standby – "always on" – ready to receive, send, process and transact. Anytime, anywhere in the world.

All of these changes are dramatically increasing the demands and the challenges for corporate IT security. Until recently, gateway security solutions protected corporate office networks and created secure domains for employees to process information. These security concepts will be rendered totally ineffective in the widely distributed and wireless world of computing into which we are moving.

F-Secure Corporation is preparing for these emerging realities by responding to three major business trends.

- The growth of workforce mobility and telecommuting
- The proliferation of wireless devices throughout the IT fleet
- The evolution of security as an outsourced service

For us, 1999 could be described as a year of building for the future. We reinforced our R&D capabilities, continued to strengthen our regional operations while expanding to new countries, and launched a global marketing organization.

Human resource development is central to our future success, which will hinge on recruiting and retaining the very best talent. As our team of professionals grew rapidly in 1999, we implemented a number of innovative programs to maximize employee motivation, empowerment, retention and innovation.

Our IPO in November was a huge success – it was the most oversubscribed on record in the Nordic countries. We also broke the record for first-day trading performance.

The year was also about delivery. The launch of F-Secure Policy Manager brought the first truly integrated, centrally managed security products to the market. As a result of these and other achievements, our revenues continued to grow in all product and market areas. As a result, global revenues grew by 91 percent.

Customer response to our new products was particularly encouraging. It showed that we have chosen the right path: security solutions that are integrated and distributed, yet centrally managed, are the only way to solve the corporate security puzzle.

During 1999 we also launched our Security as a Service concept to address the continuing trend of outsourcing, empowering service providers with the technology to enter the data security services business. Initial success with industry-leading service providers in the United States and Europe proved the concept.

IT security is a fast-growing industry, with typical estimates of growth ranging from 25 to 40 percent per annum. F-Secure Corporation's intention is to grow significantly faster than the market.

We believe that a number of the actions we took in 1999 will enable us to significantly extend our global reach and market penetration: investments in marketing and sales will increase our market share; F-Secure Policy Manager and its integrated applications will create tremendous opportunities for cross-selling, and Security as a Service will funnel new revenue through new channels.

Our plan for the future is to continue doing what we do best: securing information, ideas and knowledge in the most effective ways for the networked economy and enterprise.

Risto Siilasmaa
President and CEO

Security must
move with
the data.
Anytime. Anywhere.



◀ *Ari Hyppönen*

Chief Technology Officer

When the Internet first took the world by storm, much of the excitement centered around its ability to deliver dynamic content to the consumer. Now that the initial excitement has settled, a much larger realization is sweeping through the corporate suite. The Net is more than a communications convenience – it is changing the fundamentals of how business is done.

Already today, millions of business-to-business transactions are being executed over the Net, across supply and distribution chains, and with numerous enterprise resource applications. This has made the corporate network a key business asset – and the Internet a modern-day marketing, sales and distribution channel. This is spawning entirely new business

F-Secure Corporation addresses these challenges by building its business around four core concepts.

- Widely distributed security, where every device is secured by a selection of integrated, best-of-breed applications
- Central management of the corporate IT fleet, where security is defined and managed centrally using security policies
- Providing a unified solution covering today's LAN and PC based networks, as well as tomorrow's mobile and wireless systems
- Security as a Service™, which offers the market a new way to deliver security as a remotely managed service

“Digital Island selected F-Secure as its security solution vendor because of the company’s global reach and vision for integrated security management through a single framework.”

Allan Leinwald
Chief Technology Officer
Digital Island Inc.



models and services. All woven together by an interdependent mesh of networks, partnerships and people.

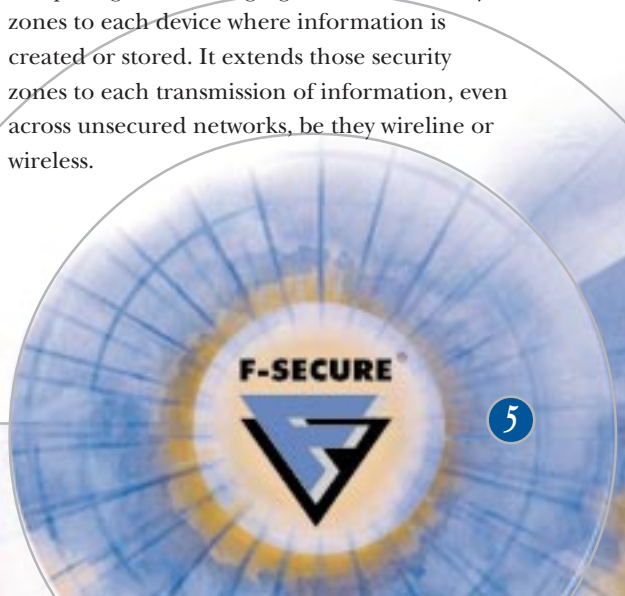
THE NEW SECURITY MODEL

The demands created by the Internet and wireless communications far outstrip the capabilities of conventional security products. Perimeter protection solutions such as firewalls, intrusion detection applications, loosely integrated software suites and other “product-based” forms of security are neither comprehensive nor pre-emptive. The old paradigm of creating a “secure zone” within the physical plant does not protect the information that people carry, create or transfer while outside of that zone.

THE ROAMING SECURITY ZONE

The rise of the extended corporate network and its interaction with the Internet has created an urgent need for security solutions that are centrally managed, widely distributed and scalable for an array of systems and devices.

F-Secure enables business to take advantage of today's increased mobility and personal computing world, bringing individual security zones to each device where information is created or stored. It extends those security zones to each transmission of information, even across unsecured networks, be they wireline or wireless.



A World of Pervasive Security



The need for pervasive, always-on security will grow as computing continues to move outside the corporate network. Employees will begin to carry an increasing amount of confidential information wherever they go, on an expanding array of portable information devices. And, as the mobility of people and data becomes essential to business, so will the need for widely distributed, mobile-aware security solutions.

F-Secure is the first universally available security solution to satisfy the demands of this new, highly mobile and extended enterprise environment.

MANAGING ENTERPRISE SECURITY FROM ONE LOCATION

F-Secure solutions protect intellectual property by creating a global security zone: a dynamic, time-sensitive zone that is updated in real time with changes to policy, new software, updates and upgrades. Corporate security policies are enforced instantaneously, ensuring that intellectual property remains secure and confidential. Without exception, the same dynamic functionality is extended to employees who work from home, on the road, or off-site.

Changes in policy, new virus signatures and other security updates are automatically pushed out to local as well as remote users, ensuring that they are invoked as soon as the user logs in.

F-Secure Policy Manager is the central engine of the company's security zone. Company-defined security policies are automatically installed in multi-platform environments from a central location. The policies are enforced every minute of every day, through policy agents that reside on every device, from workstations, servers, and gateways to laptops, personal digital assistants and other wireless devices. End-users are shielded from the technology, averting the possibility of circumventing or disabling security.

AUTOMATICALLY ENCRYPTING ALL DATA IN TRANSIT

Employees increasingly depend on unsecured connections to the corporate LAN. They simply plug into a phone jack in a hotel room or elsewhere and dial into a local Internet access provider, or take a wireless route to connectivity. This provides a relatively easy way for today's high-tech criminals to find and exploit access points. Access through wireless connections, cable modems or digital subscriber lines further increases the potential for unauthorized access.

F-Secure VPN+ is a family of products allowing corporations to implement and manage an entire virtual private network from one location, securely extending the transmission of confidential data throughout the world. F-Secure VPN+ automatically encrypts data in transit, ensuring that every transfer or transmission of company data is protected.

EXTENDING SECURITY TO THE ENTIRE IT FLEET

Advances in information technology, electronics and wireless communications are expanding the number and type of places in which company information is created and stored. While this is enabling employees to achieve unprecedented levels of productivity, it is creating the need for "portable security." A stolen or misplaced laptop or similar device puts corporate secrets straight into the hands of outsiders.

F-Secure File Crypto brings immediate, automatic and transparent protection of all company information to each remote user. Based on centrally-managed policies, F-Secure FileCrypto ensures default encryption of information on each remote device. And with centrally managed key recovery mechanisms, there is no impact to the end-user's productivity.

PROTECTING SYSTEM INTEGRITY MINUTE-BY-MINUTE

The challenge of maintaining system integrity is becoming more complex as corporate networks expand and diversify, and as intruders find new way to orchestrate network shut-downs. The answer to many of these challenges lies in providing continuous security against every type of malicious code and system breach, irrespective of the end-user's location.

F-Secure Anti-Virus is the most comprehensive real-time and on-demand virus scanning and

STRONG SESSION SECURITY FOR REMOTE SYSTEMS

In most corporations today, Unix-based servers are the workhorses of the IT infrastructure. But in a mobile environment, both system administrators and mobile workers need to access these corporate systems through Internet service providers, leaving system passwords and other secrets open to eavesdroppers. Transmitted data can be intercepted and recorded; connections can be hijacked, making firewalls and even one-

“Offered as a value-added option of our Internet service, F-Secure Anti-Virus became an overnight success.”

Ville Mujunen
Product Manager
Sonera Corporation



protection system for all major system elements, including desktops, laptops, firewalls, file and mail servers. *F-Secure Anti-Virus* delivers daily virus signature updates and frequent program upgrades, providing the latest protection via the Internet. End-users are shielded from the complexities of technology while giving system administrators the assurance that all security policies are being enforced every minute of every day.

F-Secure Distributed Firewall is the “missing link” of perimeter protection systems. By pushing centrally administered firewall capabilities out to workstations and remote clients, this solution acts as the user's first line of defense against hacking and other forms of unauthorized access.

time passwords unsafe. Routers can be spoofed, routing traffic through insecure networks.

F-Secure SSH enables remote system administrators and telecommuters to access corporate networks remotely without revealing system passwords and other secrets. It protects TCP/IP based terminal connections in Unix, Windows and Macintosh environments. Using strong authentication and encryption for protecting all transmitted data, including passwords, binary files and administrative commands over unsecured channels, *F-Secure SSH* ensures privacy, authentication and message integrity.

How We Deliver Makes the Difference

In 1999 F-Secure Corporation launched a revolutionary outsourcing concept: Security as a Service™.

Security as a Service is the world's first true security services platform. It essentially rewrites the rules of security delivery by empowering Internet service providers, outsourcing firms and third-party developers with the technology to offer world-class security services.

EMPOWERING THE PROVIDER

As a fully integrated solution, F-Secure's underlying distributed architecture forms a sophisticated support system for delivering advanced security technology to the consumer or business market.

In addition to the power of centrally managed, policy-based security, Security as a Service integrates the award-winning F-Secure products as base applications. The unique policy management system that underlies all F-Secure products removes the routine burdens of security management and administration.

For the end-user, Security as a Service is invisible, automatic, reliable, always-on, and up-to-date. For the administrator, Security as a Service means policy-based management, instant alerts, and centralized management of a widely-distributed user base.

SEIZING THE MARKET

Security as a Service goes beyond simple licensing. This unique combination allows the service provider to direct creativity and resources toward marketing, promotion and other activities that grow market share.

For the consumer market, the service provider positions and markets the end-user services as part of their own service portfolio, using them as a strategy to differentiate, generate new revenues, or both. The services can be segmented, packaged and priced by customer group; from standard virus protection to a range of premium services, or integrated with subscriber introductory offers and other service promotions.

Security as a Service extends "carrier-class" capabilities to IT outsourcing firms, enabling them to offer a world-class portfolio of high-end security services. The services can be segmented and priced according to different industry or security requirements – from clients maintaining standard corporate networks to those conducting high-volume e-business on mission-critical networks. In addition to the core services, professional services such as defining, implementing and maintaining security policies can become another source of revenue for the service provider.



Ready for the Next Internet Revolution

In 1999, entirely new types of Internet-capable phones, personal digital assistants and similar devices began to sweep into the market to fulfil the growing demand for wireless Internet access. Enabled by Wireless Application Protocol or WAP, these devices represent the end of the desktop as the exclusive residence of the Internet.

WAP combines the advantages of mobility and the Internet by integrating the roaming and call control capabilities of cellular networks with the power of browser-based Internet applications. While this technology will further enhance people's freedom and productivity, it will also create new privacy and data security issues for terminals and gateways.

In early 2000, F-Secure Corporation will introduce its first WAP-based solution. F-Secure Anti-Virus for WAP Gateways protects the user by rejecting malicious code before it reaches the mobile device. The WAP gateway itself is protected by F-Secure's virtual private networking software, F-Secure VPN+.

Supported by F-Secure Policy Manager, this solution offers the benefits of centralized, policy-based security and integrates with leading enterprise management applications.

F-Secure's
competitive
edge lies in
committed and
enthusiastic professionals



F-Secure Corporation's most important asset is its people. Our corporate values emphasize personal and professional growth and respect for the individual.

1. *People Come First.
Clients, Partners and Employees*
2. *Innovation Is Continuous.
Technology, Products and Solutions*
3. *Efficiency Increases Competitiveness.
Processes and Methods*
4. *Honesty and Fairness Underpin Our Actions.
Personal and Corporate Integrity*
5. *Enjoyment Enables Success.
Having Fun, Working as a Team*

EMPLOYEE DEVELOPMENT AND WELL-BEING

F-Secure Corporation promotes professional development through skills training, as well an extensive management education program to develop the leadership and management competence of our personnel.

Employee health is promoted through the availability of physiotherapists, opticians and other health services. The company also encourages employee participation in sporting events and other activities that promote a healthy lifestyle.

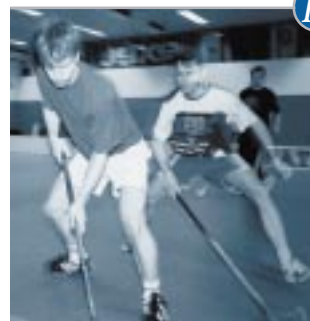
F-Secure employees are challenged to try new things – whether it be parachute jumping, attending a performing arts event, or taking excursions to historic or unusual locations.

As a result of these and other initiatives, F-Secure Corporation benefits from extremely low personnel turnover.

ENVIRONMENT AND COMMUNITY

F-Secure Corporation has formed an EcoTeam to initiate and implement programs to reduce waste and promote recyclable materials.

F-Secure Corporation also supports programs promoting the betterment of local communities, such as UNICEF's Heart Child Program.



Personnel 1998 - 1999

	09/98	12/98	03/99	06/99	09/99	12/99
Finland	84	105	124	151	169	199
North America	25	30	39	50	65	76
Other	2	5	8	12	17	27
Total		140				302

Board of Directors' Report 1999



Kaj-Erik Relander, Olli-Pekka Kallasvuori, Risto Siilasmaa, Chris Vargas, Jari Puhakka

BUSINESS IN BRIEF

The main businesses of F-Secure Corporation and its subsidiaries continued to grow during 1999, and the company continued to grow clearly faster than the security software market in general. The price war that briefly hit the anti-virus market in early 1998 showed no signs of reappearing, indicating a growing recognition that continuous security solutions are the most effective way to prevent financial losses stemming from viruses and malicious code.

Anti-virus sales grew significantly towards the end of the year, as corporate customers updated their virus protection against the alleged millennium viruses. In contrast, encryption sales slowed as many companies postponed purchases of new software to focus on solving the millennium bug.

The first F-Secure Framework enabled applications were launched during 1999. This underlying security management architecture enables F-Secure applications to be widely distributed to every gateway, server, desktop and laptop and centrally managed from one location. During 1999, the company witnessed the architectural leadership of its applications gain mind share throughout the customer base.

In November the company launched a successful IPO. F-Secure Corporation is listed on the Helsinki Exchanges (HEX) under the ticker symbol FSC.

During 1999 the company established new subsidiaries in Tokyo, Japan as well as Hong Kong and Beijing, China. Preparations were made to launch a subsidiary in Stockholm, Sweden, which was officially established on January 1, 2000.

In North America a new regional office was opened in Boston, Massachusetts, and proceedings were initiated to transfer the Canadian operations from Calgary to Toronto. Additional U.S. offices were opened in New York City and Chicago in the first quarter of 2000. At the same time, the North American and European country offices hired more personnel in the areas of key account management, channel management, and pre- and post-sales support.

F-Secure Corporation's partner channel also evolved during 1999. The company continued to recruit powerful systems integration and distribution partners such as Siemens in Germany, Newlink in France, and Bay Data Consulting in the United States. The number of countries with channel partners grew to 93.

F-Secure Corporation continued to build partnerships within the industry. To name but a few of the key ones, the company became a charter member of Cisco Systems' Security Associates, continued to create high-end management solutions in IBM Tivoli's partner program, and signed major OEM agreements with Ericsson and Nokia.

The company changed its name from Data Fellows Corporation to F-Secure Corporation in December. This change will support more concentrated and effective promotion of the F-Secure brand.

During 1999 the company entered into a dispute with SSH Communications Security Ltd., which is documented in the Notes.

FINANCIAL RESULTS OVERVIEW

F-Secure Corporation changed its revenue recognition policy in 1998. This policy primarily recognizes the license fee revenues related to maintenance ratably over the period covered by the maintenance provision of the agreement.

To account for this change in policy, the figures for the period in 1998, have been made comparable by representing the effect of the policy change in the extraordinary items of the year 1998. The company's balance sheet as of December 31, 1999 shows EUR 8.0 million in maintenance revenues as future income. This accounting change was made to bring the company's financial statements into line with U.S. accounting practices for such revenue.

Company revenues rose by 91% in 1999 to EUR 23.3 million (12.2 in 1998). Revenues from North America accounted for 33%, Scandinavia for 33%, the rest of Europe for 26%, and all other regions for 8%.

The significant year-to-year revenue growth was facilitated by promoting the F-Secure brand more aggressively, expanding the worldwide spread of the sales and marketing organization, and strengthening the partner channel. A total of 60% (65%) of the revenues were generated by anti-virus products and 40% (35%) by cryptography products.

The operating income was EUR - 4.0 million (0.0 in 1998). This trend is an expected result of the company's strategy to make significant investments in product development and the marketing and sales organization, which began to grow in late 1998 and continued strongly during the period under review. Other notable personnel increases, in addition to those in Finland, occurred at the subsidiaries in Germany, the United Kingdom, France, Japan, Hong Kong and the United States.

The costs of the Initial Public Offering, EUR 3.4 million, were booked as extraordinary items. Also booked as an extraordinary item is a provision of EUR 2.5 million for contingent liability to provide for the future estimated social charges relating to the warranties granted to the employees as of December 31, 1999. The warranties have been valued at the market price of EUR 48.15 per share, prevailing on January 31, 2000. The company's result after extraordinary items was EUR -9.0 million (0.6).

R&D AND PRODUCT DEVELOPMENT

In July the company launched the world's first comprehensive integrated security package, F-Secure Workstation Suite. The product seamlessly integrates the F-Secure Anti-Virus, F-Secure FileCrypto and F-Secure VPN+ products.

One of the most significant steps contributing to the company's future was taken in August with the launch of F-Secure Policy Manager and its related security management architecture. The F-Secure Policy Manager was the result of extensive in-house development. F-Secure Policy Manager enables enterprise security to be managed centrally from a single network point, while making F-Secure applications highly integrated and scalable.

F-Secure Policy Manager also enables security to be provided as a service. Security as a Service™ (SaaS) is a central business concept of F-Secure Corporation. For the user, SaaS delivers transparent, automatic, policy-based security. This service may be provided by the IT department of a company as an internal service, or by an outside service provider. Sonera in Finland and Digital Island in the United States, among others, became SaaS partners.

In November, the company launched a "New Technologies" R&D team to focus fully on solutions for tomorrow's handheld PDAs (Personal Digital Assistants) and wireless platforms.

FINANCING

F-Secure Corporation's financial position was strengthened through two transactions during the course of the year. In March a EUR 5.0 million convertible capital loan was issued, and in November the company raised EUR 47.0 million through its IPO. The financial position of the company was good throughout the year.

The company's equity ratio on December 31, 1999 was 84.2% (54.2%) including the convertible capital note.

SHAREHOLDER EQUITY

Throughout the year the company called several extraordinary shareholder meetings to change the company's share capital and number of shares.

The shareholder meeting on February 19, 1999, decided to increase the company's share capital to EUR 268,000 by using a reserve fund and a profit-and-loss account, and to divide the share capital into 13,400,000 shares with the counter book value of EUR 0.02 each. On October 1, 1999, the share capital was increased to EUR 269,480 through the issuance of 74,000 new shares to two executive officers. On October 8, 1999, an extraordinary shareholder meeting was called to decide on a scrip issue, where one new share was issued for every two.

On October 14, 1999, a total of 43,875 options were converted into shares according to the Option Program 1999/USA. In November, the company was listed on the HEX with a share issue of 6,550,000 shares. After the above actions, the number of shares registered as of December 31, 1999, was 26,804,875 and the total shareholder equity was EUR 536,097.50.

With the convertible capital loan issued in March 1999, it is possible to raise the shareholder equity by 480,800 shares, i.e. EUR 9,616. In addition, the company has four option programs for its personnel, which make it possible to raise the shareholder equity by a maximum of 5,224,125 shares or EUR 104,482.50. If the convertible loan and the option programs are converted to shares in their entirety, the shareholder equity may be raised by a maximum of 5,704,925 shares or EUR 114,098.50, equivalent to 21.3% of the share capital as of December 31, 1999.

The Board of Directors is authorized to issue a maximum of 1,096,000 new shares.

INVESTMENTS

During 1999, F-Secure Corporation implemented an Enterprise Resource Management (ERP) system, the SAP R/3. The company expects the return on this investment to be realized within a relatively short period of time by facilitating more efficient management of the company's business. Investments for the year totaled EUR 3.0 (1.3) million.

PERSONNEL AND ORGANIZATION

Personnel growth continued vigorously. During the period under review, the company's personnel grew from 140 to 302.

Chris Vargas was appointed President of the U.S. subsidiary Data Fellows, Inc. (now F-Secure, Inc.) as of Aug. 1, 1999. On the same date, Tanya Candia was appointed Vice President, Global Marketing. Tanya Candia is based in San Jose, California.

The extraordinary shareholder meetings of November 4, 1999 and December 16, 1999 decided to supplement the Board of Directors, after which the members were Olli-Pekka Kallasvuo, Jari Puhakka, Kaj-Erik Relander, Risto Siilasmaa and Chris Vargas. Ari Hyppönen was elected a deputy member.

FUTURE OUTLOOK

Some segments of the security software business are growing up to 35% per annum (IDC report 1999). Senior management believes that the company is able to grow faster than the market in general, primarily due to the roll out of F-Secure Policy Manager in the fall of 1999 and the expansion of the sales and marketing organization. These actions are expected to strengthen the company's overall position and increase its market share in key target markets. Management also believes that the sale of applications supported by F-Secure's security management architecture will increase both revenues and profitability in the near future. The earnings outlook for 2000 anticipates profitability beginning in the fourth quarter, subject to currently unforeseen changes or circumstances.

The IPO proceeds will be used to reinforce operations in key markets, through both organic growth and mergers and acquisitions.

In late 1999, the U.S. Department of Commerce's Bureau of Export Administration announced a more relaxed policy on U.S. exports of strong encryption products. Though this may increase competition in encryption products outside the United States, the company believes that the overall effect of this action will be positive to its business as, judging by the case of the U.S. market, it will lead to much larger demand for encryption solutions.

In 1999, the company received a license to sell special versions of its encryption products on the French market. As there is pent-up demand in this market, where the use of strong encryption products had been forbidden, initial interest and demand for such products looked promising for 2000.

The Y2K bug and the extra work associated with the related leap year date issue will likely affect sales during the first quarter of 2000, as some companies have frozen software purchases until all such issues are resolved.

DIVIDEND PROPOSAL

The Board of Directors proposes to transfer the loss of the year to retained earnings and not to issue dividends for the year 1999.

Espoo, Finland

March 2, 2000

Risto Siilasmaa, CEO

Olli-Pekka Kallasvuo

Kaj-Erik Relander

Chris Vargas

Jari Puhakka

Certain statements contained in this Annual Report, including, without limitation, those containing the words "believes", "anticipates", "estimates", "expects", and words of similar import, constitute "forward-looking statements." Undue reliance should not be placed on such statements.

This Board of Director's Report is a translation of the Finnish original.

INCOME STATEMENT

Jan 1 - Dec 31, 1999 (EUR 1000)

		Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
NET SALES	(1)	23,324	12,161	16,048	9,484
Materials and Service		-3,609	-2,220	-3,302	-2,120
Gross Margin		19,715	9,941	12,746	7,364
Sales and Marketing		-13,560	-4,940	-7,292	-2,317
Research and Development		-8,250	-3,930	-8,250	-3,930
Administration		-2,289	-1,244	-1,436	-950
Other Operating Income		350	158	350	124
OPERATING RESULT		-4,034	-16	-3,882	291
Financial Income and Expenses	(5)	930	603	1,023	620
Profit (Loss) Before Extraordinary Items		-3,104	587	-2,859	911
Extraordinary Items +/-	(6)	-5,866	-3,319	-5,866	-3,245
RESULT BEFORE CHANGE IN UNTAXED RESERVES AND TAXES		-8,970	-2,732	-8,725	-2,334
Change in Untaxed Reserves	(7)	-	-	56	-56
Income Taxes	(8)	-288	674	-236	566
Conversion Differences		8	-3	0	0
RESULT OF FINANCIAL YEAR		-9,250	-2,061	-8,905	-1,824

BALANCE SHEET

December 31, 1999 (EUR 1000)

		Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
ASSETS					
NON-CURRENT ASSETS					
Intangible Assets	(9)	691	295	680	160
Tangible Assets	(10)	2,936	1,059	1,829	793
Group Companies	(11)	-	-	168	10
Associated Companies	(11)	203	314	257	335
Other Investments		40	9	26	9
Total Non-Current Assets		3,869	1,677	2,960	1,307
CURRENT ASSETS					
Deferred Tax	(19)	1,400	1,343	1,228	1,228
Short-Term Receivables	(12)	8,222	4,587	9,148	4,260
Investments	(13)	50,236	3,022	50,236	3,022
Cash and Bank Accounts		2,547	760	1,666	670
Total Current Assets		62,405	9,712	62,278	9,186
TOTAL ASSETS		66,274	11,389	65,238	10,493

BALANCE SHEET

December 31, 1999 (EUR 1000)

		Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
LIABILITIES AND SHAREHOLDERS' EQUITY					
SHAREHOLDERS' EQUITY	(14)				
Share Capital		536	169	536	169
Unregistered Share Issues		148	-	148	-
Share Premium Fund		50,372	1	50,372	1
Retained Earnings		2,283	5,093	2,620	4,992
Loss for Financial Year		-9,250	-2,061	-8,905	-1,824
Convertible Capital Notes		5,000	-	5,000	-
Total Shareholders' Equity		49,089	3,203	49,771	3,338
Appropriations	(16)	-	-	-	56
Mandatory Provisions		2,508	-	2,508	-
LIABILITIES	(17)				
Non-Current Liabilities		109	164	-	-
Current Liabilities		14,568	8,022	12,959	7,099
Total Liabilities		14,677	8,186	12,959	7,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		66,274	11,389	65,238	10,493

CASH FLOW STATEMENT

December 31, 1999 (EUR 1000)

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
Operations				
Funds Generated by Operations				
Operating Result	- 4,034	- 16	- 3,882	291
Depreciation and Write-Off of Non-Current Assets	986	355	691	319
Financial Income and Expenses	930	603	1,023	620
Extraordinary Items	- 3,358	- 3,319	- 3,358	- 3,245
Income Taxes	- 304	674	- 236	566
Total	- 5,780	- 1,703	- 5,762	- 1,449
Change in Net Working Capital				
Inventories, Increase (-), Decrease (+)	-	4,195	-	4,195
Short-Term Receivables Increase (-), Decrease (+)	- 2,635	- 1,682	- 4,882	- 1,477
Non-Interest Bearing Current Debt Increase (+), Decrease (-)	5,107	5,139	5,861	4,470
Total	2,472	7,652	979	7,188
Cash Flow From Operations	- 3,308	5,949	- 4,783	5,740
Investments				
Investments in Non-Current Assets	2,962	1,325	2,344	944
Cash Flow Before Financing	- 6,270	4,624	- 7,127	4,795
Financing				
Long-Term Receivables, Increase (-), Decrease (+)	23	- 1,343	0	- 1,228
Non-Current Liabilities, Increase (+), Decrease (-)	4,945	159	5,000	- 2
Change in Shareholders' Equity, Increase (+), Decrease (-)	50,984	0	50,788	0
Dividends	- 451	- 552	- 451	- 552
Total	55,501	- 1,736	55,337	- 1,782
Adjustments	- 230	- 12	0	0
Change in Cash and Bank Accounts, Increase (+), Decrease (-)	49,001	2,876	48,210	3,013

The cash flow statements of individual subsidiaries have been translated into euros by using the average mid-rate of the fiscal year. Thus, cash flow statements cannot be derived directly from the consolidated balance sheet.

Accounting Principles

Principles of Consolidation: Subsidiaries in which F-Secure Corporation's holding exceeds 50 percent are consolidated in the financial statements. The mutual ownership of shares has been eliminated using the acquisition cost method. All intercompany transactions and balances have been eliminated on consolidation. The Company's holding in the associated companies is consolidated according to the equity method, except for the investment in PDI-Consult AS (ownership 26 percent). This investment was made to protect the Company's receivable and other interests and is considered a temporary holding. The Company has an agreement regarding the divestment of the holding. Due to the temporary nature of the holding, it is not consolidated in the Company's financial statements.

Foreign Currency: For the purposes of inclusion in the Consolidated Financial Statements, the balance sheet of each foreign entity is translated into euros at the exchange rates prevailing at the balance sheet date. The income statement of each foreign entity is translated at the average exchange rates for the financial year. The resulting net translation adjustments are recorded as a translation difference in the shareholders' equity.

Foreign currency translations are translated into local currency using the exchange rate prevailing at the date of the transaction. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date.

The Consolidated Cash Flow Statements have been prepared by translating each subsidiary's individual cash flow statements at the average exchange rates for the fiscal year.

Revenue Recognition: Revenue from product sales is primarily derived from software license agreements, consisting of initial license agreements and periodic maintenance agreements covering product updates and customer support. Revenue earned through sales by independent resellers is recorded net of commissions.

Through December 31, 1997, the Company recognized all revenue from software sales agreements upon execution of the software agreement and delivery of the software. To comply with international accounting standards, the Company changed its revenue recognition policy, effective January 1, 1998. This policy recognizes the license fee revenues as the product is delivered, and the maintenance revenues are recognized ratably over the period covered by the maintenance contract.

The effect of the change in the Company's accounting policy has been recorded as an extraordinary item in the 1998 statutory financial statements. Royalty expenses directly related to software revenues have been restated accordingly together with the respective revenues and recorded as an extraordinary item against the revenues component recorded as an extraordinary item in 1998. The tax effect related to the change in the accounting policy, resulting from the net change of the revenues and the respective royalty expenses, has been calculated and represented as a deferred tax receivable. In 1999 the deferred tax effect related to the taxable loss of the fiscal year has been disclosed in the footnotes only.

The Company estimates and recognizes provisions for doubtful accounts periodically, and records them as other operating expenses in accordance with the GAAP of Finland.

Other Operating Income and Expense: Other operating income includes profits from the sales of fixed assets and support received for research and development projects. Other operating income also includes the positive net effect of the consolidation of the associated companies. The negative net effect of the Company's share in the associated Companies, on an aggregate basis, is recorded as an operating expense.

Representation of Expenses: To provide a better comparison with the Company's peers, directly sales-related operating expenses have been represented as "cost of sales" and other operating expenses have been represented functionally as "sales and marketing expenses," "research and development expenses" and "administration expenses." The classification of the functionally represented expenses has been made as follows: various types of expenses in different geographical locations have been allocated on the above mentioned functions by allocating directly allocable expenses to the respective function, and other operating expenses have been allocated to the above-mentioned functions on the basis of the average headcount at each location in each of the fiscal years.

Research and Development Costs: All costs relating to research and development of the Company's software products are expensed as incurred. The Company has received support for certain development projects and such support has been recorded as other operating income.

Tangible and Intangible Assets: Tangible and intangible assets are recorded at historical cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset. Planned depreciation was taken into use on January 1, 1998. The estimated useful life of tangible and intangible assets is as follows:

Machinery and Equipment	3 - 8 years
Other Tangible Assets	5 years
Intangible Assets and Other Long-Term Expenditure	5 years

Equipment leased under financial leases has been capitalized and represented as machinery and equipment in the consolidated financial statements.

Marketable Securities: Marketable securities consist of interest-bearing debt securities and shares in funds investing in similar instruments. Securities are carried at lower of cost or market. To provide comparability, the Company has reclassified items related to the securities trading as of January 1, 1998 as financial income and expenses, and in the balance sheet as investments.

Cash and Cash Equivalents: Cash and cash equivalents include cash-on-hand and cash-on-deposit with banks.

Mandatory Provisions: In the Company's industry, it is common practice internationally that incentives are provided to employees in the form of options. The Company's option program is widely distributed and covers all personnel. As the market price of the Company's share has risen significantly, the value of the option program rose accordingly. This will generate taxable income to the personnel when the options are realized. In certain countries the employer has to pay social charges based on the taxable income triggered by the realization of the options. The Company has booked a provision for this contingent liability to provide for the social charges estimated to be paid in the future relating to the options granted as of December 31, 1999.

The options have been valued at the market price of 48.15 euros per share, prevailing on January 31, 2000. The market price of the Company's share as of December 31, 1999 was 29.00 euros.

Income Taxes: Direct taxes are calculated on the results of all group companies in accordance with the local tax and accounting rules in each country. Deferred taxes resulting from timing differences between tax and book results are recorded on the consolidated level on an accrual basis. Deferred taxes related to the taxable loss for the fiscal year 1999 have been disclosed in the footnotes only. Income taxes for the current year represent taxes at source paid in several countries.

Pensions: All of F-Secure Group's pension arrangements are of a defined benefit nature, with the majority being local statutory arrangements. Pension costs are expensed as incurred. The liability related to local statutory pension schemes is fully covered by the statutory annual charges.

Extraordinary Expenses: Expenses related to the Initial Public Offering are represented as extraordinary expenses. Beginning with the year-end closing of the 1999 fiscal year, the Company started to provide a mandatory provision for the contingent social charge liability related to the realization of the warranties granted, based on the market price prevailing either at the fiscal year end or, if materially higher, subsequent to the fiscal year end. The effect of the change in the accounting method has been represented as an extraordinary expense as a whole, as the Company's share did not have a public rating at the end of 1998. In the 1998 income statement, the effect of the change in the revenue recognition policy has been represented as an extraordinary expense.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 (EUR 1000)

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
1. Net Sales				
Net Sales by Market Area				
Domestic/Scandinavia	7,618	5,956	7,618	5,582
Other Europe	5,996	2,450	5,996	2,296
North America	7,742	2,544	466	471
Other Areas	1,968	1,211	1,968	1,135
Total Net Sales	23,324	12,161	16,048	9,484
2. Other Operating Income				
Product Development Allowances	346	119	346	119
Other	4	40	4	5
Total	350	158	350	124
3. Personnel Expenses				
Personnel Expenses				
Wages and Salaries	9,918	4,123	5,058	2,703
Pension Expenses	940	578	918	375
Other Social Expenses	1,142	605	614	443
Total	12,000	5,306	6,590	3,521
Wages and Salaries				
Managing Directors and Board Members	324	240	90	114
Other Personnel	9,594	3,883	4,968	2,589
Total	9,918	4,123	5,058	2,703
Average Number of Personnel	226	108	151	82
Loans Granted to Managing Directors of Group Companies and to Board Members	37	10	37	10
Interest of loans is the Bank of Finland's base rate +1%. Average loan life is 12 months.				
4. Depreciations				
Depreciations From Non-Current Assets				
Tangible Assets	779	274	555	265
Intangible Assets	207	81	135	54
Total	986	355	690	319
5. Financial Income and Expenses				
Dividend Income				
Other Dividends	69	69	69	69
Total	69	69	69	69
Other Interest and Financial Income				
From Group Companies	-	-	72	10
Other	1,273	564	1,169	556
Total	1,273	564	1,241	566
Total Interest and Other Financial Income	1,342	633	1,310	636
Interest Expenses and Other Financial Expenses				
Other	-412	-30	-287	-16
Total	-412	-30	-287	-16
Total Financial Income and Expenses	930	603	1,023	620
6. Extraordinary Items				
IPO Expenses	-3,358	-	-3,358	-
Social Cost Provisions / Options	-2,508	-	-2,508	-
Effect of Change in Accounting Policy	-	-3,319	-	-3,245
Total	-5,866	-3,319	-5,866	-3,245
7. Accumulated Appropriations				
Depreciation Difference	-	-	56	-56

NOTES TO FINANCIAL STATEMENTS

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
8. Income Taxes				
On Business Activity	-304	-96	-236	-96
Change in Deferred Tax Receivables	16	769	0	662
Total	-288	674	-236	566
9. Intangible Assets				
Intangible Rights				
Acquisition Cost at Beginning of Financial Period	2	0	1	0
Increase	8	2	0	1
Acquisition Cost at End of Financial Period	10	2	1	1
Intangible Rights				
Book Value at End of Financial Period	10	2	1	1
Other Capitalized Expenditure				
Acquisition Cost at Beginning of Financial Period	347	333	264	255
Increase	656	92	656	9
Acquisition Cost at End of Financial Period	1,002	347	919	264
Accumulated Depreciations at Beginning of Financial Period	-114	-51	-105	-51
Depreciation for Financial Period	-207	-81	-135	-54
Accumulated Depreciations at End of Financial Period	-321	-114	-241	-105
Other Capitalized Expenditure				
Book Value at End of Financial Period	681	293	679	159
Intangible Assets				
Total Book Value at End of Financial Period	691	295	680	160
10. Tangible Assets				
Machinery and Equipment				
Acquisition Cost at Beginning of Financial Period	1,667	746	1,348	685
Increase	2,474	967	1,409	709
Decrease	0	-46	0	-46
Acquisition Cost at End of Financial Period	4,141	1,667	2,757	1,348
Accumulated Depreciations at Beginning of Financial Period	-609	-243	-555	-295
Accumulated Depreciations of Disposals	0	5	0	5
Depreciation of Financial Period	-779	-274	-555	-265
Accumulated Depreciations at End of Financial Period	-1,388	-609	-1,110	-555
Machinery and Equipment				
Book Value at End of Financial Period	2,754	1,059	1,647	793
Other Tangible Assets				
Acquisition Cost at Beginning of Financial Period	1	1	1	1
Acquisition Cost at End of Financial Period	1	1	1	1
Accumulated Depreciations at Beginning of Financial Period	-1	0	-1	0
Depreciation of Financial Period	0	0	0	0
Accumulated Depreciations at End of Financial Period	-1	-1	-1	-1
Other Tangible Assets				
Book Value at End of Financial Period	0	0	0	0
Pending Acquisitions				
Pending Acquisition Cost at End of Financial Period	182	0	182	0
Tangible Assets				
Total Book Value at End of Financial Period	2,936	1,059	1,829	793
11. Investments				
Subsidiaries				
	Consolidated (%)		Parent (%)	
DF-Data Ltd., Helsinki Finland	100		100	
SBS-Systems Ltd., Helsinki Finland	100		100	
F-Secure Inc., San Jose, United States	100		100	
F-Secure Ltd., United Kingdom	100		100	
Nihon F-Secure Corp., Japan	100		100	
F-Secure GmbH, Germany	100		100	
F-Secure Ltd., Greater China	100		99.9	
F-Secure SARL, France	100		98	
F-Secure AB, Sweden	100		100	
Associated Companies				
	Consolidated (%)		Parent (%)	
PDI-Consult AS, Norway	26		26	
NameSurfer Ltd., Finland	25		25	
Vineyard International Ltd., Finland	35		35	

NOTES TO FINANCIAL STATEMENTS

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
12. Financial Assets				
Short-Term Receivables				
Trade Receivables	4,599	3,022	2,884	1,893
Loan Receivables	172	146	2,395	348
Prepaid Expenses and Accrued Income	3,438	1,269	3,856	1,865
Other Receivables	13	150	13	160
Total	8,222	4,587	9,148	4,266
Receivables From Group Companies				
Loan Receivables	-	-	2,178	228
Prepaid Expenses and Accrued Income	-	-	584	729
Total	-	-	2,872	957
Receivables From Associated Companies				
Trade Receivables	109	0	109	0
Loan Receivables	45	0	45	0
Prepaid Expenses and Accrued Income	0	258	0	258
Total	154	258	154	258
13. Investments				
Investments, Book Value	50,236	3,022	50,236	3,022
Investments, Market Value	50,397	3,594	50,397	3,594
14. Shareholders' Equity				
Share Capital 1/1/99	169	169	169	169
Share Issues	269	-	269	-
Capitalization Issue 10/13/99	98	-	98	-
Share Capital 12/31/99	536	169	536	169
Unregistered Share Issues 1/1/99	-	-	-	-
Share Issues	148	-	148	-
Unregistered Share Issues 12/31/99	148	-	148	-
Share Premium Account 1/1/99	1	-	1	-
Share Issues	50,371	1	50,371	1
Share Premium Account 12/31/99	50,372	1	50,372	1
Retained Earnings 1/1/99	3,033	5,655	3,168	5,545
Dividends	-451	-552	-451	-552
Conversion Difference	-201	-10	-	-
Capitalization Issue 10/13/99	-98	-	-98	-
Result of Financial Year	-9,250	-2,061	-8,905	-1,824
Retained Earnings 12/31/99	-6,967	3,033	-6,285	3,168
Convertible Capital Notes 3/99	5,000	-	5,000	-
Total Shareholders' Equity	49,089	3,203	49,771	3,338
Distributable Shareholders' Equity	0	2,993		

The extraordinary shareholders' meeting on February 19, 1999 decided to change the currency of shareholders' equity to euro.

At December 31, 1998, the Company had 670,000 shares issued and outstanding. In 1999, the number of shares was multiplied by twenty, after which the capital stock consisted of 13,400,000 shares. Between January 1, 1999 and September 30, 1999 the Company issued 74,000 new shares, increasing the capital stock by 1,480 euros. On October 8, 1999, the Company increased its share capital to 404,220 euros through a share dividend, in which the shareholders received one new share for every two shares. On October 14, 43,875 options were exercised which increased its share capital by 877,50 euros. In November the Company issued 6,550,000 new shares in an Initial Public Offering, increasing the share capital by 131,000 euros. As of December 31, 1999 the Company's share capital was 536,977.50 euros in aggregate and consisted of 26,804,875 shares.

The registration process of the 54,000 shares converted through the use of options was pending as of December 31, 1999. The registration will increase the Company's share capital by 1,080 euros and share premium account by 140,040 euros.

In 1999, the Company issued five-year convertible capital notes in the aggregate principal amount of 5.0 million euros. Notes entitle the holder thereof to convert the note into a maximum of 480,800 shares of the Company.

15. Options

On April 22, 1998, taking into consideration the share split decisions of the extraordinary shareholders' meeting on March 16, 1999 and Board of Directors meeting on October 4, 1999, the shareholders' meeting decided to issue a total of 2,400,000 options, consisting of 840,000 series A options, 840,000 series B options and 720,000 series C options.

Each option entitles the holder to subscribe for one share during the following periods:

Series A options April 1, 2000 - March 31, 2003

Series B options April 1, 2001 - March 31, 2004

Series C options April 1, 2002 - March 31, 2005

The options issued provide for the subscription of 2.4 million shares in total, which represents 9.0 percent of the company capital stock and the voting power on December 31, 1999. The subscription in full would increase the capital stock by 48,000 euros. The exercise price of the options is 0.568587 euro.

On August 10, 1999 the shareholder's meeting decided to issue 1,068,000 options expiring September 30, 2005. Each option entitles the holder to subscribe for one share at 2.61333 euros per share. The subscription in full will increase the capital stock with 21,360 euros.

In addition, on August 10, 1999 the shareholder's meeting authorized the Board of Directors to issue a maximum of 1,800,000 options, the subscription price of which will be determined later. Each option entitles the holder to subscribe for one share between January 1, 2001 and September 30, 2005. The subscription in full would increase the capital stock by 36,000 euros. Of the total of 1,800,000 options of this program, 750,000 has been allocated for the personnel located in the United States. The two latter option programs established on August 10, 1999 will be allocated into classes A, B, C and D depending on the period they are granted. The subscription period expires on September 30, 2005 for each class. The subscription price of a share for each series is the weighted average price of the company's shares quoted during the previous five business days of the Helsinki Exchanges before the start of each series' time for distribution. The subscription price for 1999 D series is 7.70 euros and for 2000 A series 27.90 euros.

The maximum dilution effect of the issuance of the options and convertible capital notes is 5,704,925 shares on aggregate or 21.3 percent of the company's capital stock after dilution. 3.0 million options have been issued as of December 31, 1999 and the remaining 2.2 million options are held by the Company.

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
16. Untaxed Reserves				
Accelerated Depreciation	-	-	-	56
17. Liabilities				
Non-Current Liabilities				
Non-Current Liabilities	109	164	-	-
Total Non-Current Liabilities	109	164	-	-
Current Liabilities				
Advance Payments	8,006	5,534	7,062	5,066
Accounts Payable	1,962	332	1,427	204
Accrued Expenses	4,594	2,167	3,385	1,820
Other Liabilities	6	-11	1,085	9
Total	14,568	8,022	12,959	7,099
Liabilities to Group Companies				
Accounts Payable	-	-	-	5
Other Liabilities	-	-	177	4
Total	-	-	177	9
Liabilities to Associated Companies				
Accounts Payable	78	12	78	12
Total	78	12	78	12

NOTES TO FINANCIAL STATEMENTS

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
18. Contingent Liabilities				
Guaranties for Other				
Company House Rental Guaranties	11	4	11	4
Leasing Liabilities				
Leasing Commitments				
Next Financial Period	355	19	196	19
After Next Period	403	36	261	36
Total	758	55	457	55
Rental Liabilities				
Premises Rentals in Next Period	1,482	327	392	302
After Next Period*	21,109	334	18,327	201
Total	22,591	661	18,719	503

* Includes rental liabilities from the new premises at the Helsinki High Tech Center.

Group has no derivative contracts.

	Consolidated 1999	Parent 1999
19. Deferred Tax Receivables		
From Periodization Differences	3,206	3,035
From Mandatory Provisions	727	727
Other	138	131
Total	4,071	3,893
of which Already Booked as Receivables	1,400	1,228

20. Disagreement with Technology Partner

F-Secure Corporation licenses encryption technology from SSH Communications Security Oy (SSH Communications) for use in the Company's F-Secure SSH application. On September 22, 1999, F-Secure received a letter from SSH Communications claiming that the Company was in breach of the license agreement. In particular, SSH Communications claimed that F-Secure had not been calculating royalty payments owed to SSH Communications in the manner set forth in the license agreement, and requested that the Company remedy the alleged breaches within 60 days of the date of the letter retroactively from March 27, 1996, the date of the original license agreement.

Furthermore, on October 13, 1999 (only 22 days after sending letter) SSH Communications presented the Company a notice of termination of the license agreement with immediate effect, without specifying the alleged grounds for such termination. Under the terms of the license agreement, either party may terminate the agreement if the other party is in breach of the license agreement and the breach is not remedied within 60 days of notification thereof. As a result, the status of the contractual relationship between the Company and SSH Communications is at this moment under disagreement. However, the Company considers the agreement to be uninterruptedly in force because (i) it has at all times been in compliance with the terms of the license agreement with the exception of minor delays in payment of, or reporting to, margin-based royalties, delays which have been remedied by the Company without any notice of breach by SSH Communications, and (ii) the attempt by SSH Communications to terminate the license agreement is groundless and invalid. The license agreement mandates arbitration in the event of a disagreement between SSH Communications and the Company.

Arbitration proceedings to settle the disagreement have been initiated.

While F-Secure believes that it is in a strong position in the arbitration proceedings, a judgment by the arbitrator accepting SSH Communications' claim for the termination and discontinuance of F-Secure's right to use the licensed technology could have a material adverse effect on the Company's business, operating results and financial condition, should the Company be unable to obtain similar technology on commercially reasonable terms and in a timely manner.

On January 14, 2000, the Company and SSH Communications entered into an agreement concerning the sales of SSH-based solutions during the pending arbitration between the parties. During the arbitration process the sales of the solutions shall take place in cooperation. The parties have agreed that any contracts or licenses of the clients purchasing the solutions shall stay in force in every case, regardless of the arbitration result.

SHARES AND SHARE OWNERSHIP

Shares and Share Ownership Distribution December 31, 1999

Shares	Number of Shareholders	Percentage of Shareholders	Total Shares	Percentage of Shares
1-100	22,269	84.49	730,769	2.73
101-1,000	3,572	13.55	1,119,470	4.18
1,001-10,000	431	1.64	1,171,373	4.37
10,001-50,000	64	0.24	1,541,225	5.75
50,001-100,000	13	0.05	892,920	3.33
100,001-	7	0.03	21,348,668	79.64
Total	26,356	100.00	26,804,425	100.00
Common Account In Total			450	
			26,804,875	

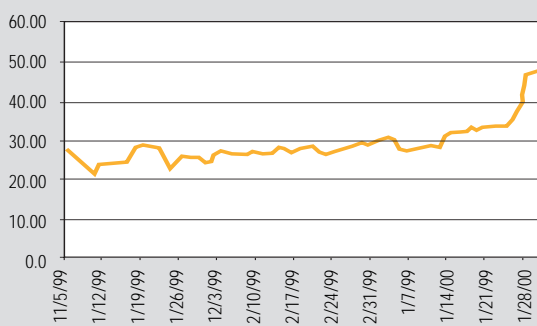
Largest Shareholders and Administrative Register

Owner	Shares	Percentage of Shares
Risto Siilasmaa	14,682,195	54.77
Ari Hyyponen	2,275,892	8.49
Ismo Bergroth	2,086,913	7.79
Conventum Oyj	220,000	0.82
Ilmarinen	101,050	0.38
Petri Laakkonen	92,535	0.35
Evli Sijoitusrahasto Mix	84,620	0.32
PT Eläkesäätiö	81,000	0.30
Yrittäjain Vakuutus Fennia	80,000	0.30
Placeringsfond Fides Telecom	71,000	0.26
Administrative Register		
Merita Pankki Oyj	1,872,815	6.99
Other Registers	109,803	0.41
Other Shareholders	5,047,052	18.82
Total	26,804,875	100.00

Ownership of Management

The Board of Directors and CEO owned in total 14,757,345 shares on December 31, 1999. This represents 55.05 percent of the company's shares and votes. In addition, the stock options of these individuals accounted for 1.2 percent of the total amount of shares in the company. With these stock options 0.3 million new shares can be issued representing 1.2 percent of the total amount and the votes of all company shares on December 31, 1999.

Share Price Development



*The F-Secure share began trading on November 5, 1999 on the Helsinki Exchanges. The IPO share price was EUR 7.70.

KEY RATIOS

	1999	1998	1997 pro forma	1996 pro forma
Revenues (EUR million)	23.3	12.2	9.3	4.1
Revenue Growth (%)	91	31	127	-
Operating Profit (EUR million)	-4.0	0.0	2.7	1.4
Operating Profit % of Revenues	-17	0	29	-
Earnings Before Extraordinary Items (EUR million)	-3.1	0.6	3.3	1.6
Earnings Before Extraordinary Items (%)	-13	5	35	39
ROE (%)	-14.3	9.6	94.0	-
ROI (%)	-10.9	17.5	130.0	-
Equity Ratio (%)	75.7	54.2	53.0	52.0
Investments (EUR million)	3.0	1.3	0.7	0.2
R&D Costs (EUR million)	8.2	3.9	1.9	0.7
R&D Costs % of Revenues	35	32	20	17
Personnel on Average	226	108	53	38
Earnings per Share (EUR)	-0.16	0.02	0.12	0.06
Earning per Share Diluted	*	0.02	0.12	0.06
Shareholders' Equity per Share	1.64	0.16	0.17	0.08
Dividend per Share	-	0.02	0.03	0.01
Dividend per Earnings (%)	-	145	24	24
Effective Dividends (%)	-	-	-	-
P/E Ratio	-	-	-	-
Share Price, Lowest (EUR)	18.00	-	-	-
Share Price, Highest (EUR)	33.00	-	-	-
Mean Share Price (EUR)	26.01	-	-	-
Share Price 12/31/99	29.00	-	-	-
Market Capitalization (EUR million)	777.3	-	-	-
Trading Volume (millions)	11.0	-	-	-
Trading Volume (%)**	29.0	-	-	-
Shares on Average (rectified)	21,156,031	20,100,000	19,800,000	19,500,000
Shares 12/31/99	26,804,875	20,100,000	20,100,000	19,500,000

*Not given, as the effect of dilution would improve the figure

**Free float

Calculation of Key Ratios

Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance total Dec. 31} - \text{received advance payments}}$
ROI, %	$\frac{\text{Result before extraordinary items} + \text{financial expenses}}{\text{Balance total Dec. 31} - \text{Non-interest bearing liabilities (average)}}$
ROE, %	$\frac{\text{Result before extraordinary items} - \text{taxes}}{\text{Balance total Dec. 31} - \text{Non-interest bearing liabilities (average)}}$
Gearing, %	$\frac{\text{Interest bearing liabilities} - \text{cash and bank accounts, marketable securities}}{\text{Shareholders' equity} + \text{minority interest}}$
Earnings per share, euro	$\frac{\text{Result before extraordinary items} - \text{taxes} +/- \text{minority interest}}{\text{Adjusted amount of shares (average)}}$
Shareholders' equity per share, euro	$\frac{\text{Shareholders' equity}}{\text{Adjusted amount of shares, Dec. 31}}$

To the Shareholders of F-Secure Corporation

We have audited the accounting, the financial statements and the corporate governance of F-Secure Corporation for the financial year 1999. The financial statements, which include the report of the Board of Directors, and the consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules on the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's results of operations and financial position. The financial statements and consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the result is in compliance with the Companies Act.

Espoo, March 2, 2000

TILINTARKASTAJIEN OY-ERNST & YOUNG
Authorised Public Accounting Firm

Tomi Englund
Authorised Public Accountant

Board of Directors

Ari Hyppönen (32) is Chief Technology Officer. Mr. Hyppönen is a deputy member of the board and was chairman from 1991 to 1999. Prior to joining F-Secure in 1989, he worked for the State Computing Facility, Nixu Ltd., Dipoli Institute and Wise Man Ltd. Mr. Hyppönen holds a CISSP certification (Certified Information Systems Security Professional) from the International Information Systems Security Certification Consortium. Mr. Hyppönen studied international marketing and computer science at the Helsinki University of Technology, and is a board member of Pixel Vision Ltd.

Olli-Pekka Kallasvuo (45) is Chief Financial Officer of Nokia and a member of the Nokia Group executive board. Mr. Kallasvuo also oversees Nokia's U.S. business operations and serves on the boards of several Nokia subsidiary companies. He is Chairman of the Board of Nextrom S.A. and of Nokian Tyres PLC, and is a board member of the Telecommunications Industry Association and the Finnish Broadcasting Company. From 1991 to 1995 he served as chairman and board member of the Helsinki Stock Exchange. Mr. Kallasvuo holds a degree in law from the University of Helsinki.

Jari Puhakka (37) is Vice President of Business Development and Chairman of the Board. Prior to joining F-Secure in 1997, Mr. Puhakka earned an MBA degree from the Ecole Nationale des Ponts et Chaussées. Earlier, he worked for IBM Corporation in Finland, Belgium and Malaysia in sales and marketing, and in government programs for IBM's European headquarters. Mr. Puhakka holds a Master of Science degree in Economics from the University of Brussels. He has also studied economics and computer science at the University of Helsinki and the University of Joensuu.

Kaj-Erik Relander (37) heads Sonera's Mobile & Media division, and is a member of the group's executive management team. Having started his career as an entrepreneur in computer software and management consulting, Mr. Relander worked in venture capital prior to joining Sonera Ltd. He holds Bachelor of Science and Master of Science degrees in economics from the Helsinki School of Economics and Business Administration, and an MBA from the International MBA Program at the Helsinki School of Economics and the Wharton School of the University of Pennsylvania.

Risto Siilasmaa (33) is President and Chief Executive Officer. Prior to founding the company in 1988, Mr. Siilasmaa worked as a software programmer and IT consultant for the executive management of several large Finnish and international corporations. Mr. Siilasmaa is a board member of the Finnish Foreign Trade Association and of IT Services Association (TIPAL). Mr. Siilasmaa is also a founding member of the Association of Software Entrepreneurs in Finland. Mr. Siilasmaa studied economics, international marketing and computer science at the Helsinki University of Technology.

Christopher Vargas (36) is President of the U.S. subsidiary, F-Secure, Inc. Prior to joining F-Secure in August 1999, Mr. Vargas worked for eight years at Cisco Systems, Inc. in marketing and sales and eventually became director of international marketing. Earlier, Mr. Vargas was a program manager for the United States Air Force. Mr. Vargas holds a Bachelor of Science degree in computer engineering and a Master of Science degree in electrical engineering from the University of Notre Dame. Mr. Vargas was a Fulbright scholar to Finland from 1987-1988. Mr. Vargas is a member of the advisory board of IRBS Inc.

Executive Team

Tanya Candia (50) is Vice President of Worldwide Marketing. Prior to joining F-Secure in 1999, Ms. Candia worked for several Silicon Valley software firms, including OpenVision, Unison Software, and Starlight Networks as vice president of worldwide marketing. Ms. Candia holds a Master of Arts degree in Intercultural Communication from the Monterey Institute of International Studies and a Master of Science degree in systems management from the University of Southern California.

Marguerite Gear (35) is Chief Legal Counsel. Prior to joining F-Secure in 1999, Ms. Gear worked as Principal Counsel for RSA Data Security, Inc. (now RSA Security). Prior to this position, Ms. Gear obtained trial experience both as Deputy City Attorney for the Office of the City Attorney of San Francisco and as a litigation associate for the law firm of Sedgwick, Detert, Moran & Arnold. Ms. Gear received her Juris Doctor degree from Hastings College of the Law in San Francisco.

Jari Holmborg (41) is Vice President of Sales and Marketing. Prior to joining F-Secure in 1995, Mr. Holmborg worked for the Unic Group as manager of international operations and Philips Telecom & Data Systems. Mr. Holmborg holds a Master of Science degree in economics from the Helsinki School of Economics.

Jukka Kotovirta (36) is Director of Investor Relations. Mr. Kotovirta previously served as director of the company's service provider and OEM programs. Prior to joining F-Secure in 1997, he worked for Cisco Systems EMEA and Sonera Corporation in various positions. Mr. Kotovirta holds a Master of Science degree in electrical engineering from Helsinki University of Technology.

Petri Laakkonen (36) is Vice President of Global Business Operations. From 1995 to 1999, Mr. Laakkonen was President of the U.S. subsidiary, F-Secure, Inc. Prior to joining F-Secure in 1993, he was President of LAN Solution Ltd. and President of Mikronet Ltd. Mr. Laakkonen holds a Master of Science degree in industrial economy/marketing from Lappeenranta University of Technology.

Sakari Pihlava (29) is Director of Engineering. Prior to joining F-Secure in 1996, Mr. Pihlava worked at the Information Processing Laboratory of the Helsinki University of Technology and as a software engineer for Stonesoft Ltd. Mr. Pihlava holds a Master of Science degree in engineering from the Helsinki University of Technology.

Markku Pirskanen (35) is Chief Financial Officer. Prior to joining F-Secure in 1998, Mr. Pirskanen worked for Santasalo-JOT Group as financial director. Mr. Pirskanen holds a Master of Science degree in economics from the Helsinki School of Economics.

Seppo Rantanen (44) is Human Resources Director. Prior to joining F-Secure in 1998, Mr. Rantanen worked for K-Instituutti Ltd., a subsidiary of Kesko Corporation, and several other Finnish companies and institutions. Mr. Rantanen holds a Master of Arts degree in philosophy from the University of Helsinki.

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