

## **FINANCIAL RESULTS 1 JANUARY 2000 - 30 JUNE 2000**

### **Strong growth continues, improving profitability, launching world's first wholesaler of Security Services**

**Espoo, Finland - August 15, 2000**

For the 2nd quarter of 2000, F-Secure reported revenues of 9.8 million euros. This represents an increase of 78% from 5.5 million in the second quarter of 1999, and an increase of 21% over the previous quarter. For the first half of 2000 revenues were 17.9 million euros (9.5), an increase of 88% from the first half of 1999.

As expected, revenues grew faster than costs leading to an improved operating result compared to the previous quarter. Operating loss was 3.7 million euros (5.1 million in the previous quarter), of which the social expenses related to stock option programs represented 0.3 million. For the first half of 2000, the operating result was 8.8 million euros negative (-0.9), including 1.4 million euros in social expenses resulting from the option programs. In providing for the social security charges, the option programs have been valued at the market price prevailing on June 30th.

The 2nd quarter negative operating result was in line with the Group's expectations. It was mostly a result of the continuing investment into building the Group's Security as a Service™ and Wireless Security leadership. Investments into Research and Development continued with the acquisition of Modera Point Corporation in April. The Security as a Service(tm) and Wireless businesses continued their aggressive growth through increased hiring of personnel, key employee recruitment and internal rotation of existing employees. Total fixed expenses - excluding social expenses for stock options - grew by 10 % versus revenue growth of 21% over the previous quarter.

In addition to the recognized revenue, the Group has 9.5 million euros of deferred revenue on its balance sheet. The deferred revenue is a result of existing support contracts where the actual support activity will take place in the months ahead.

During the quarter, the Group continued to build its global presence by reinforcing its own operations and signing new key partnerships. In April, the Group announced a partnership with Cisco Systems and iD2 technologies to jointly provide integrated security solutions to European corporate customers. The Group also announced Security as a Service partnerships with ICL and Arthur Andersen.

The geographical breakdown of revenue for the first half of 2000 (compared to 1H1999) was as follows: North America 41% (24%), Scandinavia 30% (35%), Rest of Europe 20% (25%), and Rest of the World 9% (16%). Anti-virus products represented 54% of the revenue, encryption 42%, and other products 4%

**Announcing world's premier Security Service Wholesaler**

As a result of strong market demand for security services, the Group is announcing the creation of a wholly owned subsidiary, F-Secure Online Solutions, to focus on managed global security services sold to and through Service Providers (ISPs, ASPs, HSPs, WISPs)\*. F-Secure Online Solutions will help to fill the knowledge gap between demanding customer environments and service providers, enabling much faster rollout and time-to-market for new security services.

Mr. Kimmo Alkio has been appointed as CEO of this new subsidiary. Mr. Alkio brings with him extensive experience, industry knowledge, and high-level relationships in the global Service Provider market. Prior to joining the F- Secure Group, Mr. Alkio spent the past 13 years at Compaq where he was responsible, among other things, for launching the European Service Provider business.

The new subsidiary will enable the F-Secure Group to accelerate the deployment and growth of its innovative Security as a Service business concept. F-Secure Online Solutions will be the world's first global wholesaler of managed security services. The services will initially be based on the Group's existing product offering. F-Secure Online Solutions is an innovative business concept, which will assist Service Providers around the world to quickly launch and deploy new high value, reliable Managed Security Services. It will

also enable the F-Secure Group to partner with new service provider partners faster and more widely than before.

A press and analyst briefing on the new company will be arranged on September 26.

\*) Internet Service Providers, Application Service Providers, Hosting Service Providers, Wireless Internet Service Providers.

#### New Products

During Q2 the Group launched a new product, F-Secure Distributed Firewall. The product is addressing the security challenges of present-day distributed IT environments through a policy-managed firewall inside each end-user workstation. The business potential of the Distributed Firewall grows especially with the proliferation of cable modem and DSL networking for corporate remote access.

F-Secure's leadership in virus and malicious code protection was showcased in May during the LoveLetter virus attack. The Group was the first anti-virus company to discover the virus and to warn the IT world about this new threat. The Group was also the first in the world to provide an update for both detecting and removing the virus. During the same time, the Group received three awards of excellence for its anti-virus products: from the University of Hamburg, from CHIP Magazine in Germany, and from Virus Bulletin Magazine in the UK.

#### The SSH license dispute

The ongoing license dispute with SSH Communication Security has had an effect on the Group's revenue. The dispute has caused a degree of confusion amongst existing and potential F-Secure SSH customers, sometimes leading to delayed or postponed decisions or deals lost to competition. These dynamics are expected to continue until the arbitration results are announced later this year.

It is impossible to estimate the effect the dispute will continue to have on the sales of the SSH products. However, as originally communicated during the IPO, the Group expects the ongoing transition to policy-managed security solutions to result in a continued decline in the significance of F-Secure SSH product sales.

#### Personnel and organization

The Group's personnel grew to 405 (from 350 at the end of Q1) of which the acquisition of Modera Point accounted for 24 employees

On April 12, the Annual General Meeting re-elected the Board of Directors, i.e. Olli-Pekka Kallasvuo, Jari Puhakka, Kaj-Erik Relander, Risto Siilasmaa and Christopher Vargas. Ari Hyppönen continued as a deputy member. Also at the same meeting Tilintarkastajien Oy - Ernst & Young was re-elected the company's auditor.

At the end of the quarter, the company organized its activity into business units for Traditional, Wireless, and Security as a Service businesses.

#### Financing

The Group's financial position remained strong during the quarter. The Group's equity ratio on June 30, 2000, was 76 % (compared to 23 % at the end of Q2 1999 and 76% at the end of Q4 1999). Interest income for the first half of 2000 was 0.1 m euros (0.4). The liquid assets of the Group on June 30, 2000 were 43.6m euros.

#### Investments

For the first half of 2000 the Group's investments were 2.0 m euros (1.1). The investments were mainly in IT hardware and software.

#### Shares, shareholders' equity, convertible loan and option programs

On April 12, the Annual General Meeting (AGM) agreed to the Board's proposal of a five for one stock split.

Furthermore, the AGM accepted the Board's proposal to authorize the Board for a period of one year from the general meeting to decide on an increase of the share capital by one or more new issues of shares or by issuing one or more convertible bonds, option loans or option rights. The share capital of the company may, as a result of such share issues, option loans, option rights or convertible bonds, be increased at most by 105,000 euros. New shares may be issued up to maximum of 10,500,000. The authorization remains totally unused.

During the first half of 2000, a total of 4,515,803 new F- Secure Corporation shares were entered into the Trade Register. 1,740,898 of those were subscribed with the warrants attached to the FSecure Option Programs, 2,067,440 by the conversion of F-Secure Corporation's 1999 Preferred Capital Note and 707,465 were a result of a direct issue to the selling shareholders of Modera Point. The number of shares is now 138,540,178.

#### Key events in early Q3

After the reporting period, the Group has signed major deals with a number of well-known names, for instance, with Shell for a global rollout of a network encryption solution. An OEM partnership was also finalized with Fujitsu-Siemens to preinstall F-Secure Anti-Virus to their entire PC production line.

Security as a Service partnerships have been signed with 77 Degrees West (US ASP), WebCentral (US ISP) and MessageLabs (UK ISP).

In August, the Group announced F-Secure Anti-Virus for EPOC, the world's first anti-virus product for the Symbian EPOC platform. The product incorporates F-Secure's Mobile Scanner Technology and provides advanced wireless features.

#### Future outlook

The Group expects to continue to grow faster than the security software market and remains confident about the previously communicated long-term goals. Q3 results have traditionally been moderate due to summer holiday season, a trend which can be expected to continue. However the Group expects strong growth in Q4.

The SSH dispute may have an effect on sales towards the end of the year 2000. If the arbitration result is delayed and the Group continues to see the market reactions as previously described, it may affect the profitability goal in Q4.

The management believes the launching of F-Secure Online Solutions will speed up Security as a Service revenue generation from previous estimates starting first quarter 2001.

Key figures (unaudited)					
Income statement	2000	1999	2000	1999	1999
Euro million	4-6	4-6	1-6	1-6	1-12
Net sales	9.8	5.5	17.9	9.5	23.3
Cost of revenues	1.4	0.9	2.7	1.6	3.6
Gross Margin	8.4	4.6	15.1	7.9	19.7
Sales and Marketing*	7.8	2.7	15.6	4.6	13.6
Research and Development*3.2	1.9	6.1	3.4	8.3	
Administration*	1.2	0.7	2.3	1.0	2.3
Other Operating Income	0.0	0.2	0.0	0.2	0.4
Operating result	-3.7	-0.5	-8.8	-0.9	-4.0
Financial Income and Expenses	0.0	0.1	0.1	0.4	0.9
Profit (Loss) Before Extraordinary items	-3.7	-0.4	-8.8	-0.5	-3.1
Extraordinary items+/-**	-0.0	-	-0.8	-	-5.9
Result Before Taxes	-3.7	-0.4	-9.5	-0.5	-9.0
Income Taxes	-0.1	0.3	-0.2	0.2	-0.3
Result for the Period	-3.8	-0.1	-9.7	-0.3	-9.3

\*Total operating expenses 1-6/2000 include social charges amounting to 1.4 million euros relating to employees' realised and future taxable income resulting from the Company's option program. Sales and marketing expenses account for 1.0 million euros, research and development 0.3 million euros and general and administration 0.1 million euros of the total amount.

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

BALANCE SHEET (million EUR)			
ASSETS	30/6/2000	30/6/1999	31/12/1999
Intangible assets	1.5	0.3	0.7
Tangible assets	3.5	1.9	2.9
Investments	0.3	0.4	0.2
Short-Term Receivables	12.2	8.1	9.6
Cash and Bank Accounts	43.6	8.0	52.8
Total	61.2	18.6	66.3
LIABILITIES AND SHAREHOLDERS'			
EQUITY	30/6/2000	30/6/1999	31/12/1999
Total Shareholders'			
Equity	39.2	2.8	44.1
Convertible Capital Notes	0.7	5.0	5.0
Mandatory Provisions	4.2	-	2.5
Non-Current Liabilities	0.4	0.2	0.1
Advance Payments	9.5	6.4	8.0
Other Current Liabilities	7.1	4.2	6.6
Total	61.2	18.6	66.3

Key ratios	2000	1999	1999
	6 m	6 m	12 m
Operating result, % of Revenues	-49.5	-9.3	-17.3
ROI, %	-35.1	-12.5	-10.9
ROE, %	-42.9	-19.0	-14.3
Equity Ratio, %	76.4	22.8	75.7
Debt-to-Equity Ratio, %	-109.3	-98.8	-108.1
Earnings per Share (EUR)	-0.07	-0.00	-0.03
Earnings per Share Diluted x)			
Shareholders' Equity per Share, e	0.28	0.04	0.33
Investments (million euro)	2.0	1.1	3.0
Contingent Liabilities (Meuro)*	23.5	0.5	23.4
Personnel, average	354	201	226

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

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

Quarterly development						
	I/99	II/99	III/99	IV/99	I/00	II/00
Net Sales	4.0	5.5	5.9	7.9	8.1	9.8
Cost of Revenues	0.7	0.9	1.3	0.7	1.3	1.4
Gross Margin	3.3	4.6	4.6	7.2	6.8	8.4
Sales and Marketing	1.9	2.7	3.3	5.7	7.8	7.8
Research and Development	1.5	1.9	2.0	2.8	2.9	3.2
Administration	0.3	0.7	0.5	0.8	1.1	1.2
Other Operating Income	-	0.2	-	0.2	0.0	0.0
Operating Result	-0.4	-0.5	-1.2	-1.9	-5.1	-3.7
Financial Income and Expenses	0.3	0.1	0.6	0.0	0.1	0.0
Profit (Loss) Before Extraordinary Items	-0.1	-0.4	-0.6	-1.9	-5.0	-3.7

F-Secure Corporation

Board of Directors

Additional information:

F-Secure Corporation

Risto Siilasmaa, President and CEO tel.358 9 2520 5510

Markku Pirskanen, CFO tel.358 9 2520 5606

<http://www.F-Secure.com>

DISTRIBUTION

Helsinki Exchanges

Main media