

F-SECURE CORPORATION

STOCK EXCHANGE RELEASE  
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F-Secure Corporation Announces 1<sup>st</sup> Quarter 2001 Financial Results

Market Weakness Offset By Advances In Strategic Areas

Helsinki, Finland, May 8, 2001 - For the 1st quarter of 2001, F-Secure reported revenues of 10.0 million euros. This represents an increase of 24% from 8.1 million in the first quarter of 2000, and a decline of 19% over the previous quarter.

Operating loss for Q1 was EUR -4.8 million (-5.1m in 1Q2000). Result before taxes was -3.9 million.

The Group generated its first revenues for the F-Secure Online Solutions subsidiary and in the Wireless security space during Q1 and has signed a number of key deals in the beginning of the second quarter in both these strategically important areas with, among others, Nokia, Symbian and Telia Sweden.

The Group's traditional solution sales continued to exhibit moderate strength in some areas (Anti-virus) and weakness in others (Encryption). During Q1 F-Secure signed NEC as a global business partner. NEC will sell and support F-Secure solutions as part of their global, business network services practice.

The Group's global Customer satisfaction in technical support continued to increase, rising to 3.85 (3.72 in Q4), on a scale from 1 to 5.

Finally, the Group initiated a restructuring plan to increase its focus on the most strategic and profitable areas, and decrease its investment in non-strategic and/or less profitable business areas. Total fixed expenses for the Group decreased in Q1 by 6 % versus the previous quarter.

Key events in Q1

The distressed economic climate continued to adversely influence the Group's sales. The impact was seen the strongest in North American encryption solutions, as customers continue to postpone purchasing decisions. The Anti-Virus sales continued to grow at a moderate rate.

The Group immediately launched a cost savings strategy early in Q1, once the signs of the economic slowdown became clear.

This strategy was accelerated as the increasing impact of the economic downturn continued, leading to a reduction of positions within the company in April. Total fixed expenses for the Group decreased in Q1 by 6 % versus the previous quarter.

During 2000 F-Secure launched a Customer Advocacy (CA) organization to assure customer success in the use and deployment of F-Secure solutions. Its goals are to provide exceptional customer support on a global basis, to ensure customer needs are delivered throughout the organization and to ensure successful relationships for all F-Secure customers. The CA organization has measured technical support customer satisfaction since July 2000 for every customer who contacts F-Secure for support. Since that time, the average customer satisfaction level has increased to 3.85 (3.72 in Q4), on a scale from 1 to 5. The Group believes that a strong commitment to providing the highest possible level of customer satisfaction will be a key differentiator in today's highly competitive market and remains committed to its customers and their needs, as voiced through the Customer Advocacy team.

The Group continued building its leadership in Wireless Security space. The Group pre-announced a number of new products in this space, including Anti-Virus and File Encryption products for the Pocket PC®, Symbian EPOC® and Palm OS® platforms. These products are the most advanced in the market, with automated, device resident, real time anti-virus scanning and signature updating capabilities together with encryption functionality for stored information.

The Group's Security as a Service Business Unit and its F-Secure Online Solutions (F-SOS) Subsidiary were combined in February and streamlined into one organisation under F-SOS. F-SOS achieved its first revenue during the quarter. Its Q1 operating result was -0.6m. These figures have been included in the Group profit and loss statement.

In addition to the recognized revenues, the Group had 10.1 million euros of deferred revenues on its balance sheet (10.4 at the end of Q4). The deferred revenues are a result of having received revenue for existing support contracts, but where the actual support will take place in the months ahead.

The geographical breakdown of revenues for the first quarter of 2001 (compared to the same period in 2000) was as follows: North America 33% (41%), Nordic Countries 32% (26%), Rest of Europe 27% (23%), and Rest of the World 8% (10%). Anti-virus products represented 52% (53%) of the revenues, encryption 41% (46%), and other products 7% (1%).

New Customers and Partners

F-Secure Online Solutions signed new partnerships with Elisa Communications, Telia Sweden, and Telia Finland. The first wireless partnership was signed with Sonera Zed.

NEC Business Network Solutions, Inc. (NEC BNS) became an F-Secure Solutions Provider. NEC will sell and support F-Secure security solutions to existing and new customers in the North American market. The partnership with Siemens ICN continues to grow as more Siemens personnel have been trained on F-Secure solutions.

#### Personnel and Organization

The Group's personnel grew to 445 (from 427 at the end of Q4) of which the personnel of F-Secure Online Solutions accounted for 20 (18) employees.

#### Financing

The Group's financial position remained strong during the quarter. The Group's equity ratio on March 31, 2001, was 77% (compared to 78 % at the end of 2000). Financial income for the quarter was 0.9 m euros (0.1). The liquid assets of the Group on March 31, 2001 were 33.7m euros.

#### Investments

For the first quarter the Group's investments were 0.5m euros (1.1). The investments were mainly in IT hardware and software.

#### Shares, shareholders' equity, preferred capital note and option programs

During Q1, a total of 4,000 new F-Secure Corporation shares were entered into the Trade Register. In addition, total of 408,230 new shares were entered into the Trade Register at the end of April. They were subscribed with the warrants attached to the F-Secure Option Programs.

The number of shares was 140,628,589 at the end of March 2001, and 141,036,819 at the end of April 2001. The number of shares fully diluted would be 163,507,265 at the end of April 2001, including all stock options programs.

In March, the Group decided to provide its employees the opportunity to convert existing 2000A, 2000B, 2000C, 2000D and 2001A series options into 2001B series options, at an exchange rate of 2:1. The subscription price for 2001B options was determined by the weighted average price of the Company's share on the Helsinki Exchanges quoted during the last five business days in March 2001. The amount of options entitled to conversion is 4.8 million, which represents 53%

out of the total option amount in the option programs 1999II and 1999III.

#### Key Events in Early Q2

In April the Group announced a licensing deal with Nokia Corporation concerning the Group's content security applications and related service updates for the Symbian EPOC® platform. The licensing agreement is strategically important for the company and is the first such partnership with a major mobile device vendor.

F-Secure also entered into a partnership with Symbian to cooperate in the development and worldwide marketing of a range of security technologies for next generation mobile phones based on the Symbian platform.

F-Secure Online Solutions announced partnerships in the US with Knowledge Sentry and Internet Unlimited and in Finland with the Oulu Telephone Company.

The Group announced that it will reduce the amount of its personnel to approximately 350 as one step in its rationalization project started early this year. During this spring the amount of personnel has been at highest 445. The Group strengthens its focus on solutions where the market demand remains strong and on strategic future areas and also relies more on its channel partners in some geographical areas. The Group will continue to monitor the economic situation closely.

#### Future Outlook

The Group believes strongly in its strategy and maintains a longer term positive outlook in the growing security market and especially in its strategic areas of Wireless security and Security as a Service.

The current uncertainty in the US economy and increasing signs of a potential slowdown in other parts of the world may affect the Group's growth adversely and current visibility remains limited. Also, the ongoing reorganization and restructuring activities may have a short-term impact on revenue.

The Group expects that the cost saving actions will start to take full effect during the third quarter of this year. The Group's fixed costs are estimated to be at EUR 12.5 million in Q3. These cost savings will have a positive impact on the Group's profitability.

Finally, the Group notes that its former profitability and growth goals have been obviated by the sudden and continuing uncertain market situation. The Group views the current

economic downturn as an important and challenging - but a temporary situation. With its strong cash position the Group remains confident about its ability to weather even a long-lasting global recession, should that occur.

In closing, the strategy for the Group has remained constant: to become a global leader in the area of mobile and wireless security and to become a leader in providing technology solutions that enable the delivery of managed security solutions.

Annual General Meeting of Shareholders.

The Annual General Meeting of the Shareholders of F-Secure Corporation held on April 3, 2001 made among others the following decisions.

The financial statements for the fiscal year 2000 were confirmed and the proposal by the Board of Directors not to declare any dividends to the shareholders was accepted. The members of the Board of Directors, deputy member and the managing director were granted a release from liability for the financial year 2000.

The members of the previous Board of Directors were re-elected, i.e., Olli-Pekka Kallasvuo (Chairman), Jari Puhakka, Kaj-Erik Relander, Risto Siilasmaa and Christopher Vargas. Ari Hyppönen continues as a deputy member.

Furthermore, the annual general meeting accepted the Board proposal to authorize the Board for a period of one year from the general meeting to decide on an increase of share capital by one or more new issue 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 the most by 280,000 euros. New shares may be issued up to maximum of 28,000,000.

To the extent the authorization is used to create incentive systems for the personnel of the group, the share capital may increase by a maximum of 70,000 EUR, in which case a maximum amount of 7,000,000 shares may be issued. The Board may deviate from the subscription rights of the shareholders. This deviation is for the purpose that the company may finance possible strategically important acquisitions by way of share issues or strengthen the financing or capital structure of the company or create incentive programs for Group's employees.

The subscription price is determined by the Board so that it is at minimum the counter book value of the share. To the extent the authorization is used to create incentive systems for the personnel of the Group, the subscription price is

determined by the Board of Directors so that it is based on the market price of the share. The Board may accept as payment also a set-off or in-kind contribution. This new authorization replaces the previously valid authorization.

In addition the annual general meeting accepted the Board proposal to change the item II.4. (Prohibition to transfer) in the option program 1999III (USA). The item II.4. will be changed so that the warrants are freely transferable after they have become open for share subscription

The Group re-elected Tilintarkastajien OY - Ernst & Young as its auditing company and Mr. Tomi Englund as the main auditor.

#### Financial Reporting in 2001

The interim reports for 2001 will be published as follows: August 7<sup>th</sup> (Q2) and October 30<sup>th</sup> (Q3). On each of these days the Stock Exchange bulletin will be sent at 9 am Finnish Time, 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, details to be provided on the Group's web site.

#### Key figures (unaudited):

Income statement	2001	2000	Change	2000
Euro million	1-3	1-3	%	1-12
Revenues	10.0	8.1	23.6	41.1
Cost of revenues	1.6	1.3	21	6.0
Gross Margin	8.4	6.8	24	35.1
Sales and Marketing*	8.8	7.8	13	31.4
Research and Development*	3.4	2.9	18	12.7
Administration*	1.0	1.1	-7	4.2
Other Operating Income	0.0	0.0		0.0
Operating result	-4.8	-5.1		-13.3
Financial Income and Expenses	0.9	0.1		1.4
Profit (Loss) Before Extraordinary items	-3.9	-5.0		-11.9
Extraordinary items +/-	-	-0.7		-0.5
Result Before Taxes	-3.9	-5.7		-12.3
Income Taxes	-0.1	-0.1		-0.8
Result for the Period	-4.0	-5.9		-13.1

\*For the period 1-3/2001 Stock option related social security expenses have no effect. For the period 1-3/2000 the 1.1m euros increase in provision for social security

costs to be paid in the future resulting from the Group's Stock Option Program has been booked into different functions (S&M contains 0.7 m, R&D 0.3 m and G&A 0.1 m ).For the period 1-12/2000 net effect of social charges relating to option programs is 0.2 million euros positive.

#### BALANCE SHEET

ASSETS	31.3.2001	31.3.2000	31.12.2000
Intangible assets	2.0	0.8	1.9
Tangible assets	3.3	3.5	3.3
Investments	0.3	0.3	0.3
Receivables	13.5	10.8	13.9
Cash and Bank Accounts	33.7	48.5	38.4
Total	52.9	63.9	58.0

#### LIABILITIES AND SHAREHOLDERS'

EQUITY	31.3.2001	31.3.2000	31.12.2000
Total Shareholders' Equity	33.0	38.2	37.2
Convertible Capital Notes	-	5.0	-
Mandatory Provisions	2.0	4.4	2.0
Non-Current Liabilities	-	0.1	-
Advance Payments	10.1	8.6	10.4
Other Current Liabilities	7.8	7.5	8.4
Total	52.9	63.9	58.0

Key ratios	2001 3 m	2000 3 m	2000 12 m
Operating result, % of Revenues	-48.3	-62.8	-32.4
ROI, %	-44.2	-40.0	-25.3
ROE, %	-46.1	-49.7	-31.1
Equity ratio, %	77.1	69.2	78.2
Debt-to-equity ratio, %	-102.1	-113.5	-103.2
Earnings per Share (EUR)	-0.03	-0.04	-0.09
Earnings per Share Diluted	x)	x)	x)
Shareholders' equity per Share, e	0.23	0.29	0.26
Investments (Meuro)	0.5	1.1	3.4
Contingent liabilities (Meuro)*	22.6	23.1	23.6
Personnel, average	436	331	399

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

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

## Quarterly development

	I/00	II/00	III/00	IV/00	I/01
Net sales	8.1	9.8	10.9	12.4	10.0
Material and Service	1.3	1.4	1.3	1.9	1.6
Gross Margin	6.8	8.4	9.5	10.4	8.4
Sales and Marketing	7.8	7.8	6.6	9.2	8.8
Research and Development	2.9	3.2	3.0	3.7	3.4
Administration	1.1	1.2	0.8	1.1	1.0
Other Operating Income	0.0	0.0	0.0	0.0	0.0
Operating result	-5.1	-3.8	-0.8	-3.6	-4.8
Financial Income					
and Expenses	0.1	0.0	0.7	0.6	0.9
Profit (Loss) Before					
Extraordinary items	-5.0	-3.8	-0.1	-3.0	-3.9

## F-Secure Corporation

Risto Siilasmaa  
President, CEO

### Additional information:

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