

F-SECURE CORPORATION

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F-SECURE GROUP FINANCIAL RESULTS JANUARY 1 - JUNE 30, 2005

Continuing solid growth in all segments of antivirus and intrusion prevention business

(Interim report and comparison data is in accordance with IFRS standards. Unless otherwise stated comparisons are made to the same period one year ago)

Q2 Highlights

- Total revenues increased by 27% to a record level of 14.7m
- Anti-virus and intrusion prevention revenues increased by 40% to a record level of 13.9m
- Corporate business increased by 13% to 7.9m
- Service provider business increased by 87% to 3.7m
- Consumer business increased by 121% to 2.2m
- EBIT 1.5m (1.5m)
- Deferred revenues increased by 0.8m to 20.3m
- Cash flow 3.3m positive

Business at the Group level in the first six months

Steady and profitable growth continued across all business segments in anti-virus and intrusion prevention. For the first six months of 2005 total revenues were 28.1m (22m), representing 28% growth. EBIT was 2.3m (2.2m). Cash flow was 5.5m positive (5.6m) and deferred revenues were 20.3m at the end of June (16.5m).

The geographical breakdown of the business was as follows: Nordic Countries 36% (34%), Rest of Europe 44% (46%), North America 11% (11%) and Rest of the World 9% (9%). Anti-virus and intrusion prevention represented 94% of the business (86%), encryption 5% (13%) and other products and services less than 1% (1%).

During first half of 2005 anti-virus and intrusion prevention business grew by 40%. The gradual exit from the encryption business continued steadily and encryption revenues declined by 52%. In anti-virus and intrusion prevention growth was good overall, but particularly strong in the ISP and consumer segments.

The development is fully in line with the Group's communicated strategy to strengthen its position in the key European markets and to focus on the anti-virus and intrusion prevention business.

The total fixed costs during first half of 2005 were 23.6m (18.4m). The Group now capitalizes some of its development costs according to IFRS rules. This decreases costs by approximately 0.4m. The increase of costs reflects the Group's strategy to prioritize growth over profitability for the short term and invest into achieving a strong sustainable position in the fast growing security service provisioning market. The cost increase was due to new product development and increasing sales resources in the field.

The Group has maintained a strong focus on improving its customer advocacy processes and systematically following customer satisfaction. Customer satisfaction stayed at traditional good levels.

Business in different segments in Q2

In the second quarter of 2005, corporate customer revenues through resellers and IT services companies were 7.9m (6.9m), representing 57% of the anti-virus and intrusion prevention business. Competitive solutions, a strong focus on support and a renewed partner program have all contributed to the growth in this segment. Annual growth in this segment was 13%. Business on the Linux platform represented 15% of the overall corporate business, up from 12% in 1Q05.

Growth in the corporate reseller channel has stabilized and it remained above market average. The Group is maintaining a high level of effort in new reseller recruitment and in activating current resellers.

Revenues through the service provider channel were 3.7m (2m), representing 27% of the anti-virus and intrusion prevention business. Annual growth in this segment was 87 %.

Consumer revenues were 2.2m (1m), representing 16% of the anti-virus and intrusion prevention business. Revenue growth rate continued strong, 121% from previous year. Sales were boosted by a large number of new retail and reseller partners, positive press visibility through review wins and increased web sales. Germany was a particularity strong geographical area in this segment in Q2.

Mobile security revenues represented less than 1% of the anti-virus and intrusion prevention business. Visibility on future business opportunities has further improved during the quarter and interest in the Group's solutions has increased among phone vendors, mobile operators and corporate customers. The Group continued to receive

numerous RFPs/RFIs (Requests for Proposal or Information) from operators in this area.

Antivirus and intrusion prevention market and competitive situation

In the Consumer segment, the growth is driven by an increasing number of high-speed Internet connections and continuously growing threat awareness. According to a recent study by America Online and the U.S. National Cyber Security Center, 67% of home PCs were without any anti-virus protection and 49% of home broadband users didn't have a firewall. 20% of home users were infected by a virus and 80% of them had some form of spyware running on their computer. In Europe, the figures are estimated to be even bigger. Based on various market analyses, the Group estimates the overall market growth in this segment to be approximately 30% annually until 2008.

In the Small and Medium Business segment approximately 70% are up-to-date with proper protection and annual market growth is expected to be 10-15% until 2008. The large Enterprise segment is over 95% satisfactorily protected and new business comes mostly from replacements, either from switching vendors or buying security as a service. As corporate software purchasing patterns evolve towards a service model, the latter is expected to become a significant new market opportunity for the Group in the coming years.

Competitive situation in the anti-virus and intrusion prevention business has remained unaltered and price levels have remained relatively stable. However, in some geographical areas there have been signs of tough competition in the very basic anti-virus product. The Group has successfully flanked these attacks through offering a premium product with richer functionality.

Security as a Service

During Q2 the Group launched six major ISP partnerships in Western Europe. After the reporting period the Group launched one in Europe and one in Hong Kong (PCCW). The latter is the first partnership of its kind in Asia and the announcement is a milestone in the Group's strategy to penetrate the Asian markets. In addition to the larger ISP relationships, the Group signed deals with a number of smaller players with a new standard service offering specially designed for small ISPs.

The number of ISP partners is currently 63. The Group is clearly the leading vendor in Europe in this category. The ISP channel represents an easy way to buy anti-virus and intrusion prevention for consumer customers.

The Group has progressed well in creating solutions to provide Security as a Service for the SMB and Enterprise segments. In these

segments, the partners are facilities management and outsourcing companies and various types of service providers. During Q2, the Group signed a number of partnerships with these types of companies and some of them have already launched their services.

Mobile security

The Group's ambitions lie in capturing a large market share in the operator market. The current track record of being the chosen partner in more than half of the announced deals globally in this domain has been further amplified by a large number of ongoing RFP/RFI processes with operators. Following operators have chosen F-Secure's solution: Elisa (Fin) , TeliaSonera (Fin) , T-Mobile(D), Swisscom(Ch) and Orange (Ch;pilot).

The key vendor partner is Nokia. The Group provides anti-virus and intrusion prevention for Nokia's Series 60 operating system based product line. In addition, the corporate and consumer channels have started to sell the Group's anti-virus solutions for mobile and handheld devices.

Product Leadership

In June, the Group announced F-Secure Anti-Virus Client Security 6.0 that raises the bar for the whole industry. It is unique in combining protection against spyware, adware, hackers, viruses, worms, browser hijacking, code injections and zero-day attacks into the same solution. The group also announced F-Secure Policy Manager 6.0, a centralized management system for all the above mentioned functionalities.

Personnel and Organization

The Group's personnel numbered 366 at the end of Q2 (288).

The Group's Executive Team consists of the following persons: Risto Siilasmaa (President and CEO), Pekka Kuusela (Executive Vice President, Sales and Marketing), Pirkka Palomäki (Executive Vice President, Research and Development), Aki Mänttari (Director, Human Resources) and Taneli Virtanen (Chief Financial Officer).

Financing

The Group's financial position remained strong throughout the year. The Group's equity ratio on June 30, 2005, was 84% (78%). Financial income for the first six months was 0.8m (0.5m).

During 2005 cash flow was 5.5m positive (5.6m). The market value of the liquid assets of the Group was 56m on June 30, 2005 (45.3m).

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

Capital Expenditures

The Group's capital expenditures for the first six months were 1.3m (0.6m). These consisted mainly of IT hardware, software and capitalization of development costs.

Shares, Shareholders' Equity, and Option Programs

In April, a total of 980,498 F-Secure shares were subscribed for with the C warrants attached to the F-Secure 1998 Warrant Plan. A total of 277,308 F Secure shares were subscribed for with the 2001B warrants, with the 2001C warrants, with the 2001D warrants, with the 2002A warrants and with the 2002B warrants attached to the F Secure 1999 II Warrant Plan. A total of 27,498 F-Secure shares were subscribed for with the 2001D warrants and with the 2002B warrants attached to the F-Secure 1999 III Warrant Plan. A total of 25,000 F-Secure shares were subscribed for with the A1/A2 warrants attached to the F-Secure 2002 Warrant Plan.

In June, a total of 594,570 F Secure shares were subscribed for with the 1999D warrants, with the 2001B warrants, with the 2001C warrants, with the 2001D warrants, with the 2002A warrants and with the 2002B warrants attached to the F Secure 1999 II Warrant Plan. A total of 259,690 F-Secure shares were subscribed for with the 1999D warrants, with the 2001B warrants and with the 2002C warrants attached to the F-Secure 1999 III Warrant Plan. A total of 85,900 F-Secure shares were subscribed for with the A1/A2 warrants attached to the F-Secure 2002 Warrant Plan.

As a result of the increases, the share capital of F-Secure currently is EUR 1,519,219.02 and the total number of shares is 151,921,902. The corresponding number of shares fully diluted would be 162,648,335, including all stock option programs.

IFRS Reporting

F-Secure publishes interim reports and annual financial statement in accordance with the IFRS standards for 2005. The group has published on February 15, 2005 its IFRS impacts and comparison data for 2004.

Corporate Governance

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

Future Outlook

The Group's key goal is to continue to grow its anti-virus and intrusion prevention business significantly faster than the industry. This will be achieved through systematically growing various channels in the key European markets and an increasingly comprehensive product offering.

2005 is expected to be a breakthrough year for Security as a Service (SaaS), both with consumer and corporate end customers. Partnership recruitment will continue vigorously in the corporate security service provider segment and corporate SaaS revenues are expected to start ramping up towards the end of the year. The Group is well positioned to benefit from the development of Security as a Service trend with a comprehensive, leading product offering and an ever-stronger position with service providers in Europe and North America. The Asian market will continue to be targeted during the second half of the year.

The visibility in mobile security business is improving constantly through increased operator and corporate customer awareness in mobile security issues and increased vendor interest. The Group expects to see the number of mobile malware outbreaks continue growing steadily.. This will further underline the value of an up-to-date security solution for smartphome and PDA users and will gradually escalate the uptake of mobile security solutions.

The Group's highly competitive consumer offering is expected to keep the revenue growth for this market segment at a high level.

During the course of 2005 the encryption business is expected to continue to decline as the group is gradually completing its exit from the business.

The management estimates 3Q05 total revenues to be around 14.5m, with an error margin of +-10%. The estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts, previous experience on purchasing patterns and a EUR/USD exchange rate of 1.25.

Based on its strategy to prioritize growth over short term profitability, the Group is investing in new sales and marketing activities as well as in major new development efforts and new projects expanding the Group's offering to service providers and facilities management companies. The actual cost level due to recent recruitments is still increasing. However, due to seasonality cost level is traditionally lower during summer time. Fixed costs are estimated to be somewhat over 12m in Q3.

This interim report is prepared in accordance with IFRS standards. The change in accounting standards has been reported on 15th February

2005.

Key figures (unaudited):

Euro million

INCOME STATEMENT	2005	2004	2005	2004	Chge	2004
	4-6	4-6	1-6	1-6	%	1-12
Revenues	14.7	11.6	28.1	22.0	28	47.3
Cost of revenues	1.3	1.0	2.7	1.8	50	3.7
Gross margin	13.4	10.6	25.4	20.2	26	43.5
Other operating income	0.3	0.2	0.5	0.4	3	0.9
Sales and marketing	7.7	6.0	15.1	12.1	25	24.6
Research and development	3.6	2.6	6.8	5.0	36	10.7
Administration	0.8	0.6	1.7	1.3	24	2.7
Operating result	1.5	1.5	2.3	2.2	4	6.5
Financial net	0.3	0.1	0.8	0.5		1.2
Result before taxes	1.8	1.7	3.0	2.7		7.7
Income taxes	-0.4	-0.3	-0.6	-0.4		5.8
Result for the period	1.4	1.4	2.4	2.3		13.5
Earnings per share, e			0.02	0.02		0.09
EPS, diluted, e			0.02	0.02		0.09
BALANCE SHEET						
ASSETS	30/6/2005	30/6/2004	31/12/2004			
Non-current						
Intangible assets		2.7	0.7	2.4		
Tangible assets		2.1	1.5	1.7		
Other financial assets		6.2	0.6	6.6		
Current						
Other receivables		12.1	10.3	11.2		
Available-for-sale financial assets		52.2	37.8	42.4		
Cash and bank accounts		4.0	7.6	7.8		
Total		79.3	58.5	72.1		
SHAREHOLDERS' EQUITY AND LIABILITIES	30/6/2005	30/6/2004	31/12/2004			
Equity		49.7	32.7	45.2		
Non-current liabilities						
Other non-current		0.4	0.2	0.4		
Deferred revenues		3.1	2.0	2.7		
Current liabilities						
Other current		8.9	9.2	8.1		
Deferred revenues		17.2	14.5	15.7		
Total		79.3	58.5	72.1		
Cash flow statement	30/6/2005	30/6/2004	31/12/2004			
Cash flow from operations		5.4	5.7	11.7		
Cash flow from capex		-1.3	-0.4	-2.8		
Cash flow from financing						

activities	1.5	0.3	1.0
Change in cash	5.5	5.6	9.9
Cash and bank at 1 Jan	50.2	39.8	39.6
Change in net fair value of			
Available-for-sale	0.4	0.0	0.6
Cash and bank at 30 Jun	56.0	45.3	50.1

Statement of changes in shareholders' equity

	share capital	share premium fund	transl. diff.	reval. reserve	retained earnings	total
Equity on						
31.12.2004	1.5	28.6	0.0	0.5	14.7	45.2
Available-for-sale						
financial asset, net				0.3		0.3
Translation diff.			0.0			0.0
Cost of share						
based payments					0.3	0.3
Profit					2.4	2.4
Exercise of options	0.0	1.5				1.5
Equity on						
30.6.2005	1.5	30.1	0.0	0.8	17.4	49.7

Key ratios	2005 6 m	2004 6 m	2004 12 m
Operating result, % of revenues	8.2	10.0	13.8
ROI, %	13.5	18.2	21.3
ROE, %	10.1	14.4	35.9
Equity ratio, %	84.2	77.6	84.2
Debt-to-equity ratio, %	-112.7	-138.6	-110.7
Earnings per share (EUR)	0.02	0.02	0.09
Earnings per share diluted	0.02	0.02	0.09
Shareholders' equity			
per share, e	0.33	0.22	0.30
P/E ratio	58.9	48.7	19.8
Capital expenditures (Meuro)	1.3	0.6	2.9
Contingent liabilities (Me)	13.4	15.7	14.6
Personnel, average	336	285	291
Personnel, Jun 30	366	288	306

Segment information

The Group has only one primary segment; data security.

Quarterly development

	1/04	2/04	3/04	4/04	1/05	2/05
Revenues	10.4	11.6	12.8	12.6	13.3	14.7

Cost of revenues	0.8	1.0	1.0	1.0	1.3	1.3
Gross margin	9.6	10.6	11.8	11.6	12.0	13.4
Other operating income	0.2	0.2	0.2	0.3	0.2	0.3
Sales and marketing	6.0	6.0	5.9	6.6	7.4	7.7
Research and development	2.4	2.6	2.7	3.0	3.2	3.6
Administration	0.7	0.6	0.6	0.8	0.8	0.8
Operating result	0.7	1.5	2.7	1.6	0.8	1.5
Financial net	0.4	0.1	0.3	0.4	0.5	0.3
Result before taxes	1.0	1.7	3.0	2.0	1.2	1.8

Financial Reporting

A press and analyst conference will be arranged today, August 2, at 11 am Finnish time at the Group's Headquarters, Tammasaarenkatu 7, Helsinki. A conference call for international investors and analysts will be arranged at 1530 Finnish time (14.30 CET, 1.30 pm UK time). Instructions can be found at <http://www.europe.f-secure.com/investor-relations/>

The following quarterly report for 2005 will be published on October 25 (Q3). A Stock Exchange bulletin will be sent at 9 am Finnish time to the Helsinki Exchanges, a press and analyst conference will be arranged at 11 am Finnish time in Helsinki, and an international conference call will be arranged in the afternoon. Full details will be provided later on the Group's web site.

F-Secure Corporation

Board of Directors

Additional information:

F-Secure Corporation

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

Taneli Virtanen, CFO tel.358 9 2520 5655