

F-SECURE GROUP'S FINANCIAL RESULTS JANUARY 1 - DECEMBER 31, 2002

Continuous profitability improvement, moderate growth in anti-virus, good growth in service subscriptions through ISPs

Highlights (comparisons made to the same period one year ago):

- EBIT 0.7m positive in Q4 (0.8m negative), 1.7m negative for the full year (12.2m negative)
- Cash flow 1.7m positive for Q4, 3.6m positive for the full year
- Revenues 9.9m for the fourth quarter (down 11%), 38.5m for the full year (down 8%)
- Due to strong maintenance sales deferred revenues increased by 1.3m in Q4 to 13.2m (11.5m)
- Anti-virus business declined by 8% in Q4 compared to 4Q01, but grew 4% year-over-year
- Encryption business declined by 13% in Q4 compared to 4Q01, and declined by 15% year-over-year
- Q4 was the seventh consecutive quarter of more than 20% quarter-to-quarter growth of subscriptions for the Security as a Service business.

Business In Brief

Security software spending remained cautious during the entire year, especially at the higher end corporate market. New license sales were weak in all other areas than anti-virus for consumers and small businesses. However, maintenance and support sales to existing customers remained strong.

For the 4th quarter of 2002, F-Secure reported revenues of 9.9 million euros. This represents an increase of 3% from the previous quarter and a decrease of 11% from the fourth quarter of 2001. For the full year 2002 revenue was 38.5 million euros, representing a decline of 8% from 2001. The Group's deferred revenue increased by 1.7 million in 2002 (1.1m in 2001) ending up to 13.2m in the balance sheet at the end of the year (11.5 a year ago, 11.9 at the end of 3Q02).

The operating result improved and was EUR 0.7 million positive for the fourth quarter (0.3m negative in 3Q02 and 0.8m negative in 4Q01). For the full year of 2002 the operating result was EUR 1.7 million negative (12.2m negative in 2001).

The anti-virus business remained stable with an annual growth of revenues of 4% in 2002 compared to 2001. The number of anti-virus service subscriptions grew with an accelerating speed towards the end of the year. However, in Q4 anti-virus revenues declined by 8% compared to 4Q01. The encryption business declined by 15% in 2002 compared to one year ago.

During the year the Group continued to develop new business in the handheld and wireless content security space and signed a number of key partnership contracts with leading vendors Fujitsu-Siemens, Hewlett-Packard and Nokia. However, the overall demand for handheld devices has continued to remain low compared to the market expectations a year earlier. The impact can be seen in the slow ramp-up of revenues in this business area.

The Group continued to successfully balance its activities to reflect the current business climate without compromising future growth. The total fixed expenses were 8.5m in the last quarter (compared to 8.6m in 3Q02 and 10.9m in 4Q01). Regardless of the cost reductions the Group continues to invest strongly into research and development.

The Group has maintained a strong focus on improving its customer advocacy processes and systematically following customer satisfaction. In the annual customer satisfaction survey the

general satisfaction index was at 4.3 (on a scale from 1 to 5), and the key anti-virus products and their update service both received a rating of 4.4.

The geographical breakdown of revenues was as follows (compared to the year 2001): North America 31% (37%), Nordic Countries 33% (34%), Rest of Europe 28% (23%), and Rest of the World 8% (6%). Anti-virus business represented 58% (52%) of the revenues, while encryption represented 40% (43%), and other products 2% (5%).

Security as a Service

The Security as a Service business (service subscriptions through ISPs) advanced further as key service provider partners in France and Sweden started promoting their anti-virus and firewall services during 2002. The business grew well, and Q4 was the seventh consecutive quarter of more than 20% quarter-to-quarter growth of subscriptions. Service subscriptions accounted for 9% of anti-virus revenues in the fourth quarter and 7% of the anti-virus revenues for the full year.

Key customers and partners

In October, F-Secure and Deutsche Telekom announced a service to be offered by the T-Com division of Deutsche Telekom to its small business customers. The Personal Security Service will combine anti-virus and personal firewall services and will be offered initially to T-Com's 350,000 small to medium-sized businesses. Full roll-out of the service is expected towards the end of 2003. The Group now has the two largest ISPs in Europe offering managed security based on F-Secure solutions, Deutsche Telekom in Germany and Wanadoo in France.

Product Leadership

The F-Secure Anti-Virus 5.40, released in Q2, has been deployed by most customers and received very positive feedback. During the recent virus outbreaks the Group has shown very fast virus detection and removal times compared to other players in the industry. This has created significant savings to F-Secure customers. The product was granted the VB100 award for 100% virus protection by the Virus Bulletin magazine and the West Coast Labs' Checkmark Level 1 and Level 2 certifications.

Personnel and Organization

The Group's personnel was 306 at the end of the year (317 at the end of 3Q02).

During 2002, the Group's businesses were organized into four business units. The business units are: Anti-Virus, SSH, VPN and Wireless.

Financing

The Group's financial position remained strong throughout the year. The Group's equity ratio on December 31, 2002, was 73 % (73% on December 31, 2001). Financial income was 0.8m for the year 2002 (2.3m in 2001).

Cash flow was 1.7m positive for the fourth quarter and 3.6m positive for the full year 2002. The liquid assets of the Group were 34.4m on December 31, 2002 (32.7m on September 30, 2002 and 31.0m on December 31, 2001).

The change in the USD-EUR exchange rate had a slight negative effect on the 2002 revenues and results.

Investments

In 2002, the Group's investments were 1.2m euros (1.4m in 2001). The investments consisted mainly of IT hardware and software.

Shares, Shareholders' Equity, and Option Programs

During 2002, a total of 1,879,637 new F-Secure Corporation shares were entered into the Trade Register. They were subscribed with the warrants attached to the F-Secure Option Programs. As a result of the subscription, the shareholders' equity increased by EUR 18,796.37. Furthermore, in January

2003 a total of 350,584 new shares were entered into the Trade Register and as a result the shareholders' equity was increased by EUR 3,505.84.

The number of shares was 144,301,989 on January 31, 2003. The corresponding number of shares fully diluted would be 163,256,465, including all stock option programs.

In March the Annual General Meeting accepted the Board proposal to authorize the Board, during the period of one year from the date of the shareholders' meeting, to decide on an increase of the share capital of the company by one or more new share issues or by launching one or more convertible bonds or option loans or option rights. As a result of such share issues, option loans, option rights or convertible loans, the share capital of the company may be increased by a maximum of 280,000 euros. The maximum number of new shares to be issued is 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 EUR 70,000, in which case a maximum amount of 7,000,000 shares may be issued. The authorization remains fully unused.

Future Outlook

The Group's key goal is to grow the anti-virus business faster than the industry in the European Small and Medium Businesses and consumer market. This will be accomplished through leveraging the existing service provider partnerships and increasing the number of reselling partners in selected countries.

The encryption business is expected to decline slightly. In that business area success will rely heavily on overall corporate software spending. In the handheld security space significant revenues are not expected to materialize in the short term.

The management expects an improvement in EBIT for the full year 2003 compared to 2002. As the first quarter has traditionally been a slow one, 1Q03 revenues are estimated to be 9.5 million euros, with an error margin of +/- 10%. The estimates are based on the sales pipeline at the time of publishing, existing subscriptions and support contracts, previous experience on the annual sales pattern and a EUR/USD exchange rate of 1.1.

Fixed costs are estimated to be approximately at the level of 9 million euros in Q1. This is slightly up from Q4 levels due to new personnel being added and increased marketing spending.

Proposals of the Board to the Annual General Meeting

1. Dividend proposal

The Board proposes not to issue a dividend for the year 2002.

2. Authorization to increase the share capital

An Authorization of the Board of Directors to decide, within one year of the registration of the

resolution of the General Meeting, on an increase of the Company's share capital in one or more issues of new shares, option loans, option rights, or one or more issues of convertible loan warrants. The share capital can be increased by a subscription or a conversion for up to 280,000 euros. To the extent the authorization is used to create incentive systems for the personnel of the Group, the share capital may be increased by a maximum of EUR 70,000, in which case a maximum of 7,000,000 shares may be issued. At the same time, the Board of Directors proposes to cancel the previous authorization.

Key figures:

Euro million					
Income statement	2002	2001	2002	2001	Chge
	10-12	10-12	1-12	1-12	%
Revenues	9.9	11.1	38.5	41.7	-8
Cost of revenues	0.9	1.3	4.6	5.7	-20
Gross margin	8.9	9.9	33.9	36.0	-6
Sales and marketing	5.6	7.0	23.4	32.3	-28
Research and development	2.3	3.0	9.8	12.4	-22
Administration	0.6	0.9	2.9	3.7	-22
Other operating income	0.2	0.1	0.4	0.3	
Operating result	0.7	-0.8	-1.7	-12.2	
Financial income and expenses	0.3	0.3	0.8	2.3	
Profit (loss) before extraordinary items	0.9	-0.5	-0.9	-9.9	
Extraordinary items +/-	-	-	-	-	
Result before taxes	0.9	-0.5	-0.9	-9.9	
Income taxes	-0.1	-0.3	-0.1	-0.2	
Result for the period	0.9	-0.7	-1.0	-10.2	

The stock option related social security expenses have had no effect on the Income Statement.

BALANCE SHEET

ASSETS	31/12/2002	31/12/2001
Intangible assets	1.2	1.5
Tangible assets	1.6	2.6
Investments	0.2	0.3
Short-term receivables	12.5	13.4
Cash and bank accounts	34.4	31.0
Total	49.8	48.8

LIABILITIES AND

SHAREHOLDERS' EQUITY	31/12/2002	31/12/2001
Total shareholders' equity	26.8	27.4
Mandatory provisions	1.9	1.9
Non-current liabilities	-	-
Advance payments	13.2	11.5
Other current liabilities	7.8	8.0

extraordinary items -3.9 -3.4 -2.2 -0.5 -0.6 -1.1 -0.1 0.9

Financial Reporting

A press and analyst conference will be arranged today, February 13, at 11 am Finnish time at the Group's Headquarters, Tammasaarekatu 7, Helsinki. A conference call for international investors and analysts will be arranged at 1530 Finnish time (1430 CET, 1.30 pm UK time). Instructions can be found at <http://www.europe.f-secure.com/investor-relations/>

The Annual Report will be published on March 18. Annual General Meeting will be held on March 26. Quarterly reports for 2003 will be published on April 29 (Q1), August 6 (Q2) and October 30 (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:

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