



F-SECURE CORPORATION
INTERIM REPORT
October 21, 2008 at 9.00 am

F-Secure Group Interim Report January 1 – September 30, 2008

Solid revenue growth continued, strong profitability

(Unaudited. Unless otherwise stated the comparisons refer to the corresponding period a year ago. The currency is euro.)

Highlights in Q3

- Total revenue growth was 18%, and resulted again in an all-time high quarterly revenues of 28.6m (24.3m)
- The ISP (Internet Service Provider) business growth was 6% from the previous quarter, and 31% from 2007, reaching revenues of 12.3m (9.4m)
- EBIT reached an all-time high of 7.1m, 25% of revenues (6.2m)
- Cash flow from operations was strong at 5.3m positive (1.5m)
- New product launches progressed well
- Guidance for Q4: Group revenues and profit in line with the previously announced guidance, SP growth estimate 34-37% (previous 35-40%)

The Group business during January-September 2008

For January-September 2008 total revenues were 82.4m (70.8m), representing 16% growth. EBIT was 17.1m (14m), 21% of revenues, representing 22% growth. Cash flow was 4.3m positive after a dividend of 10.9m in April (12.4m). The Group deferred revenues were 33.7m at the end of September (33.9m at the end of June 2008).

The Group total costs were 59.5 (51.6m), 15% higher than in 2007. The Q3 cost level was seasonally low due to the vacation period. The Group has also capitalized some of its development expenses of approximately 0.2m according to accounting rules.

The financial results for the first nine months of 2008 were in line with the guidance given in July (revenues 81.3m-83.3m, costs below 60.2m).

The geographical breakdown of the revenues was as follows: Nordic Countries 39% (39%), Rest of Europe 43% (43%), North America 9% (9%) and Rest of the World 9% (9%). Anti-virus and intrusion prevention products for the Internet represented close to 100% of the total revenues.

ISP channel in Q3

The solid development in the Group's Internet Service Provider (ISP) business continued as anticipated. A total of five new ISP partnerships were signed during Q3. The total number of ISP partners at the end of Q3 was 178 operating in 42 countries.

In the third quarter of 2008, the revenues through the Internet Service Provider (ISP) partners were 12.3m (9.4m), representing 43% of the total revenues (39%) and a growth of 31% compared to 2007. The revenue growth compared to the previous quarter was 6%.

New service provider partnerships announced in Q3 comprise Tele2 (Netherlands) and UnityMedia (Germany). Additionally, TDC (Denmark) has signed partnership with F-Secure, covering the protection of both PC and mobile subscribers.

At the end of Q2, F-Secure successfully launched a new service offering for its ISP partners, the Online back-up services for broadband users. The new service offering has been well received among customers and the first contracts are already signed in Italy (WIND-Infostrada) and Germany (UnityMedia). This new service complements F-Secure's existing portfolio of data security services, and further strengthens the company's strategy of offering value added services through Internet Service Providers.

Other channels in Q3

The traditional sales channels, including Value Added Resellers, IT Service Providers, Managed Security Service Providers, e-Store and Retail channels continued to perform solidly. The channel revitalization program for delivering solid growth in sales through the traditional channels has progressed well.

Revenues were 16.3m (14.9m). This represented 57% of the Group's total revenues (61%), growth of 10% from the previous year.

Mobile security in Q3

Close co-operation with Nokia and Sony Ericsson together with operator partnerships, such as Orange UK, Orange Switzerland, T-Mobile Germany, T-Mobile UK, Swisscom, CSL Hong Kong, TeliaSonera and Elisa, is the prime vehicle to make mobile security applications available to a large number of end users.

During Q3, F-Secure signed new contracts with KPN in the Netherlands and Netia in Poland to deliver mobile security to their subscribers. Additionally, TDC (Denmark) signed a partnership with F-Secure, covering the protection of both PC and mobile subscribers.

The Group signed the Global Frame Agreement with Vodafone in Q2, on the delivery of mobile security for major handset platforms to Vodafone customers. During Q3 Vodafone UK was the first Vodafone operating company to launch the service.

Mobile security revenues were at the level of approximately 3% of the Group's total revenues in Q3. These revenues are included in the above-mentioned channel revenues and the percentage figure is shown as an indicator only.

Products & Services in Q3

In September, F-Secure launched a new Internet Security 2009 for the protection against new online threats. By using the F-Secure DeepGuard™ 2.0 technology it recognizes both safe and malicious software instantaneously using a real-time protection network. In addition to providing quality of protection, F-Secure Internet Security 2009 also includes performance improvements, for example easy automatic installation and faster boot-up, scanning and disinfection times.

Internet Security 2009 has gained excellent results in tests (e.g. AV-Test GmbH., an independent testing organization specializing in security solutions). Internet Security 2009 belongs to a product family called Wellbeing 2009, which includes F-Secure Internet Security 2009, F-Secure Anti-Virus 2009, F-Secure Home Server Security 2009 and F-Secure Health Check.

Competitive situation

There were no significant changes in the competitive landscape during the quarter. However, compared to the situation one year ago, competition in the traditional corporate channel has become tougher resulting in negative price development in some countries. The Group's competitive position in the ISP channel has remained strong.

Personnel and Organization

The Group's personnel totaled 710 at the end of September (543). The Group has pursued its strategy to further reinforce its global sales and marketing organization.

The current Executive Team consists of the following persons: Mr. Ari Alakiuttu (Vice President, Human Resources), Mr. Kimmo Alkio (President and CEO), Mr. Pirkka Palomäki, (Chief Technology Officer), Mr. Antti Reijonen, (Vice President, Strategy), Mr. Taneli Virtanen (Chief Financial Officer) and Mr. Seppo Ruotsalainen (Senior Vice President, Sales and Geographical Operations).

Financing

The Group's financial position remained strong. The Group's equity ratio on September 30, 2008, was 83% (81%). Financial income for the first nine months of 2008 was 1.3m (0.5m). Cash flow from operations for the first nine months of 2008 was 4.3m positive (12.4m).

The market value of the liquid assets of the Group on September 30, 2008 was 88.9m (79.9m).

The change in the USD-EUR exchange has had some positive effect on revenues and results.

Capital Expenditures

The Group's capital expenditure during the first nine months of 2008 was 2.4m (1.6m). This consisted mainly of IT hardware, software and capitalization of some development expenses.

Shares, Shareholders' Equity, and Option Programs

During Q3, a total of 15,000 F-Secure shares were subscribed for with the A1/A2 warrants, total of 17,000 F-Secure shares were subscribed for with the B1/B2/B3 warrants and the total of 66,774 F-Secure shares were subscribed for with the C1/C2/C3 warrants attached to the F-Secure 2002 Warrant Plan.

In aggregate the number of shares was increased by 98,774. The corresponding increase in the share capital was registered in the Finnish Trade Register on August 27, 2008. F-Secure received as subscription price a total amount of EUR 131,138.40, which will be recorded in the fund for company's distributable equity.

As a result of the registering the total number of shares is 155,301,612. The trading with the new shares commenced on August 28, 2008. The corresponding number of shares fully diluted would be 161,464,443 including all stock option programs.

Corporate Governance

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

Risks and Uncertainties

The Group has not seen any material changes to the risks and uncertainties during the reporting period. The current situation in the financial markets has not had an impact on F-Secure's businesses.

The Group's risks and uncertainties are related to, among other things, the competitiveness of the Group's product portfolio, competitive dynamics in the industry, impact of changes in technology, timely and successful commercialization of complex technologies as new products and solutions, the ability to protect own intellectual property (IPR) in the Group's solutions as well as the use of third party technologies on reasonable commercial terms, subcontracting relationships, regional development in new growth markets, sustainability of partner

relationships, service quality level requirements and the overall development of value added security solutions in the Service Provider and mobile operator market.

Capital management and invitation for an extraordinary general meeting

F-Secure has in its review for 2007 stated that the objective of the Group's capital management is to aim at an efficient capital structure that ensures the functioning of business operations and promotes the increase of shareholder value. The Annual General Meeting 2007 decided to decrease the share premium fund and transfer the decreased amount to distributable equity fund.

In October, the Board made a proposal regarding the returning of equity to shareholders of EUR 0.23 per share and on the consequent changes to subscription price of the Group's option programs. The Board proposes to the general meeting that the returned amount would be a total of EUR 35,719,370.76 for a total of 155,301,612 shares (EUR 0.23 per share). The Board has called an extraordinary general meeting of shareholders on October 28, 2008. The details concerning the extraordinary general meeting are published in a stock exchange release on October 8, 2008.

Events after Q3

In October, F-Secure divested some of its network control technology. The sale will improve the operating profit for Q4 by approximately 0.8m.

Changes in the Group's financial position after Q3

No other major changes regarding the Group's business or financial position have materialized after the end of September 30, 2008.

Future Outlook

The Group's first priority is to drive strong growth. The core growth driver is the ISP channel. The growth is driven by a combination of security services and new value added services (such as online backup). The Group continues to invest in new sales and marketing activities to build scalability for future growth especially for the service providers and in the mobile segment. The Group continues to pursue innovations in the IT security related technologies as well as in new services related to the online wellbeing of Internet users.

The annual growth rate in the ISP business is expected to be between 34% and 37%, with accelerated growth at the end of the year. The revenue growth estimate in the previous interim report was between 35% and 40% annual growth. During second half of 2008 the online backup service launch with ISPs has taken longer than anticipated.

In the mobile security business revenues are expected to grow steadily. However, it is expected to remain a small part of the Group's revenues during 2008.

The fourth quarter 2008 revenues are estimated to be between 29.5m and 31.5m. Fixed costs are estimated to be below 22m. The revenue estimates are based on the sales pipeline at the time of publishing, existing subscriptions and support contracts and a EUR/USD exchange rate of 1.40. The current uncertainty in the global economy is not anticipated to impact F-Secure's businesses during Q4.

The Management expects the full year revenue to be between 112 and 114 million and full year EBIT between 20 and 23%. The guidance given for full year 2008 at the beginning of the full year was the following: revenues to be between 110 and 120 million and EBIT between 19 and 23% of revenues.

In the 2-4-year horizon the Group aims to continue to exceed the average market growth rates in revenues and seeks an EBIT level around 25%.

News conference today at 11 am

A news conference for the press and analysts will be arranged today, October 21st, at 11 am Finnish time at the Group Headquarters, address: Tammasaarenkatu 7 (Ruoholahti), Helsinki. A conference call for international investors and analysts will be arranged at 15.30 Finnish time (14.30 CET, 1.30 pm UK time). Instructions how to attend can be found on the investor pages of the Group's web site.

The financial results for Q4 and 2008 will be published on January 29, 2009. The audited annual accounts for the full year 2008 will be announced during the week beginning February 9 and the Annual Report will be published in mid-March, 2009. The Annual General Meeting will be held on March 26, 2009.

Quarterly reports for 2008 will be published on April 23 (Q1), July 28 (Q2) and October 22 (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

Additional information:

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This interim report is prepared in accordance with IAS 34 standard and with accounting principles stated in the annual report 2007.

Key figures (unaudited):

Euro million

INCOME STATEMENT	2008	2007	2008	2007	Chge	2007
	7-9	7-9	1-9	1-9	%	1-12
Revenues	28.6	24.3	82.4	70.8	16	96.8
Cost of revenues	2.6	2.0	7.1	5.6	27	7.5
Gross margin	26.0	22.3	75.3	65.2	15	89.2
Other operating income	0.4	0.1	1.3	0.4	246	0.8
Sales and marketing	11.8	10.0	35.7	31.7	13	43.2
Research and development	6.1	5.0	18.8	15.6	21	21.2
Administration	1.4	1.3	5.0	4.3	14	6.2
Operating result	7.1	6.2	17.1	14.0	22	19.5
Financial net	0.4	0.1	1.3	0.5		1.9
Result before taxes	7.5	6.3	18.4	14.5		21.4
Income taxes	-1.9	-1.7	-4.8	-3.8		-5.9
Result for the period	5.6	4.6	13.6	10.7		15.4
Earnings per share, e			0.09	0.07		0.10
EPS, diluted, e			0.09	0.07		0.10

BALANCE SHEET

ASSETS	30/9/2008	30/9/2007	31/12/2007
Intangible assets	3.7	4.0	3.8
Tangible assets	3.6	3.2	3.3
Other financial assets	0.7	0.8	0.9
Non-current assets total	8.0	8.0	8.0
Inventories	0.1	0.3	0.3
Other receivables	22.8	18.8	22.1
Available-for-sale financial assets	77.4	68.2	71.6
Cash and bank accounts	11.6	11.8	12.7
Current asset total	111.9	99.2	106.6
Total	119.9	107.2	114.7

SHAREHOLDERS' EQUITY

AND LIABILITIES	30/9/2008	30/9/2007	31/12/2007
Equity	71.1	63.1	67.5
Other non-current	0.2	0.3	0.1
Provisions 1)	0.0	1.3	1.3
Deferred revenues	6.3	3.8	4.8
Non-current liabilities total	6.4	5.4	6.2
Other current	14.9	13.4	13.8
Deferred revenues	27.5	25.3	27.1
Current liabilities total	42.3	38.7	40.9
Total	119.9	107.2	114.7

Note 1) By decision of Helsinki Court of Appeal a payment was made concerning dispute between F-Secure Corporation and SRV Viitoset Oy. F-Secure has applied for leave to appeal for Supreme Court.

Cash flow statement	30/9/2008	30/9/2007	31/12/2007
Cash flow from operations	18.3	17.0	22.7
Cash flow from investments	-3.3	-1.5	-2.1
Cash flow from financing Activities 2)	-10.7	-3.1	-3.0
Change in cash	4.3	12.4	17.6
Cash and bank at 1 Jan	84.3	66.6	66.4
Change in net fair value of Available-for-sale	0.3	0.9	0.1
Cash and bank at 30 Sep	88.9	79.9	84.1

Note 2) dividends paid/increase in equity

Final dividend for year 2007 0.07 euro per share totaling 10,859,178.26 euro was paid on 8th April 2008.

Statement of changes in shareholders' equity

	share capital	share premium fund	transl. diff.	reval. reserve	unres- tricted reserve	retained earnings	total
Equity on 31.12.2007	1.5	0.2	0.0	0.0	33.6	32.2	67.5
Available-for-sale financial asset, net				0.2			0.2
Translation diff.			0.0				0.0
Cost of share based payments						0.5	0.5
Profit						13.6	13.6
Dividend						-10.9	-10.9
Exercise of options	0.0	0.0			0.2		0.2
30.9.2008	1.5	0.2	0.0	0.2	33.8	35.4	71.1

Key ratios	2008 9 m	2007 9 m	2007 12 m
Operating result, % of revenues	20.8	19.8	20.1
ROI, %	36.9	33.9	36.3
ROE, %	26.2	24.3	25.4
Equity ratio, %	82.6	80.8	81.6
Debt-to-equity ratio, %	-124.9	-126.6	-124.6
Earnings per share (EUR)	0.09	0.07	0.10
Earnings per share diluted	0.09	0.07	0.10
Shareholders' equity per share, e	0.46	0.41	0.44
P/E ratio	19.8	26.2	24.6
Capitalized expenditures (Me)	2.4	1.6	2.2
Contingent liabilities (Me)	7.4	9.8	9.2
Personnel, average	636	519	528
Personnel, Sep 30	710	543	566

Segment information

The Group has only one primary segment; data security.

Quarterly development

	1/07	2/07	3/07	4/07	1/08	2/08	3/08
Revenues	23.1	23.3	24.3	26.0	26.6	27.2	28.6
Cost of revenues	1.9	1.8	2.0	2.0	2.1	2.4	2.6
Gross margin	21.3	21.6	22.3	24.0	24.5	24.7	26.0
Other operating income	0.1	0.1	0.1	0.4	0.3	0.6	0.4
Sales and marketing	10.6	11.1	10.0	11.5	11.5	12.4	11.8
Research and development	5.3	5.3	5.0	5.7	6.3	6.5	6.1
Administration	1.4	1.6	1.3	1.8	1.8	1.7	1.4
Operating result	4.1	3.7	6.2	5.5	5.3	4.7	7.1
Financial net	0.2	0.3	0.1	1.4	0.3	0.6	0.4
Result before taxes	4.2	4.0	6.3	6.9	5.6	5.3	7.5