



F-Secure Corporation Interim Report January 1 - December 31, 2008

Strong year-end performance, good revenue growth and strong profitability, excellent cash flow, SP growth accelerated

Highlights in Q4

- Total revenue growth was 18%, and resulted again in all-time high quarterly revenues of 30.6million (26.0m)
- Revenues from the Internet Service Provider (ISP) business grew by 10% from the previous quarter, and 33% from Q407, reaching revenues of 13.5 million (10.1m)
- EBIT reached a record of 7.2 million (including the gain from the sale of network control technology of 0.8m), representing 24% of revenues (5.5m)
- Earnings per share were EUR 0.05 (EUR 0.04)
- Cash flow was 8.3 million positive excluding the capital repayment of 35.7million in November (5.2m positive)
- Capital repayment of EUR 0.23 per share in November
- Q408 financial performance within the given guidance; revenues 29.5-31.5m and costs below 22m.

Highlights in 2008

- Total revenue growth was 17%, and resulted in all-time high revenues of 113 million (96.8m)
- Revenue growth from the ISP business was 35%, reaching revenues of 48.4 million, (35.9m)
- EBIT was 24.3 million, an increase of 25%, representing 22% of revenues (19.5m)
- Earnings per share increased to EUR 0.13 (EUR 0.10)
- Cash flow was 23.5 million positive, excluding the dividends of 10.9m paid in April and the capital repayment of 35.7m in November. (Cash flow 20.7 m positive excluding the dividends of 3.1m)
- New innovative Internet Security solutions and value-added services launched; portfolio expansion including unlimited on-line backup service for Internet Service Providers launched during Q2
- 2008 financial performance within the given guidance; revenues 112-114 million and EBIT 20-23%

(This report is unaudited. Unless otherwise stated the comparisons refer to the corresponding period a year ago. The currency is euro. The Board proposals to the annual general meeting will be announced on Feb. 12, 2009)

Key figures	2008	2007	2008	2007
€m	10-12	10-12	12 m	12 m
Revenues	30.6	26.0	113.0	96.8
Operating result	7.2	5.5	24.3	19.5
% of net sales	24 %	21 %	21 %	20 %
Profit before taxes	8.0	6.9	26.4	21.4
Deferred revenue			37.2	31.9
Change in cashflow	-27.4	5.2	-23.1	17.6
EPS	0.05	0.04	0.13	0.10
ROI%			52	36
ROE%			36	25
Equity ratio%			71	82
Gearing			-148	- 125
Personnel, end of period			718	566

CEO Kimmo Alkio: "We are pleased with our performance for both the fourth quarter and the year 2008 as a whole. Our pursuit and results for market share expansion are a result of a committed partner network and the quality of service we have been able to deliver to our customers. During the year we have expanded our leadership position with the global ISP partner network of more than 180 partners and now serve an addressable market of over 50 million consumer customers. This market position coupled with new innovations, such as the recently launched on-line backup services, provides a good starting point both for the year 2009 and for long term sustainable growth".

F-Secure business at the group level in 2008

For 2008 the total revenues were 113 million (2007: 96.8m), representing growth of 17%. This growth was especially strong in the Internet Service Provider business. EBIT was 24.3 million (19.5m), 22% of revenues, and an increase of 25% from the previous year. This includes the gain from the sales of network control technology, 0.8 million, in October. Cash flow from operations was 23.5 million positive (20.7m) excluding the dividends of 10.9 million paid in April (3.1m) and a capital repayment of a total of EUR 35.7 million paid in November. The Group deferred revenues were 37.2 million at the end of December (31.9 million at the end of September 2008).

The financial results for 2008 were in line with the guidance given in October (revenues 112 - 114 million, EBIT 20-23%).

The Group total costs were 81 million (70.5m), 15% higher than in 2007. The Group also capitalized some of its R&D expenses according to accounting rules, totaling approximately 0.5 million in 2008.

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 represented close to 100% of the total revenues.

Internet Service Provider channel in Q4 and 2008

The solid development in the Group's Internet Service Provider (ISP) business continued as anticipated. The total number of ISP partners at the end of Q4 was 183 operating in 43 countries.

In the fourth quarter of 2008, the revenues through the ISP business partners totaled 13.5 million (Q407: EUR 10.1 million), representing 44% of the total revenues (39%) and a growth of 33% compared to

2007. The revenue growth accelerated from the previous quarter and was 10%. The annual revenues were 48.4m (35.9m), representing 43% of the total revenues (37%) and a growth of 35% compared to 2007.

The new service provider partnerships comprise Vodafone (New Zealand).

The growth of online back-up services, complementing the F-Secure existing portfolio of data security services, has progressed well and it is expected to continue. For Online Backup, there are currently a total of 7 partners in 6 countries.

The Online Backup services are expected to further strengthen the company's strategy of offering value added services through Internet Service Providers. However, as stated in the Q32008 report, bringing this new product to market has taken longer than anticipated.

The total number of the Group's ISP partners is significantly larger than that of any other security service vendor. At the end of 2008 the Group's ISP partners held approximately 39% (37%) market share of total broadband consumer connections in Europe, approximately 10% (10%) in North America and approximately 13% (9%) in APAC excluding China (Source: estimates by Dataxis and F-Secure).

Other channels in Q4 and 2008

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

Revenues through these channels were 17.1 million in Q4 (15.9 million). This represented 56% of the Group's total revenues (61%), growth of 8% from the previous year. Revenues in 2008 were 64.6 million (2007: 60.8m), which represents 57 % of the Group total revenues (63%), growth of 6% from the previous year.

Mobile security in Q4 and in 2008

Close co-operation with major handset manufacturers, including Nokia, progressed well throughout the year. The Group announced several new mobile operator partnerships during 2008 including Global Frame Agreement with Vodafone Global. Operator announcements included KPN, TDC, Netia, Vodafone UK and CSL. Co-operation with the operators T-Mobile International, TeliaSonera Group, Orange, Swisscom and Elisa continued as planned.

In Q4, the Group launched its first non-anti malware mobile security functionality, adding lock & wipe capabilities to its Mobile Security product.

In 2008, the revenues generated by the mobile security services were at the level of approximately 3% of the Group's total revenues (2% in 2007), while the number of trial customers continues to increase consistently.

Products & Services

F-Secure launched new products and services during the Q4. F-Secure Client Security 8, launched in October, provides highly effective protection for corporate workstations and laptops by using the F-Secure DeepGuard™ 2.0 technology, which recognizes both safe and malicious software instantaneously using a real-time protection network.

In November, F-Secure launched a new version of its security solution for smartphones, Mobile Security 5, which has an anti-theft feature including easy remote lock and wipe of confidential data if the phone is lost or stolen.

In September, F-Secure announced Internet Security 2009 for protection against new online threats using the F-Secure DeepGuard™ 2.0 technology. The Wellbeing 2009 product family includes F-Secure Internet Security 2009, F-Secure Anti-Virus 2009, F-Secure Home Server Security 2009 and F-Secure Health Check. F-Secure's Online Backup solution, launched in July, features unlimited online backup services for broadband users on a subscription basis. Online Backup is initially available through ISP partners.

The sale of network control technology

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

Customer satisfaction

F-Secure updated its annual customer satisfaction survey in Q4. Survey was updated to cover customer and product satisfaction in more detail and it was extended to new areas such as user experience. The new survey and methodology provides F-Secure with more accurate and detailed information in the following areas: customer demographics, overall satisfaction, purchasing experience, support services, the web, detailed product satisfaction, and user experience.

The overall satisfaction remained at the good level of 4.1 (4.1) on a scale from 1 to 5.

Market situation

There were no significant changes in the competitive landscape nor in the pricing levels during the year. However, there have been occasional signs of increasing price competition in some countries. The Group's competitive position in the ISP channel has remained strong.

Personnel and organization

The Group's personnel totaled 718 at the end of the year (2007: 566). The Group's number of personnel has increased compared to the previous year driven by the business growth in mainly the global Sales and Marketing and in R&D organizations. Given the rapid recruitment in the first 9 months of 2008 (144 persons), the Group slowed down its personnel growth in the fourth quarter, with an increase of 8 persons.

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

Financing and capital structure

The Group's financial position was strong in Q4 and in 2008. The Group's equity ratio after the capital repayment at the end of the year was 71% (82%), which reflects the company's healthy capital structure. The gearing ratio was 148% negative (125% negative).

Cash flow for 2008 was 23.5 million positive (20.7m) excluding the dividend of EUR 10.9 million (3.1m) paid in April and the returning of equity of 35.7 million paid in November. The financial income for 2008 was 2 million (1.9m).

The market value of the liquid assets of the Group on December 31, 2008 was 61 million (84.1 m).

The change in the USD-EUR exchange rate has not had a material effect on revenues and results for 2008.

Capital expenditures

The Group's capital expenditure for 2008 was 3.1 million (2.2 m), consisting mainly of IT hardware and software as well as capitalization of some research & development expenses.

Capital management, EGM and repurchase of own shares

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 Board called an extraordinary general meeting on October 28 to decide on the return of equity from the Company's invested unrestricted equity and on the consequent changes affecting the subscription price of the Company's existing option programs. The proposal was approved and the capital repayment of total EUR 35.7 million or EUR 0.23 per share was paid to shareholders in November. The subscription price of the stock options, which can be subscribed for and which belong to the option programs 2002 and 2005, were lowered by EUR 0.23 per stock option.

In October, the group announced the buy-back its own shares. The shares were repurchased through public trading on NASDAQ OMX Helsinki in accordance with its rules and at market price. The number of own shares at the end of December was 717,000. Based on the authorization, the maximum amount to be repurchased is 2.500.000 shares, representing 1.6% of all the shares issued by the Company. The buy-back of own shares is based on the authorization of the Annual General Meeting 2008 and is valid until the next Annual General Meeting.

Shares, shareholders' equity, and option programs

During Q4, a total of 29,291 F-Secure shares were subscribed for with the A1/A2 warrants, a total of 52,964 F-Secure shares were subscribed for with the B1/B2/B3 warrants and a total of 693,294 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 775,549. The corresponding increase in the share capital was registered in the Finnish Trade Register on November 17, 2008.

As a result of the registering the total number of shares at the end of the year was 156,077,161. The trading with the new shares will commence on November 18, 2008. The corresponding number of shares fully diluted would be 161.270.407. The group received as subscription price a total amount of EUR 996,136.33, which was recorded in the fund for company's distributable equity.

After the reporting period, a total of 3,333 F-Secure shares were subscribed for with the A3 warrants, total of 171,340 F-Secure shares were subscribed for with the A1/A2 warrants, a total of 162,650 F-Secure shares were subscribed for with the B1/B2/B3 warrants and a total of 355,923 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 693,246. The corresponding increase in the share capital was registered in the Finnish Trade Register on January 7, 2009. The group received as a subscription price a total amount of EUR 661,219.02, which was recorded in the fund for company's distributable equity. As a result of the registering the total number of shares is currently 156,770,407.

The entire F-Secure 2002 warrant plan expired December 31, 2008.

Corporate Governance

The group complies with the Corporate Governance recommendations for public listed companies published in October 2008 by the Securities Market Association, a body established by the Confederation of Finnish

Industries EK, the Central Chamber of Commerce, and NASDAQ OMX Helsinki Ltd., as explained on the Group's web pages.

Risks and uncertainties

Despite the current economic conditions, the Group has not seen material changes to the risks and uncertainties during the reporting period. The current situation in the global economy has not had a major impact on F-Secure's businesses during Q408. However, as the uncertainty in the economic environment has increased, the Group is closely monitoring the developments in the economic and financial markets.

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.

In December 2008, F-Secure Inc. the U.S. subsidiary of F-Secure Corporation, was named as a defendant in a patent infringement lawsuit filed in a state court in the U.S. F-Secure is investigating the claims and will defend itself accordingly. The Group does not expect any material impact on its financials from this lawsuit.

Events after the period-end

In January, the Group announced a subscription of shares based on the option programs F-Secure 2002 Warrant plan. The details of this subscription are explained in this release under the section shares, shareholders' equity, and option programs.

Long-term objectives

The demand for Internet Security and other related services continues to increase, along with the growing number of Internet broadband connections and the expansion of Internet. The long term endpoint security market compound annual growth rate is expected to be around 10% between 2007-2012. Furthermore in 2009 the endpoint security market growth is anticipated to be around 8% over the prior year. (Source: IDC, Worldwide Security Products 2008-2012 Forecast: Postcrisis, Doc # 215745, December 2008).

The Group's first priority is to drive strong growth. The core growth driver is the ISP channel where the Group has a strong foothold globally. The Group's target is to be the leader in providing security and other related services to consumers through Service Providers. In addition, the Group is developing its operations in other channels, e.g. electronic sales, to drive long term growth.

The Group pursues investments in new value added services for both PC and mobile users to augment the existing security services. The Group continues to drive innovation also in the traditional IT security, enabling the secure use of internet.

During the next three years, the Group aims to continue to exceed the average market growth rates in revenues. The company seeks the EBIT level to be around 25%.

Short-term outlook

In Q408, the prevailing economic conditions had little, if any, impact on the Group's business. During the year 2009 the Group seeks to continue to exceed the average market growth.

The Group revenues for the first quarter of 2009 are estimated to be between 29.5 million and 31.5 million. Costs level is estimated to be below 22.5 million.

The revenue estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts and current EUR/USD exchange rate of 1.35.

News conference today at 11 am

A news conference for the press and analysts will be arranged today, January 29, 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 at http://www.f-secure.com/f-secure/investor_relations/.

The audited annual accounts for the full year 2008 together with the Board's proposals to the annual general meeting will be announced on February 12. The Annual Report will be published in mid-March, 2009. The Annual General Meeting will be held on March 26, 2009.

The interim 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:

F-Secure Corporation
Kimmo Alkio, President and CEO
tel. +358 9 2520 0700

Taneli Virtanen, CFO
tel. +358 9 2520 5655

Mervi Pohjoisaho, IR
tel. +358 40 535 8989

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
	10-12	10-12	1-12	1-12	%
Revenues	30.6	26.0	113.0	96.8	17
Cost of revenues	3.1	2.0	10.3	7.5	36
Gross margin	27.4	24.0	102.7	89.2	15
Other operating income	1.3	0.4	2.6	0.8	226
Sales and marketing	13.0	11.5	48.6	43.2	13
Research and development	6.7	5.7	25.5	21.2	20
Administration	1.9	1.8	6.8	6.2	11
Operating result	7.2	5.5	24.3	19.5	25
Financial net	0.7	1.4	2.0	1.9	
Result before taxes	8.0	6.9	26.4	21.4	
Income taxes	-2.1	-2.1	-6.9	-5.9	
Result for the period	5.9	4.8	19.6	15.4	

Earnings per share, e			0.13	0.10	
EPS, diluted, e			0.12	0.10	

BALANCE SHEET

ASSETS	31/12/2008	31/12/2007
Intangible assets	3.5	3.8
Tangible assets	3.5	3.3
Other financial assets	1.1	0.9
Non-current assets total	8.1	8.0
Inventories	0.1	0.3
Other receivables	25.5	22.1
Available-for-sale financial assets	47.1	71.6
Cash and bank accounts	14.1	12.7
Current asset total	86.8	106.6
Total	94.9	114.7

SHAREHOLDERS' EQUITY

AND LIABILITIES	31/12/2008	31/12/2007
Equity	41.1	67.5
Other non-current	0.0	0.1
Provisions 1)	0.0	1.3
Deferred revenues	7.5	4.8
Non-current liabilities total	7.5	6.2
Other current	16.5	13.8
Deferred revenues	29.7	27.1
Current liabilities total	46.2	40.9
Total	94.9	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 did not receive a leave to appeal for Supreme Court.

Cash flow statement	31/12/2008	31/12/2007
Cash flow from operations	26.3	22.7
Cash flow from investments	-3.2	-2.1
Cash flow from financing		
Activities 2)	-46.2	-3.0
Change in cash	-23.1	17.6
Cash and bank at 1 Jan	84.3	66.4
Change in net fair value of		
Available-for-sale	-0.2	0.1
Cash and bank at 31 Dec	61.0	84.1

Note 2) Cash flow from financing

Increase in equity by exercise of options 1,845,127 euro.

Final dividend for year 2007 0.07 euro per share totaling 10,859,178.26 euro was paid on 8th April 2008. Capital repayment 0.23 euro per share totaling 35,719,370.76 euro was paid on 7th November 2008.

Statement of changes in shareholders' equity

	share share capital	share premium fund	treasury shares	transl. diff.	fair value reserve	unres- tricted reserve	retained earnings	total
Equity on								
31.12.2007	1.5	0.2	0.0	0.0	0.0	33.6	32.2	67.5
Available-for-sale financial asset, net					-0.1			-0.1
Translation diff.				-0.4				-0.4
Cost of share based payments							0.7	0.7
Profit							19.6	19.6
Dividend							-10.9	-10.9
Capital repayment						-35.7		-35.7
Other change						2.4	-2.4	
Exercise of options	0.0	0.0					1.8	1.9
Aquisition of treasury shares			-1.5					-1.5
Equity on								
31.12.2008	1.5	0.2	-1.5	-0.4	-0.1	2.1	39.2	41.1

Key ratios	2008	2007
	12 m	12 m
Operating result,		
% of revenues	21.5	20.1
ROI, %	51.5	36.3
ROE, %	36.0	25.4
Equity ratio, %	71.3	81.6
Debt-to-equity ratio, %	-148.5	-124.6
Earnings per share (EUR)	0.13	0.10
Earnings per share diluted	0.12	0.10
Shareholders' equity		
per share, e	0.26	0.44
P/E ratio	14.9	24.6
Capitalized expenditures (Me)	3.1	2.2
Contingent liabilities (Me)	7.8	9.2
Personnel, average	652	528
Personnel, Dec 31	718	566

Segment information

The Group has only one segment; data security.

Quarterly development

	1/07	2/07	3/07	4/07	1/08	2/08	3/08	4/08
Revenues	23.1	23.3	24.3	26.0	26.6	27.2	28.6	30.6
Cost of revenues	1.9	1.8	2.0	2.0	2.1	2.4	2.6	3.1
Gross margin	21.3	21.6	22.3	24.0	24.5	24.7	26.0	27.4
Other operating income	0.1	0.1	0.1	0.4	0.3	0.6	0.4	1.3
Sales and marketing	10.6	11.1	10.0	11.5	11.5	12.4	11.8	13.0
Research and development	5.3	5.3	5.0	5.7	6.3	6.5	6.1	6.7
Administration	1.4	1.6	1.3	1.8	1.8	1.7	1.4	1.9
Operating result	4.1	3.7	6.2	5.5	5.3	4.7	7.1	7.2
Financial net	0.2	0.3	0.1	1.4	0.3	0.6	0.4	0.7
Result before taxes	4.2	4.0	6.3	6.9	5.6	5.3	7.5	8.0