



F-Secure Group January 1 - June 30, 2008 Financial Results

Solid overall growth, good profitability

(Unaudited figures. Unless otherwise stated comparisons are made to the same period one year ago. The currency is euro.)

Highlights in Q2

- Total revenue growth was 16% and resulted in an all-time high quarterly revenue of 27.2m
- ISP business growth was 6% quarter over quarter, and 35% year over year, reaching revenues of 11.6m
- EBIT was 4.7m, 17% of revenues (3.7m)
- Cash flow 7.1m negative after a dividend of 10.9m in April (5.6m)
- Portfolio expansion launched to ISPs with online back-up service

Business at the Group level during the first half of 2008

For the first six months of 2008 total revenues were 53.8m (46.5m), representing 16% growth. EBIT was 10.0m (7.8m) and 19% of revenues, representing 28% growth. Cash flow was 1m negative after a dividend of 10.9m in April (10.9m positive). Deferred revenues were 33.9m at the end of the period (33.7m at the end of 1Q2008).

The total costs were 40.2m (35.3m), representing 14% growth. The Group capitalizes some of its development expenses according to the accounting rules. This had no material impact on the cost level.

The first six months' results were in line with the guidance given in April (revenues 53.1m-55.1m, costs not exceeding 40.5m).

The geographical breakdown of the business 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 represented close to 100% of the total revenues.

ISP channel during Q2

Strong development in the Service Provider business continued and a total of 4 new ISP partnerships were signed in Q2. The total number of ISP partners was 173 operating in 39 countries at the end of the quarter.

New service provider partnerships announced in Q2 include KabelBW (Germany) and Tele2 (Germany).

In the second quarter of 2008, revenues through the Internet Service Provider (ISP) partners were 11.6m (8.6m), representing 43% of the total revenues (37%) and a growth of 35% from the previous year. The quarter-over-quarter revenue growth was 6% (8% in 1Q2008). The growth during first six months was 38% compared to the previous year.

The traditional Security as a Service business has developed at slightly slower pace in Q2 than anticipated.

The total number of the Group's ISP partners is significantly larger than with any other security service vendor. At the end of 2007 the Group's ISP partners held approximately 37% (34%) market share of total consumer broadband connections in Europe, approximately 10% (10%) in North America and approximately 9% (n/a%) in APAC (Source: Dataxis and F-Secure).

Wider broadband adoption is a key driver of this business. Broadband subscribers represented on an average 22.0% of the population in European OECD countries and 24.9% in North America at the end of 2007, with Denmark and the Netherlands at the lead with approximately 35% uptake. OECD countries' average penetration increased by 3.0 percentage points year-over-year. Germany showed a particularly high growth rate of 6.7 percentage points (Source: www.oecd.org).

Other channels in Q2

The traditional sales channels, including Value Added Resellers, IT Service Providers, Managed Security Service Providers, e-Store and Retail channels performed stronger than in Q1. The Group has implemented a channel revitalising programme to deliver solid growth in the traditional channels.

Revenues were 15.6m (14.8m). This represented 57% of the total revenues (63%) and a growth of 5% from the previous year. The growth during first six months was 4% compared to the previous year.

Mobile security in Q2

Mobile security revenues were at the level of approximately 3% of the Group's total revenues in Q2. These revenues are included in the above-mentioned channel revenues and the percentage figure is shown as an indicator only.

During Q2, the Group has signed a Global Frame Agreement (GFA) with Vodafone Global enabling co-operation with Vodafone operating companies globally. The scope consists of delivering mobile security for major handset platforms to Vodafone customers.

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, TeliaSonera and Elisa, is the prime vehicle to make mobile security applications available to a large number of end users. Co-operation initiatives with other major mobile operators and handset manufacturers are also progressing well.

Products & Services in Q2

During Q2 the Group announced F-Secure Mobile Security for Windows Mobile, combining real time anti-virus and anti-spyware with a firewall for this mobile platform.

The Group has extended its offering beyond traditional security services by launching online back-up service for its ISP partners. The service offering is targeted for consumers and small businesses.

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.

Customer satisfaction

F-Secure updated its annual customer satisfaction survey at the end of 2007. The overall satisfaction was at a healthy level of 4.1 on a scale from 1 to 5.

Personnel and Organization

The Group's personnel numbered 668 at the end of the Q2 (540).

The Group has been successful in pursuing its strategy to reinforce above all 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. Trond Neergaard (Vice President, ISP Operations), Mr. Pirkka Palomäki, (Chief Technology Officer), Mr. Antti Reijonen, (Vice President, Strategy), Mr. Taneli Virtanen (Chief Financial Officer) and Mr. Travis Witteveen (Senior Vice President, Sales and Geography Operations).

Financing

The Group's financial position remained strong. The Group's equity ratio on June 30, 2008, was 82% (79%). Financial income for the first half of 2008 was 0.9m (0.5m).

A dividend of EUR 0.07 per share was paid on April 8, 2008, representing a total of 10.9m for all outstanding shares.

During the first half of the year cash flow was 9.9m before dividend (14m positive) and 1.0m negative after the dividend of 10.9m (10.9m positive).

The market value of the liquid assets of the Group on June 30, 2008 was 83.3m (78.1m).

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

Capital Expenditures

The Group's capital expenditures during the first half of the year were 1.7m (1.2m). These consisted mainly of IT hardware, software and capitalization of development expenses.

Shares, Shareholders' Equity, and Option Programs

During Q2, a total of 26,384 F-Secure shares were subscribed for with the A1/A2 warrants and a total of 45,336 F-Secure shares were subscribed for with the B1/B2/B3 warrants attached to the F-Secure 2002 Warrant Plan.

In aggregate, the number of shares was increased by 71,720. The corresponding increase was registered in the Finnish Trade Register on May 20, 2008. F-Secure received as subscription price a total amount of EUR 56,632.80, which will be recorded in the fund for company's distributable equity.

As a result of the registering the total number of shares is 155,202,838. 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 in the Near Future

The Group has not seen any material changes to the risks and uncertainties during the reporting period.

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, the 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.

Future Outlook

The Group's first priority is to drive strong growth. The core growth driver is the ISP channel.

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 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 35% and 40%, with accelerated growth at the end of the year. The growth is driven by a combination of security services and new value added services (such as online back up). The estimate in the previous interim report was approximately 40% annual growth.

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.

Management expects full year 2008 revenues to be between 110 and 120 million and full year 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%.

The third quarter 2008 revenues are estimated to be between 27.5m and 29.5m. Fixed costs are estimated to be below 20m in Q3 reflecting usual third quarter seasonality.

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 1.55.

Financial Reporting

A press and analyst conference will be arranged today, July 29th, 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 on the investor pages of the Group's web site.

The quarterly report for Q3 will be published on October 21. 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

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 4-6	2007 4-6	2008 1-6	2007 1-6	Chge %	2007 1-12
Revenues	27.2	23.3	53.8	46.5	16	96.8
Cost of revenues	2.4	1.8	4.5	3.6	24	7.5
Gross margin	24.7	21.6	49.3	42.8	15	89.2
Other operating income	0.6	0.1	0.9	0.2	275	0.8
Sales and marketing	12.4	11.1	23.9	21.7	10	43.2
Research and development	6.5	5.3	12.8	10.6	20	21.2
Administration	1.7	1.6	3.5	3.0	17	6.2
Operating result	4.7	3.7	10.0	7.8	28	19.5
Financial net	0.6	0.3	0.9	0.5		1.9
Result before taxes	5.3	4.0	10.9	8.2		21.4
Income taxes	-1.4	-1.0	-2.8	-2.1		-5.9
Result for the period	4.0	3.0	8.1	6.4		15.4
Earnings per share, e			0.05	0.04		0.10
EPS, diluted, e			0.05	0.04		0.10

BALANCE SHEET

ASSETS	30/6/2008	30/6/2007	31/12/2007
Intangible assets	3.8	4.2	3.8
Tangible assets	3.5	3.3	3.3
Other financial assets	0.7	0.8	0.9
Non-current assets total	8.0	8.4	8.0
Inventories	0.1	0.4	0.3
Other receivables	22.1	17.0	22.1
Available-for-sale financial assets	73.1	62.4	71.6
Cash and bank accounts	10.3	15.8	12.7
Current asset total	105.6	95.6	106.6
Total	113.6	104.0	114.7

SHAREHOLDERS' EQUITY

AND LIABILITIES	30/6/2008	30/6/2007	31/12/2007
Equity	65.2	58.0	67.5
Other non-current	0.1	0.2	0.1
Provisions 1)	0.0	1.2	1.3
Deferred revenues	6.4	3.4	4.8
Non-current liabilities total	6.5	4.9	6.2
Other current	14.3	14.3	13.8

Deferred revenues	27.5	26.8	27.1
Current liabilities total	41.9	41.1	40.9
Total	113.6	104.0	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	30/6/2008	30/6/2007	31/12/2007
Cash flow from operations	12.4	15.1	22.7
Cash flow from investments	-2.5	-1.2	-2.1
Cash flow from financing Activities 2)	-10.8	-3.1	-3.0
Change in cash	-1.0	10.9	17.6
Cash and bank at 1 Jan	84.0	66.6	66.4
Change in net fair value of Available-for-sale	0.2	0.5	0.1
Cash and bank at 30 Jun	83.3	78.1	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.			-0.1				-0.1
Cost of share based payments						0.3	0.3
Profit						8.1	8.1
Dividend						-10.9	-10.9
Exercise of options	0.0	0.0			0,1		0.1
30.6.2008	1.5	0.2	-0.1	0.2	33.7	29.7	65.2

Key ratios	2008	2007	2007
	6 m	6 m	12 m
Operating result, % of revenues	18.6	16.7	20.1

ROI, %	34.2	30.2	36.3
ROE, %	24.3	21.6	25.4
Equity ratio, %	81.8	78.7	81.6
Debt-to-equity ratio, %	-127.7	-134.5	-124.6
Earnings per share (EUR)	0.05	0.04	0.10
Earnings per share diluted	0.05	0.04	0.10
Shareholders' equity per share, e	0.42	0.37	0.44
P/E ratio	26.0	32.9	24.6
Capitalized expenditures (Me)	1.7	1.2	2.2
Contingent liabilities (Me)	7.9	10.0	9.2
Personnel, average	612	511	528
Personnel, Jun 30	668	540	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
Revenues	23.1	23.3	24.3	26.0	26.6	27.2
Cost of revenues	1.9	1.8	2.0	2.0	2.1	2.4
Gross margin	21.3	21.6	22.3	24.0	24.5	24.7
Other operating income	0.1	0.1	0.1	0.4	0.3	0.6
Sales and marketing	10.6	11.1	10.0	11.5	11.5	12.4
Research and development	5.3	5.3	5.0	5.7	6.3	6.5
Administration	1.4	1.6	1.3	1.8	1.8	1.7
Operating result	4.1	3.7	6.2	5.5	5.3	4.7
Financial net	0.2	0.3	0.1	1.4	0.3	0.6
Result before taxes	4.2	4.0	6.3	6.9	5.6	5.3

Additional information:

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