



F-SECURE CORPORATION

Quarterly report
July 28, 2009 at 9.00

F-Secure Corporation - Interim Report January 1 - June 30, 2009

Good growth and solid profitability continued, Software as a Service business performed well, acquisition of Steek SA in July

Highlights in Q2

- Total revenues grew by 16% reaching record revenues of 31.7 million (Q208: 27.2m)
- Revenues from the operator (ISPs, mobile operators and cable operators) business grew by 27% from Q208, reaching revenues of 14.8 million (11.6m)
- EBIT was 7.2 million; representing 23% of revenues (4.7m)
- Earnings per share was EUR 0.04 (EUR 0.03)
- Cash flow was 5.1 million positive when excluding a paid dividend of 10.9m in April (3.8m positive when excluding a paid dividend of 10.9m)
- In July, F-Secure announced the acquisition of Steek SA, a leading European software provider for online storage and data management solutions to operators

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

Key figures	2009	2008	2008
Eur million	4-6	4-6	1-12
Revenues	31.7	27.2	113.0
Operating profit	7.2	4.7	24.3
% of revenues	23 %	17 %	22 %
Profit before taxes	7.6	5.3	26.4
Earnings per share (EUR)	0.04	0.03	0.13
At the end of period:			
Deferred revenue	36.3	33.9	37.2
ROI, %	54%	34%	52%
ROE, %	38%	24%	36%
Equity ratio, %	71%	82%	71%
Debt-to-equity ratio, %	-144%	-128%	148%
Personnel, June 30	752	668	718

CEO Kimmo Alkio: "We are pleased to deliver solid growth and profitability also for the second quarter of 2009. Our Software as a Service (SaaS) business through operators continued to perform well. By acquiring Steek SA, a leading European software provider for online storage and data management solutions, we are strengthening our position as the leading SaaS partner for operators. We expect this acquisition to further improve our ability to offer new advanced and innovative Value Added Services to consumers through operators and to drive for higher revenue growth".

F-Secure business during the first half of 2009

For the first six months of 2009 the total revenues were 62.3 million (1H08: 53.8m), growth of 16%. Revenue growth continued solid in the operator business (including revenues from ISP's, cable and mobile operator business), up 29%, and in the business through the traditional channels, up by 7%. EBIT was 13.2 million (10 m), representing 21% of revenues; 32% growth from 1H08. Earnings per share were EUR 0.07 (EUR 0.05). Cash flow from operations was 2.7 million negative (1m negative) after a paid dividend of 10.9m in April and 8.2m positive (9.9m) when excluding a paid dividend. The Group deferred revenues decreased to 36.3 million at the end of June (37.8m at the end of March 2009).

The Group total costs were 44.6 million (40.2m), representing 11% growth. The Group also capitalized some of its R&D expenses according to accounting rules, totaling 0.5m for the first six months of 2009.

The financial results for the second quarter of 2009 were in line with the guidance given in April (revenues 30-32 million, cost level below 23 million); revenues for the second quarter were 31.7m showing growth of 16%. The costs were 22.4m showing an increase of 9%, and the EBIT was 7.2m; 23% of revenues.

The geographical breakdown of the revenues split as follows: Finland and Scandinavia 35% (39%), Rest of Europe 45% (43%), North America 9% (9%) and Rest of the World 11% (9%). Anti-virus and intrusion prevention products represented close to 100% of the total revenues.

Operator channel in Q2

The Group's operator (ISPs, mobile operators and cable operators) business continued to perform well. In the second quarter of 2009, the revenues through the operator business partners totaled 14.8 million (2Q08:11.6m), representing 47% of the Group total revenues (43%). Revenue growth was 27% from the previous year.

The Group's position in the operator business remained strong. The company currently has around 200 partners in more than 40 countries with an addressable market of over 55 million broadband consumer customers. The Group has not lost any of its existing partnerships, however, the number of partners may vary subject to merger activity in the operator market. Some new partnerships during April-June were signed mainly in Asia. The main growth driver is to increase the take-up rates within the customers of the existing operator partners.

In addition to the Security as a Service sales, the Group is looking for other augmenting value added services to consumer customers through operators. The expansion of online back-up services, which complement F-Secure's existing portfolio of data security services, continued. However, reaching volumes with new products takes time, as with the traditional security services. One step forward in line with the strategy was the acquisition of Steek, which will improve the Group's position in partnering with major operators globally. The acquisition is also expected to strengthen the Group's portfolio of more attractive Value Added Services to be offered to consumers through operators.

The total number of the Group's operator partners is significantly larger than that of any other security service vendor. At the end of 2008 the Group's operator 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 Q2

The traditional sales channels as a whole continued to perform well and delivered steady growth as anticipated. Also the renewal rates in the business through the traditional sales channels have remained at a good level. Although, the impact of economic uncertainty was seen as shortened renewal periods; the number of 2 and 3 year renewals decreased somewhat. This impact can be seen in decrease of deferred revenues.

During Q2, the revenues through these traditional channels were 16.9 million (15.6m), growth of 8% from the corresponding period in 2008. This represented 53% of the Group's total revenues (57%).

Mobile security in Q2

Close co-operation with major handset manufacturers, including Nokia, and operators such as Vodafone Group, TeliaSonera Group, T-Mobile International, Swisscom and Elisa continued well during Q2. Currently, there are mobile operator partnerships with more than 20 operators worldwide.

F-Secure Mobile Security includes anti-virus and firewall capabilities as well as a new anti-theft feature with remote lock, remote wipe and theft control functionalities.

The revenues from the Mobile Security business are included in the above mentioned channels and were about 3% of total Q2 revenues.

Products & Services

In June, F-Secure Mobile Security and its new advanced anti-theft feature was made available for Windows Mobile phone users. The anti-theft feature includes remote lock, remote wipe and theft control functionalities.

In May, F-Secure launched Online Backup to consumer customers through the F-Secure eStore and retailers in Europe and North America. Online backup has been available through selected Internet Service Provider partners since autumn 2008. In May, F-Secure Safe, a new value added offering that combines both internet security and online backup as a new service, was launched in Germany.

In April, F-Secure launched a new version of its Protection Service for Business (PSB), which is a comprehensive Security as a Service solution specially designed for the needs of small and medium-sized companies. PSB 4.0 includes "in-the-cloud" technology to protect desktops and laptops. It also provides comprehensive protection for servers, including rootkit detection. This release also introduces high quality e-mail protection and spam control.

In February, F-Secure launched its F-Secure Mobile Security 5, which enables smartphone users to experience the full potential of their devices without fear of mobile threats. F-Secure Mobile Security includes combined real-time antivirus functionality with a firewall, antitheft and antispyware for S60 5th and 3rd Edition smartphones.

Market situation

There were no significant changes in the competitive landscape or in the pricing levels during the second quarter. However, there have been signs of increasing price competition in some countries. The Group's competitive position in the operator channel has remained strong.

Personnel and organization

The Group's personnel totaled 752 at the end of June (Q208: 668, Q109: 728). The Group's number of personnel increased slightly during Q2, mainly in sales and marketing.

The Executive Team as of July consists of the following persons: Kimmo Alkio (President and CEO), Ari Alakiuttu (Vice President, Human Resources), Christophe Camborde (Vice President, Storage and Digital Content BU; joined from Steek SA), Samu Konttinen (Vice President, Sales and Geographical Operations), Pirkka Palomäki, (Chief Technology Officer), Antti Reijonen (Vice President, Consumer Business and Marketing) and Taneli Virtanen (Chief Financial Officer).

Financing and capital structure

The Group's financial position continued strong. The Group's equity ratio at the end of June was 71% (82%). Gearing ratio was 144% negative (128% negative).

Cash flow for the first six months of 2009 was 2.7m negative after a paid dividend of 10.9m in April (1m negative after a paid dividend of 10.9m). The financial income for the first six months was 0.8 million (0.9m).

The market value of the liquid assets of the Group on June 30, 2009 was 58.7 million (83.3m).

The changes in exchange rates of USD and JPY had some positive impact and changes in GBP and SEK had some negative impact on revenues and results for the first half of 2009.

Capital expenditure

The Group's capital expenditure for the first half was 2.4 million (1.7m), consisting mainly of IT hardware and software as well as capitalization of some research and development expenses.

Capital management

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.

In January, the Company continued the repurchase its own shares through public trading on NASDAQ OMX Helsinki in accordance with its rules and at market price. The total number of shares purchased was 1,000,000. The number of own shares at the end of June was 990,932, as the Group decided to transfer own shares to the members of the Board as part of their remuneration decided by the Annual General Meeting in March.

Shares, shareholders' equity and option programs

In January, a total of 3,333 F-Secure shares were subscribed for with the A3 warrants, a 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 Group received as a subscription price a total amount of EUR 661,219.02, which was recorded in the fund for the company's distributable equity.

The total number of shares is currently 156,770,407. The corresponding number of shares diluted would be 161,270,407 including all stock option programs. The company's shareholders' equity is EUR 1.551.311,18.

The entire F-Secure 2002 warrant plan expired on December 31, 2008. The F-Secure 2005A stock option program is listed on the Nasdaq OMX Helsinki.

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 at the global economy has not had a major impact on F-Secure's businesses. Although, the impact of economic uncertainty was seen in the traditional license business as shortened renewal periods; the number of 2 and 3 year renewals decreased somewhat. This impact can be seen in decrease of deferred revenues. As the uncertainty in the economic environment has continued, the Group continues to closely monitor 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.

As stated in the previous interim releases, F-Secure Inc. the U.S. subsidiary of F-Secure Corporation has been named as a defendant in a patent infringement lawsuit filed in a state court in the U.S in December 2008. F-Secure investigates the claims and will defend itself accordingly. The Group does not expect any material impact on its financials from this lawsuit.

Events after the reporting period

The acquisition of Steek SA

On July 10, 2009 the Group announced the acquisition of Steek SA, a leading European software provider for online storage and data management solutions to operators. Steek SA is recognized for its services that enable consumers to store, share and manage personal digital content with PCs and mobile phones.

The acquisition is in accordance with F-Secure's strategy to broaden Value Added Service (VAS) offerings to consumers. This further strengthens F-Secure's position as the leading Software as a Service (SaaS) partner for operators globally. Both the acquired solutions and operator partnerships are highly complementary to F-Secure's existing business. The combined operations are expected to extend F-Secure's growth opportunities within the rapidly developing fixed and mobile broadband services market.

During the second half of 2009 (after the consolidation) the acquisition is estimated to improve the Group's operator revenues by 2-3 million and be slightly EPS dilutive. In the longer term, the management estimates that the acquisition will improve the Group's operator revenues significantly and it is estimated to be EPS accretive already during 2010.

Under the terms of the agreement, the cash and debt free purchase price is EUR 27.5m. In addition, F-Secure may pay in 2010 an additional purchase price of a maximum of EUR 2.5m based on the performance of the acquired business. The transaction price will be paid in cash and financed with the company's liquid assets. The acquisition has been signed and closed. The acquired company will be consolidated to the Group's accounts from the beginning of July.

Steek SA was founded in 2002 in Bordeaux, France and employs currently 50 people. CEO Christophe Camborde has been nominated to F-Secure's Executive Team and continues to lead the Steek operations as Vice President, Storage and Digital Content BU.

Long-term objectives

The Security software market as a total is attractive globally. The market is over \$10 billion industry (Source: Gartner, 2008). Longer term security market growth is expected to be around 10% annually between 2007 and 2012 (Source: IDC).

The market opportunities for Internet Security and other related services is driven by the expansion of the Internet, with its increasing number of security threats against users and the growing number of Internet broadband connections for both PC's and mobile phones. The global Internet penetration is around 24%; in Asia it is below 20%, in Europe below 50%, and in North America over 70% (Source: Internet World Stats, U.S. Census Bureau). The growing number of smart phones which have internet browser increases the number of mobile internet users (number of smart phones 2009: 200m and 2012 more than 500m; Source: Gartner).

The Security as a Service (SaaS) business has been a strong growth driver for the Group since the year 2000. Based on the company's pioneering role in offering Software as a Service, the Group continues to expand its offering to augment the traditional security services. The Software as a Service business model continues to gain further market share in the software industry at large (Source: IDC Nov. 2008). Based on experience of the SaaS business model, the Group anticipates that both the customer benefits (e.g. lower total cost of ownership) and attractive partner business benefits (e.g. lifetime revenue share) will accelerate the adoption of the SaaS business model compared to traditional Software acquisition as a product. Currently the Group offers both Security as a Service and Online Backup as a Service. The acquisition of Steek SA, a leading European software provider for online storage and data management solutions to operators, enables the Group to develop more comprehensive and innovative Value Added Services to consumers to be sold through its large operator network.

The Group's first priority is to drive strong growth. The core growth driver is the Security as a Service (SaaS) sales through the operators. In the operator channel the Group has a strong foothold globally with over 200 operator partners. The Group's potential customer base, i.e. partners' market share of residential broadband at the end of 2008, was significant in Europe (39% of all European broadband subscribers) and good in Asia (13%) and in North America (10%) (Source: Dataxis and F-Secure).

The Group is focusing on increasing the penetration within the current operator base and continues to selectively seek partner expansion globally. In addition, the Group is developing its operations in other channels, such as electronic sales, to offer value-added services to consumers and other segments.

The Group's close co-operation with major mobile phone vendors and mobile phone operators provides good opportunities to benefit from the growth of the mobile Internet. Over time, the Group anticipates synergies across the value added Services being developed and offered both for PC's and mobile phones.

The Group's target is to be the leader in providing security and related value added services to consumers through Service Providers. 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 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 and seeks the EBIT level to be around 25%.

Short-term outlook

Markets for Security as a Service are expected to continue to grow. During the year 2009 the Group seeks to continue to exceed average market growth. For 2009 the security market growth is anticipated to be around 8% (source: IDC). For the rest of 2009 the management estimates the core businesses to continue to perform as in previous quarters.

F-Secure revenues for the third quarter of 2009 are estimated to be between 31 million and 33 million. The costs are estimated not to exceed 23 million, excluding amortization from Steek acquisition. Steek will be consolidated in the Group's accounts from the beginning of July onwards.

The revenue estimate is based on the sales pipeline at the time of publishing, existing subscriptions and support contracts as well as current exchange rates.

News conference today at 11 am

A news conference for press and analysts will be arranged today, July 28, at 11 am Finnish time at Group headquarters, address: Tammasaarenkatu 7 (Ruoholahti), Helsinki. A conference call for international investors and analysts will be arranged at 15.00 Finnish time (14.00 CET, 1.00 pm UK time). Instructions on how to attend are available on the investor pages of the Group's web site at http://www.f-secure.com/en_EMEA/about-us/investor-relations/.

The interim reports for the third quarter of 2009 will be published on October 22. A Stock Exchange bulletin will be sent at 9 am Finnish time to the Nasdaq OMX Helsinki, 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 website.

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 Interim Financial Reporting and with accounting principles stated in the annual report 2008.

As of January 1, 2009 the group has applied IFRS 8 Operating segments standard and IAS 1 Presentation of Financial Statements standard.

Key figures (unaudited):

Euro million

INCOME STATEMENT	2009	2008	2009	2008	Chge	2008
	4-6	4-6	1-6	1-6	%	1-12
Revenues	31.7	27.2	62.3	53.8	16	113.0
Cost of revenues	2.5	2.4	5.1	4.5	13	10.3
Gross margin	29.2	24.7	57.2	49.3	16	102.7
Other operating income	0.4	0.6	0.7	0.9	-20	2.6
Sales and marketing	13.9	12.4	27.4	23.9	15	48.6
Research and development	6.7	6.5	13.5	12.8	6	25.5
Administration	1.7	1.7	3.7	3.5	6	6.8
Operating result	7.2	4.7	13.2	10.0	32	24.3
Financial net	0.4	0.6	0.8	0.9		2.0
Result before taxes	7.6	5.3	14.1	10.9		26.4
Income taxes	-2.1	-1.4	-3.7	-2.8		-6.9
Result for the period	5.5	4.0	10.4	8.1		19.6
Other comprehensive income:						
Exchange diff. on translating foreign operations	0.0	0.0	0.0	-0.1		-0.3
Available-for-sale fin.assets	0.3	0.1	0.5	0.2		-0.2
Income tax rel. to components of other comprehensive income	-0.1	0.0	-0.1	0.0		0.0
Total comprehensive Income (owners)	5.7	4.1	10.8	8.1		19.1
Earnings per share, e	0.04	0.03	0.07	0.05		0.13
EPS, diluted, e	0.03	0.02	0.06	0.05		0.12

BALANCE SHEET

ASSETS	30/06/2009	30/06/2008	31/12/2008
Intangible assets	3.9	3.8	3.5
Tangible assets	3.9	3.5	3.5
Other financial assets	1.1	0.7	1.1
Non-current assets total	8.9	8.0	8.1
Inventories	0.1	0.1	0.1
Other receivables	26.0	22.1	25.5
Available-for-sale financial assets	14.7	73.1	47.1
Cash and bank accounts	44.2	10.3	14.1
Current asset total	84.9	105.6	86.8
Total	93.8	113.6	94.9

SHAREHOLDERS' EQUITY

AND LIABILITIES	30/06/2009	30/06/2008	31/12/2008
Equity	40.8	65.2	41.1
Other non-current	0.1	0.1	0.0
Provisions	0.0	0.0	0.0
Deferred revenues	6.7	6.4	7.5
Non-current liabilities total	6.8	6.5	7.5
Other current	16.6	14.3	16.5
Deferred revenues	29.6	27.5	29.7
Current liabilities total	46.1	41.9	46.2
Total	93.8	113.6	94.9

Cash flow statement	30/06/2009	30/06/2008	31/12/2008
Cash flow from operations	11.2	12.4	26.3
Cash flow from investments	-2.4	-2.5	-3.2
Cash flow from financing activities 1)	-11.5	-10.8	-46.2
Change in cash	-2.7	-1.0	-23.1
Cash and bank at 1 Jan	60.9	84.0	84.3
Change in net fair value of Available-for-sale	0.5	0.2	-0.2
Cash and bank at 30 Jun	58.7	83.3	61.0

Note 1) Cash flow from financing

The company bought own shares by 549.964 euro. Dividend for year 2008 0.07 euro per share totaling 10.903.928,49 euro was paid on 7th April 2009. In 2008, paid dividend totaled 10,859,178.26 euro and capital repayment 35,719,370.76 euroa.

Statement of changes in shareholders' equity

	share unstricted					assets		
Equity on:	share capital	premium fund	equity- reserve	treasury shares	ret. earnings	avail. f.sale	Trans. diff.	Total
31.12.2008	1.6	0.2	2.1	-1.5	39.1	-0.1	-0.4	41.1
Total comprehensive income for the year					10.4	0.4	0.0	10.7
Dividend					-10.9			-10.9
Acquisition of Treasury shares			0.0	-0.5				-0.5
Cost of share based payments					0.4			0.4
Equity on 30.06.2009	1.6	0.2	2.1	-2.0	39.0	0.3	-0.4	40.8

Key ratios	2009 6 m	2008 6 m	2008 12 m
Operating result, % of revenues	21.3	18.6	21.5
ROI, %	54.1	34.2	51.5
ROE, %	38.4	24.3	36.0
Equity ratio, %	71.0	81.8	71.3
Debt-to-equity ratio, %	-143.8	-127.7	-148.5
Earnings per share (EUR)	0.07	0.05	0.13
Earnings per share diluted	0.06	0.05	0.12
Shareholders' equity per share, e	0.26	0.42	0.26
P/E ratio	18.5	26.0	14.9
Capitalized expenditures (Me)	2.4	1.7	3.1
Contingent liabilities (Me)	8.3	7.9	7.8
Personnel, average	733	612	652
Personnel, Jun 30	752	668	718

Segment information

The Group has only one segment; data security.

Quarterly development

	1/08	2/08	3/08	4/08	1/09	2/09
Revenues	26.6	27.2	28.6	30.6	30.6	31.7
Cost of revenues	2.1	2.4	2.6	3.1	2.6	2.5
Gross margin	24.5	24.7	26.0	27.4	28.0	29.2
Other operating income	0.3	0.6	0.4	1.3	0.3	0.4
Sales and marketing	11.5	12.4	11.8	13.0	13.5	13.9
Research and development	6.3	6.5	6.1	6.7	6.8	6.7
Administration	1.8	1.7	1.4	1.9	2.0	1.7
Operating result	5.3	4.7	7.1	7.2	6.1	7.2
Financial net	0.3	0.6	0.4	0.7	0.5	0.4
Result before taxes	5.6	5.3	7.5	8.0	6.5	7.6

Geographical information

	4-6/2009	4-6/2008	1-6/2009	1-6/2008
	Revenue	Revenue	Revenue	Revenue
Nordic countries	11.5	10.6	22.0	21.1
Rest of Europe	14.2	11.8	27.9	23.2
North America	2.7	2.4	5.7	4.7
Rest of the world	3.3	2.4	6.7	4.8
Total	31.7	27.2	62.3	53.8

	6/2009	6/2008
	Assets	Assets
Nordic countries	82.3	105.7
Rest of Europe	1.5	1.3
North America	3.7	2.8
Rest of the world	5.5	3.2
Total	93.0	113.0