



F-Secure Corporation

Interim Report

1 January–30 September 2023

Focus on integration of people, technology and product convergence

Highlights of July–September (Q3)

- Revenue increased by 25.8% to EUR 35.1 million (EUR 27.9 million). Organic growth was 0.3%.
 - Revenue from Partner Channel increased by 28.7% to EUR 28.5 million (EUR 22.1 million), organic growth was 1.4%
 - Revenue from Direct Channel increased by 14.6% to EUR 6.7 million (EUR 5.8 million), organic growth was -3.8%
- Adjusted EBITA was EUR 12.8 million (EUR 11.4 million), 36.4% of revenue (40.8%)
- Earnings per share (EPS) was EUR 0.03 (EUR 0.05). Earnings per share excluding PPA amortization was EUR 0.04 (EUR 0.05) ¹⁾.
- Cash flow from operating activities before financial items and taxes was EUR 10.9 million (EUR 11.4 million)
- On 8 September 2023, F-Secure issued a profit warning and lowered its outlook for the year 2023 revenue and adjusted EBITA. The revised outlook can be found on page 3 of this interim report.

Highlights of January–September

- Revenue increased by 12.9% to EUR 93.5 million (EUR 82.8 million). Organic growth was 2.3%.
 - Revenue from Partner Channel increased by 14.5% to EUR 75.1 million (EUR 65.5 million), organic growth was 3.3%
 - Revenue from Direct Channel increased by 6.9% to EUR 18.4 million (EUR 17.2 million), organic growth was -1.7%
- Adjusted EBITA was EUR 32.9 million (EUR 34.2 million), 35.2% of revenue (41.3%)
- Items affecting comparability (IAC) for Adjusted EBITA were EUR -6.1 million (EUR -3.8 million), following the acquisition of the Lookout consumer security business. Purchase price allocation (PPA) amortizations were EUR -2.7 million.
- Earnings per share (EPS) was EUR 0.11 (EUR 0.13). Earnings per share excluding PPA amortization was EUR 0.12 (EUR 0.13) ¹⁾.
- Cash flow from operating activities before financial items and taxes was EUR 20.1 million (EUR 31.4 million)
- Net debt amounted to EUR 187.7 million (-10.8) and leverage was 3.6x.²⁾

¹⁾ From the third quarter of 2023, F-Secure reports also earnings per share excluding purchase price allocation amortization (PPA) due to amortization following the acquisition of Lookout Life.

²⁾ Leverage (Net debt/Adjusted EBITDA) for the last 12 months includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

F-Secure Corporation formed a separate legal group as of June 30, 2022. The financial information presented in this interim report is based on actual figures as an independent group after the consummation of the partial demerger and carve-out figures prior to the consummation of the partial demerger. Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented. Figures in this interim report are unaudited.

As announced on 1 June, 2023 F-Secure completed the acquisition of Lookout consumer security business, US-based consumer focused mobile security business arm of Lookout Inc. The financial figures of the acquired business unit have been consolidated with F-Secure figures starting from 1 June 2023. Information related to the acquisition is presented on note 3 of this interim report.

Outlook for 2023 (updated September 8, 2023)

Growth: F-Secure estimates that revenue for 2023 will be in the range of EUR 128–132 million.

Profitability: The group's adjusted EBITA is expected to be in the range of EUR 41–45 million. The adjusted EBITA margin is estimated to temporarily decrease in 2023 due to acquisition related additional OPEX investments of about EUR 3 million to ensure successful integration and drive revenue synergies.

Background for the outlook:

- F-Secure expects the cyber security market to grow in 2023, although we see strong price sensitivity among the consumers, in the face of a challenging operating environment.
- Lookout consumer BU included from June to December (7 months).
- Lookout consumer BU has received payments in advance related to part of its revenue. Such payments are recognised as deferred revenue. As part of the acquisition, F-Secure fair values the deferred revenue according to IFRS reporting for the purposes of acquisition balance sheet, thus the revenues recognised post-acquisition related to deferred revenue balances will be lower compared to revenue recognised by Lookout consumer BU for those advance payments. The preliminary negative revenue impact included in the outlook is estimated to be approximately EUR 3.2 million in 2023, and negative EBITA-level impact in the outlook approximately EUR 2.6 million, respectively.

Financial targets (unchanged)

Medium term financial targets of F-Secure by 2026 are:

- **Growth:** Total revenue of more than EUR 200 million by 2026
- **Profitability:** After initial growth investments, adjusted EBITA margin of above 42%
- **Dividend Yield:** Around or above 50% of net profit on an annual basis.
- **Leverage:** Net debt/adjusted EBITDA ratio below 2.5x, excluding temporary impact from acquisitions.

F-Secure Corporation follows the Rule of 40 metric as internal performance measurement and guiding principle, according to which the combined revenue growth rate and profitability margin should be equal to or greater than 40%.

Financial performance

EUR million	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue	35.1	27.9	25.8%	93.5	82.8	12.9%	111.0
Partner channel	28.5	22.1	28.7%	75.1	65.5	14.5%	88.1
Direct channel	6.7	5.8	14.6%	18.4	17.2	6.9%	23.0
Cost of revenue	-4.8	-2.2	117.3%	-10.9	-7.0	56.7%	-9.3
Gross Margin	30.3	25.7	17.9%	82.5	75.8	8.9%	101.7
% of revenue	86.2%	92.0%		88.3%	91.6%		91.6%
Other operating income	0.2	0.4	-41.2%	0.7	0.8	-14.4%	1.1
Operating expenses¹⁾	-17.5	-14.5	20.8%	-49.6	-42.1	17.6%	-58.3
Sales & Marketing	-8.3	-6.2	33.3%	-24.3	-22.4	8.3%	-29.3
R&D	-5.8	-3.3	77.0%	-16.1	-11.5	39.8%	-15.1
Administration	-3.3	-4.9	-32.9%	-9.2	-8.2	12.0%	-13.9
Adjusted EBITDA¹⁾	13.1	11.7	12.1%	33.7	34.5	-2.3%	44.5
% of revenue	37.2%	41.7%		36.0%	41.7%		40.1%
Adjusted EBITA¹⁾	12.8	11.4	12.1%	32.9	34.2	-3.7%	43.9
% of revenue	36.4%	40.8%		35.2%	41.3%		39.6%
Items affecting comparability (IAC)²⁾	-0.2			-6.1	-3.8	62.0%	-3.8
Depreciation & amortization, excl. PPA amortization	-0.9	-0.6	43.5%	-2.5	-1.4	84.3%	-2.0
PPA amortization	-2.0			-2.7			
EBIT	10.0	11.1	-9.7%	22.4	29.4	-23.6%	38.8
% of revenue	28.4%	39.6%		24.0%	35.5%		34.9%
Earnings per share (EUR)³⁾	0.03	0.05	-38.2%	0.11	0.13	-17.7%	0.17
Earnings per share, excluding PPA amortization (EUR)³⁾	0.04	0.05	-15.5%	0.12	0.13	-9.2%	0.17
Shareholders' equity per share, EUR				0.19	0.10		0.14
Operating cash flow	6.0	10.3	-41.7%	16.9	25.7	-34.0%	36.4
Cash conversion %	66.1%	82.5%		59.9%	92.8%		96.2%
Deferred revenue				22.8	19.8	15.1%	20.9
Net debt (+) / Net cash (-)				187.7	-10.8		-19.3
Net debt/Adjusted EBITDA⁴⁾				3.6	-0.2		-0.4
Gearing, %				> 100%	-37.8%		-63.0 %
Equity ratio, %				11.7%	32.4%		39.6%
Personnel at the end of the period				516	361	42.9%	376

The key figures and other financial information are presented on a carve-out basis for January-June 2022 and on an actual basis after that. Refer to Note 1, Basis of Preparation.

¹⁾ Excluding Items Affecting Comparability (IAC) and depreciation and amortization.

²⁾ A reconciliation of items affecting comparability is presented at the end of this report.

³⁾ Based on the average number of shares during the reporting period.

⁴⁾ Net debt/Adjusted EBITDA for the last 12 months includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

Timo Laaksonen, President and CEO

During the third quarter, we continued to firmly implement our strategy whilst protecting our profitability. Our performance was still burdened by the low consumer confidence in most of our key markets and our partners' tightened cost control. However, we saw some signs of demand recovery and slightly increased market activity in Direct Business towards the end of the quarter.

Third quarter revenue increased by 25.8% to EUR 35.1 million, organic revenue growth being 0.3%. Direct Business continued to face challenges and revenue declined organically by 3.8%. Partner Business revenue grew marginally, with organic growth at 1.4%. The development of partner business was burdened by postponed launches and delayed deliveries which reflects partners' tight resourcing and budget control status. The adjusted EBITA for the third quarter was EUR 12.8 (11.4) million, with an adjusted EBITA margin of 36.4% (40.8%). The lower cost level typical for the third quarter resulted in better profitability.

The development of our strategically important initiatives continued during the quarter. We signed up with three new partners for F-Secure Total, whereas three existing partners signed up for F-Secure Total upgrade. In total six new Total launches were made with partners during the quarter. Within Embedded Security we launched My CyberShield service with Touch'n Go Digital, an eWallet provider, in Malaysia. We have continued actively working on new Tier1 partnerships with a solid pipeline of prospects. Also, progress has been made with F-Secure Sense with the launch of Sense 4.0 to partners – the first fully packaged and industrialized version of the solution that partners can use to integrate Sense onto their platforms quickly and easily. We launched our first DNS (Domain Name System) Security service with a European CSP partner during the quarter and signed another one with go-live planned for later this year.

In April we announced the acquisition of Lookout consumer security business, and the integration has been progressing mainly as planned. As stated earlier, Lookout Life growth has been pushed forward due to longer sales cycles and challenges in our own execution capability in the first months after the acquisition. All in all, our teams and fellows have been working together intensively to combine the best of F-Secure and Lookout Life into a strong, differentiated product portfolio and to refresh our business strategy to become a leading company in our industry. We shared the latest status of these plans at our Investor Day on September 20, watch the recording here: [Investor Day](#).

During the past year and a half, F-Secure has gone through a major journey of change. We have demerged, grown organically as an independent company, and acquired Lookout Life consumer business. Throughout, we have been vigilant in making necessary changes to the business to keep F-Secure in good financial health.

This morning we announced that we are conducting a company-wide reorganization to align our operating model, people resources and investments with our strategic priorities and financial framework. We pursue stronger focus on profitable growth in the partner business incl. Tier 1 partners, agile product creation process, unique IPR in scam protection and providing the best customer experience. The reorganization will result in the removal of a number of roles across F-Secure, including reducing layers and increasing span of control. The planned changes are estimated to generate annual cost savings of around EUR 9 million.

Our core business model is resilient, and our fellows are competent. We remain on track to achieve our stated financial objectives and make every digital moment more secure, for everyone.



Group performance

Revenue by sales channel

EUR million	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue from external customers							
Partner channel	28.5	22.1	28.7%	75.1	65.5	14.5%	88.1
Direct channel (E-commerce)	6.7	5.8	14.6%	18.4	17.2	6.9%	23.0
Total	35.1	27.9	25.8%	93.5	82.8	12.9%	111.0

Revenue by geography

EUR million	7-9/2023	7-9/2022	Change %	Comparable change* %	1-9/2023	1-9/2022	Change %	Comparable change* %	1-12/2022
Revenue from external customers									
Nordic countries	10.1	9.9	1.3%	1.4%	29.9	29.4	1.7 %	1.8%	39.4
Rest of Europe	12.7	12.0	5.8%	5.8%	36.8	36.4	0.9 %	0.9%	48.7
North America	10.2	4.4	131.3%	146.9%	21.1	12.5	68.3 %	69.6%	17.1
Rest of the world	2.2	1.6	36.2%	48.3%	5.7	4.4	30.4 %	40.0%	5.9
Total	35.1	27.9	25.8%	27.7%	93.5	82.8	12.9%	13.5%	111.0

*Comparable change excludes the impact of exchange rates.

July–September 2023

Revenue

F-Secure revenue increased by 25.8% to EUR 35.1 million (EUR 27.9 million) in the third quarter. Revenue growth was attributable to the acquisition of Lookout Life consumer business. Organic growth was 0.3% and currency neutral organic growth was 1.8%, due to negative impact from the JPY and US dollar. Deferred revenue increased by 15.1%, driven by the Lookout acquisition. Deferred revenue in F-Secure Partner channel grew as well, whereas eCommerce decreased. Slower than anticipated conversion to enhanced F-Secure Total offering as well as postponed and delayed deliveries in partner business have had a negative impact on growth during the third quarter.

Partner Channel

Revenue from the partner channel grew by 28.7% to EUR 28.5 million (EUR 22.1 million). Organic revenue growth in the partner channel was 1.4%. Revenue increased in the Netherlands, where activity and partners' interest in F-Secure solutions is good. Revenue growth sustained also in the Asia-Pacific (APAC) area, with solid development especially in Japan and Singapore. Revenue decreased in Poland due to weaker business performance and a regulatory change in 2021 still having negative impact on adoption rates on the local market. Revenue decreased also in Germany, due to weaker business performance during the quarter. The roll-out of the latest version of F-Secure Total continued in the partner channel during the quarter with three new partners having signed up for F-Secure Total. However, growth was delayed due to postponed launches and delayed deliveries following partners' tight resourcing and budget control.

Direct Channel

Revenue from the direct channel increased by 14.6% to EUR 6.7 million (EUR 5.8 million), with continued weak performance especially in new sales. Also, the renewal performance weakened during the third quarter. Organically revenue decreased by 3.8%. Consumer sentiment remained challenging with consumers showing caution in subscribing to new services and increased price sensitivity. This is especially evident in new sales revenue development. The global decline in device sales is especially evident in the direct channel performance and search engine statistics show that overall interest towards consumer security products from all major vendors has shifted across different product categories. Nevertheless, some early signs of demand recovery and increased market activity were noticeable towards the end of the third quarter.

Gross margin

Gross margin was 30.3 million (EUR 25.7 million) and 86.2% of revenue (92.0%). The gross margin was impacted by fair valuation adjustments of deferred revenue made in purchase price allocation and increased costs in hosting. Some product mix changes have an effect on hosting costs. Lookout Life business has a lower gross margin level than F-Secure traditionally.

In connection with the demerger from WithSecure in May 2022, F-Secure and WithSecure entered into transitional services agreements ("TSA") to support the continuous operations of F-Secure. In the third quarter of 2023, the TSA costs were EUR 0.8 million in cost of revenue. These TSAs in cost of revenue are planned to terminate latest by the end of 2023.

The transitional services agreements ("TSA") entered between F-Secure and Lookout consumer security business started in June 2023 and in the third quarter amounted to EUR 1.7 million in cost of revenue. These TSAs in cost of revenue are planned to last several years.

Operating expenses

Operating expenses excluding depreciation and amortization and items affecting comparability (IAC) were EUR 17.5 million (EUR 14.5 million) in the third quarter. Sales and marketing costs were EUR 8.3 million (EUR 6.2 million). Research and development (R&D) costs were EUR 5.8 million (EUR 3.3 million) and administration costs were EUR 3.3 million (EUR 4.9 million). R&D expenses increased as planned due to increased personnel investments in technology. Administration costs decreased, as the comparison period contains overlapping administration costs due to WithSecure TSA and our own costs. All in all, the acquisition of Lookout consumer security business had an impact on operational expenses.

In connection with the demerger from WithSecure, F-Secure and WithSecure entered into transitional services agreements ("TSA") to support the continuous operations of F-Secure. TSA costs incurred in the third quarter were EUR 0.5 million in R&D and EUR 0.2 million in administration. Majority of the administration TSAs terminated at the end of 2022, and the rest of administration and all of R&D are planned to terminate by the end of 2023.

The transitional services agreements ("TSA") entered between F-Secure and Lookout consumer security business started from June 2023 and in July-September amounted to EUR 0.2 million in R&D and EUR 0.2 million in administration. Majority of the administration TSAs are planned to terminate by the end of 2023 and the rest of administration and all of R&D are planned to terminate during 2024.

Items affecting comparability (IAC) totaled EUR 0.2 million (EUR 0.0 million) and consisted of costs related to acquisition of Lookout consumer security business (described in Alternative performance measures on page 29).

Depreciation and amortization excluding purchase price allocation amortization (PPA) totaled EUR 0.9 million (EUR 0.6 million). The increase is related to technology amortizations. PPA amortizations related to the Lookout consumer security business acquisition amounted to EUR 2.0 million.

Profitability

Adjusted EBITA was EUR 12.8 million and 36.4% of revenue (EUR 11.4 million, 40.8%) for the third quarter of 2023. Items affecting comparability (IAC) were EUR 0.2 million (EUR 0.0 million). EBIT was EUR 10.0 million and 28.4% of revenue (EUR 11.1 million, 39.6%). Profitability for the review period reflects the lower cost structure typical for the third quarter.

January–September 2023

Revenue

F-Secure revenue increased in January–September by 12.9% to EUR 93.5 million (EUR 82.8 million). Revenue growth was attributable to the acquisition of Lookout Life consumer business. Organic revenue growth was 2.3%. Deferred revenue increased by 15.1%, driven by the Lookout acquisition. Deferred revenue in F-Secure Partner channel grew as well, whereas eCommerce decreased. The demand for our strategic growth products, F-Secure Total, Sense and ID Protection was rather good throughout the period, but the weakened consumer sentiment resulted in a decline in global device spending, which had an adverse effect on the Direct Channel throughout the period.

Partner Channel

Revenue from the partner channel increased by 14.5% to EUR 75.1 million (EUR 65.5 million). Organic revenue growth in the partner channel was 3.3%. Revenue increased in the Asia-Pacific (APAC) area, especially in Japan and Singapore. Also, Netherlands developed favorably. Revenue decreased especially in Poland, due to strong headwinds throughout the period. Revenue decreased due to weaker business performance also in Germany and in the UK. The roll-out of the latest version of F-Secure Total progressed throughout the period, with all in all ten new partners having signed up for F-Secure Total. Partner channel retail sales performed well.

Direct Channel

Revenue from the direct channel increased by 6.9% to EUR 18.4 million (EUR 17.2 million). Organically revenue declined in the direct channel by 1.7%. The renewal performance continued on a flat level throughout the period. The global decline in device sales is particularly evident in the direct channel performance. Lower consumer sentiment and weaker market demand due to high inflation resulted in slower growth throughout the period, and the market's uncertainty is reflected especially in new sales.

Gross margin

Gross margin was 82.5 million (EUR 75.8 million) and 88.3% of revenue (91.6%). The gross margin was impacted by fair valuation adjustments of deferred revenue made in purchase price allocation and increased costs in hosting. Some double cost due to finalization of TSA and some product mix changes have an effect on hosting costs. Also, Lookout Life business has a lower gross margin level than F-Secure traditionally.

In connection with the demerger from WithSecure in May 2022, F-Secure and WithSecure entered into transitional services agreements ("TSA") to support the continuous operations of F-Secure. In January–September 2023, the TSA costs were EUR 2.5 million in cost of revenue. These TSAs in cost of revenue are planned to terminate latest by the end of 2023.

The transitional services agreements ("TSA") entered between F-Secure and Lookout consumer security business amounted to EUR 2.2 million in cost of revenue in June–September 2023. These TSAs in cost of revenue are planned to last several years.

Operating expenses

Operating expenses excluding depreciation and amortization and items affecting comparability (IAC) were EUR 49.6 million (EUR 42.1 million) in January–September 2023. Sales and marketing costs were EUR 24.3 million (EUR 22.4 million). Research and development (R&D) costs were EUR 16.1 million (EUR 11.5 million) and administration costs were EUR 9.2 million (EUR 8.2 million). Figures for comparison period are not fully comparable as the classification and allocation method used in carve-out vary from actuals, see more in Note 1, Basis of Preparation on page 21. R&D expenses grew as planned due to increased investments in product development and people.

In connection with the demerger from WithSecure, F-Secure and WithSecure entered into transitional services agreements (“TSA”) to support the continuous operations of F-Secure. TSA costs incurred in January–September 2023 were EUR 2.0 million in R&D and EUR 1.0 million in administration. Majority of the administration TSAs terminated at the end of 2022, and the rest of administration and all of R&D are planned to terminate by the end of 2023.

The transitional services agreements (“TSA”) entered between F-Secure and Lookout consumer security business amounted to EUR 0.3 million in R&D and EUR 0.3 million in administration in June–September 2023. Majority of the administration TSAs are planned to terminate during 2023 and the rest of administration and all of R&D are planned to terminate during 2024.

Items affecting comparability (IAC) increased and totaled EUR 6.1 million (EUR 3.8 million), as a result of the acquisition of Lookout consumer security business (described in Alternative performance measures on page 29). The comparison period included EUR 3.8 million of items affecting comparability attributable to costs incurred due to the listing in the first half of 2022.

Depreciation and amortization excluding purchase price allocation amortization (PPA) totaled EUR 2.5 million (EUR 1.4 million). The increase is related to amortization of technology as well as subleasing agreements F-Secure entered in for its office premises in connection with the demerger in May 2022. PPA amortizations related to the Lookout consumer security business acquisition amounted to EUR 2.7 million in total.

Profitability

Adjusted EBITA in January–September was EUR 32.9 million and 35.2% of revenue (EUR 34.2 million, 41.3%). Items affecting comparability (IAC) were EUR 6.1 million (EUR 3.8 million). EBIT was EUR 22.4 million and 24.0% of revenue (EUR 29.4 million, 35.5%). Strategic investments in growth and technology as well as Lookout consumer security business integration had a negative impact on profitability. The figures for the comparison period do not fully reflect F-Secure’s profitability as a standalone entity.

Cash flow, financial position and financing

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	1-12/2022
Cash and cash equivalents				15.4	14.6	5.7%	23.0
Bank loans, non-current				175.2			
Bank loans, current				25.0			
Interest-bearing receivables				3.8	3.9	-3.8%	3.7
Lease liabilities, non-current				0.5	1.1	-56.5%	0.9
Lease liabilities, current				1.0	1.0	0.1%	1.0
Other interest-bearing liabilities, non-current				5.3	5.7	-6.8%	5.5
Financial income	0.4	0.5	-20.2%	6.7	1.3	> 100%	1.5
Financial expense	-3.2	-0.4	> 100%	-5.1	-1.0	> 100%	-1.7
Capital Expenditure excl. acquisition	2.3	1.6	43.4%	6.5	2.7	> 100%	4.6
% of revenue	6.6%	5.8%		7.0%	3.3%		4.2%
Capital expenditure	2.3	1.6	43.4%	213.4	2.7		4.6

In January–September 2023, cash flow from operating activities before financial items and taxes amounted to EUR 20.1 million (EUR 31.4 million). Cash flow following temporary invoicing challenges in the second quarter is mainly recovered but cash flow from operating activities was still burdened by expected slowness in integrating Lookout Life during the third quarter. The recovery in cash flow is therefore expected to continue in the fourth quarter as the integration proceeds. Cash flow from operations was EUR 16.9 million (EUR 25.7 million) and the cash conversion rate was 59.9% (92.8%). Cash at the end of September 2023 amounted to EUR 15.4 million.

At the end of September 2023, F-Secure net debt amounted to EUR 187.7 million (net cash of EUR 10.8 million) and net debt to adjusted EBITDA ratio¹⁾ was 3.6, being above of the medium-term target of below 2.5x, due to acquisition impact. Equity ratio was 11.7% (32.4%) as a result of the Lookout consumer business acquisition. The acquisition was financed with debt for which a new facilities agreement was entered into with Danske Bank A/S and OP Corporate Bank plc. The new financing package consists of two facilities, (i) a EUR 202 million amortizing term loan to finance the acquisition, and (ii) a EUR 20 million revolving loan facility to be used for general corporate purposes of the combined group. Both facilities hold a maturity of 3 years with two 1-year extension options. The revolving credit facility is undrawn at reporting date. The previous undrawn revolving credit facility, procured in conjunction with the demerger from WithSecure, was cancelled concurrently with closing of the transaction. Financial expenses in the third quarter increased to EUR 3.2 million (EUR 0.4 million), mainly driven by interest for the loan. Financial income amounted to EUR 0.4 million (EUR 0.5 million).

Total assets were EUR 278.0 million (EUR 56.0 million) at the end of September 2023.

As at 30 September 2023, current lease liabilities were EUR 1.0 million (EUR 1.0 million) and non-current lease liabilities were EUR 0.5 million (EUR 1.1 million). The lease liabilities relate to leases for office premises and cars.

Prior to completion of the demerger, WithSecure's consumer business conducted by its foreign subsidiaries was separated from the rest of the business into separate companies through business acquisitions or similar transactions in each relevant country. In these transactions WithSecure or its subsidiary was the

¹⁾ Net debt/Adjusted EBITDA for the last 12 months includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

buying entity if the transferring business was a corporate security business, and F-Secure or its subsidiary was the buying entity if the transferring business was a consumer security business. The transaction prices varied between approximately EUR 70 thousand and EUR 3.0 million. The payback time for the resulting payables and receivables is primarily three years from the effective date of each local transaction, and prepayment is allowed. The interest rate for the unpaid transaction price varies by country. F-Secure's payables to WithSecure totaled EUR 5.3 million and the receivables from WithSecure totaled EUR 3.8 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

In January–September 2023, capital expenditure was EUR 213.4 million (EUR 2.7 million) following the Lookout consumer security business acquisition. Capital expenditure excluding the acquisition impact was EUR 6.5 million (EUR 2.7 million), and was mainly related to technology and IT.

Organization and leadership

At the end of September 2023, F-Secure had 516 (361) employees. The increase in number of employees resulted from the acquisition of the Lookout consumer security business in the second quarter of 2023. The average number of personnel during January–September 2023 was 463*.

At the end of September 2023, the composition of the Leadership Team was the following:

Timo Laaksonen	President & Chief Executive Officer
Sari Somerkallio	Chief Financial Officer
Firas Azmeh	Chief Commercial Officer
Richard Larcombe	Chief Marketing Officer
Antero Norkio	Senior Vice President, Corporate Development
Kitta Virtavuo	Chief People Officer
TL Viswanathan	Chief Product Business Officer
Toby White	Chief Technology Officer

* The average number of employees for the comparison period does not fully reflect the actual number for 2022, so therefore it is not disclosed.

Shares and shareholders

At the end of September 2023, the registered share capital of F-Secure was 80,000 and the company had 174,673,165 fully paid shares.

F-Secure has one share class and the company's shares are included in a book-entry system. The closing price of the share at the end of September 2023 was EUR 1.75. In January–September, the highest price paid was EUR 3.44 and the lowest EUR 1.68. In January–September, the share's volume weighted average price was EUR 2.60. The share trading volume in January–September was EUR 69 million and 27 million shares. On September 30, 2023, the company's market capitalization was EUR 305 million.

The number of registered shareholders at the end of September 2023 was 33,672, including nominee registers. F-Secure did not hold any treasury shares at the end of the review period.

Governance

Annual General Meeting 2023

The Annual General Meeting of F-Secure Corporation held on 23 March 2023 adopted the annual accounts and the consolidated annual accounts for the financial year ended 31 December 2022, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors. The Annual General Meeting also approved the 2022 remuneration report for governing bodies. The resolution was of an advisory nature according to the Finnish Companies Act.

Resolution on the use of the profit shown on the balance sheet and the payment of dividend

The Annual General Meeting resolved that a dividend of EUR 0.07 per share will be paid for the financial year 30 June 2022 – 31 December 2022. The amount of the dividend is based on the Company's shorter than normal financial year 30 June 2022 – 31 December 2022. The dividend was paid to shareholders who were registered in the Company's shareholders' register, maintained by Euroclear Finland Oy, on the record date for dividend payment on 27 March 2023. The dividend was paid on 4 April 2023.

Composition and remuneration of the Board of Directors

The Annual General Meeting resolved that the number of the members of the Board of Directors shall be six (6). The current board members Pertti Ervi, Thomas Jul, Madeleine Lassoued, Risto Siilasmaa and Petra Teräsaho were re-elected to the Board of Directors. Sami Salonen, who belongs to the personnel of the corporation, was elected as a new member of the Board of Directors.

It was resolved that the remuneration of the members of the Board shall remain unchanged. The remuneration is as follows: EUR 80,000 annually for the Chair of the Board of Directors, EUR 48,000 annually for the Committee Chairs, EUR 38,000 annually for the members of the Board of Directors and EUR 12,667 for members employed by F-Secure. Furthermore, the travel expenses and other costs of the members of the Board of Directors directly related to board work are paid in accordance with the Company's policy in force from time to time and that each member of the Board of Directors of F-Secure is paid a predetermined travel fee in addition to travel expenses for meetings held outside their country of residence as follows: A separate meeting fee of EUR 1,000 is paid to the Board members travelling from another country to an on-site meeting within the European continent. If inter-continental travel is required, the fee is EUR 2,000. No separate meeting fee will be paid to members of the Board of Directors employed by the Company.

Election and remuneration of the Auditor

The Annual General Meeting re-elected the audit firm PricewaterhouseCoopers Oy as Auditor of the Company. Mr Janne Rajalahti, APA, was nominated as the Company's Responsible Auditor*. The Auditor will be remunerated in accordance with the invoice approved by the Company.

Authorising the Board of Directors to decide on the repurchase of the Company's own shares

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of a maximum of 10,000,000 of the Company's own shares in one or more instalments with funds belonging to the Company's unrestricted equity. The authorisation entitles the Board of Directors to decide on the repurchase also in deviation from the proportional holdings of the shareholders (directed repurchase). The authorisation comprises the repurchase of shares either in the public trading or otherwise in the market on the trading price determined for the shares in public trading on the date of purchase, or with a purchase offer to the shareholders in which case the repurchase price must be the same for all shareholders. The authorisation includes the right of the Board of Directors to decide on all other terms related to the repurchase of the Company's own shares.

The authorisation will remain valid until the conclusion of the next Annual General Meeting, in any case until no later than 30 June 2024. The authorisation cancels the Company's prior authorisations concerning the repurchase of the Company's own shares.

Authorising the Board of Directors to decide on the issuance of shares and special rights entitling to shares

The Annual General Meeting authorised the Board of Directors to decide on issuance, in one or more instalments, of new shares or shares possibly held by the Company through share issue and/or issuance of option rights or other special rights entitling to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that by virtue of the authorisation altogether 15,000,000 shares may be issued and/or conveyed at the maximum.

The authorisation be used for the financing or execution of potential acquisitions or other arrangements or investments relating to the Company's business, for the implementation of the Company's incentive scheme or for other purposes subject to the Board of Directors' decision.

The authorisation entitles the Board of Directors to decide on all terms and conditions of the share issue and the issuance of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorisation thus includes the right to issue shares also in a proportion other than that of the shareholders' current shareholdings in the Company under the conditions provided in law, the right to issue shares against payment or without charge as well as the right to decide on a share issue without payment to the Company itself, subject to the provisions of the Finnish Companies Act on the maximum amount of treasury shares.

The authorisation will remain valid until the conclusion of the following Annual General Meeting, however, at the latest until 30 June 2024. The authorisation cancels the Company's prior authorisations concerning the issuance of shares and special rights entitling to shares.

Amendment of the Articles of Association

The Annual General Meeting resolved that § 10 of the Company's Articles of Association was amended to enable holding a general meeting entirely without a physical meeting venue as a so-called remote meeting. In its amended form, said provision of the Articles of Association will read as follows:

“Article 10 Place of a General Meeting

In addition to the company's domicile, a general meeting may be held in Espoo or Vantaa.

The Board of Directors may resolve on organising the General Meeting without a meeting venue whereby the shareholders exercise their decision-making power in full in real time during the meeting using telecommunication connection and technical means.”

In other respects, no amendments were made to the Articles of Association.

Organisational meeting of the Board of Directors

In its organisational meeting the Board of Directors of F-Secure re-elected Pertti Ervi as Chairman of the Board of Directors. From among its members, the Board elected Pertti Ervi, Petra Teräsaho and Risto Siilasmaa as members of the Audit Committee.

*As announced on 21 April 2023, PricewaterhouseCoopers Oy has appointed APA Samuli Perälä as the responsible auditor of F-Secure Corporation. The change concerns the financial year 2023.

Risks and uncertainties

Risks related to the Demerger and the integration of Lookout consumer business

F-Secure's business organizations are dependent to a certain extent on certain functions provided by WithSecure and Lookout Life under transitional services agreements (TSA), and WithSecure's and Lookout Life's inability to provide these functions would have a material adverse effect on F-Secure's business operations.

The Demerger may have undesirable effects on the uninterrupted continuity of certain functions and processes central to F-Secure's operations, such as IT systems, which may result in interruptions and disturbances in F-Secure's business operations and its financial reporting.

F-Secure may not be able to implement its business organization and its independent strategy in the manner and timeframe currently anticipated, and it may not be able to realize any or all of the anticipated benefits.

F-Secure may be liable for certain obligations of WithSecure following the effective date of the Demerger and such obligations could have an adverse effect on F-Secure's financial position and results of operations.

Due to having transitional services agreements simultaneously with WithSecure and Lookout, F-Secure may not have the capabilities to end TSAs as currently planned. This may lead to a longer TSA period and an increase in F-Secure costs, or delays or otherwise negatively impacts planned future product releases and thereby reduces portfolio competitiveness.

F-Secure together with Lookout consumer security business may not be able to successfully carve-out Lookout consumer security assets as planned, which increases TSA related costs. F-Secure may not be successful in migrating existing Lookout consumer security customers and partners to its technology platforms, which may increase operational costs or expose F-Secure to claims related to Service Level Agreements ("support penalties").

Risks related to F-Secure's operating environment

Intensifying competition in the consumer security market could lead to a general decline of the price level and affect F-Secure's ability to maintain or increase its market share, and the intensifying competition could thus have an adverse effect on F-Secure's revenue, profitability and market share.

F-Secure may not be able to keep up with rapid changes in customer demand, distribution channels, technologies and the evolution of malware and cyber security threats, which could have an adverse effect on F-Secure's reputation, competitiveness, results of operations and financial position.

Inflation has increased the risk of negative development of the cost structure. Rising energy prices could have an impact mainly on cost of revenue through cloud production cost. Inflation may have a negative impact due to lower consumer sentiment mostly indirectly due to decreasing sales of devices for which F-Secure products are typically purchased, but as well directly due to lower new service sales and services renewals.

Uncertainty on F-Secure's key markets, financial markets and general economic situation could have an adverse effect on F-Secure's business and growth opportunities and reduce the demand for the products and services offered by F-Secure. The Ukraine war has increased the uncertainty in the world and the risk of unexpected disruptions of the world economy. The war in Ukraine has caused some exceptional consequences to the cyber security landscape, such as highly visible governmental activities, as well as organized civilian response to the war efforts.

Risks related to F-Secure's business operations and strategy

The loss of key persons and skilled employees, the possible delay of new hires or the increase in personnel expenses could and weaken F-Secure's profitability and the standard of its services or solutions, hinder operations and prevent F-Secure from successfully developing and growing its business. F-Secure may not be able to retain key Lookout consumer security business employees, which can negatively impact F-Secure business, carve-out and integration plans.

Actual, possible or perceived defects, disruptions or vulnerabilities in F-Secure products or services, including risks from cyber security attacks and errors or abuses by F-Secure employees and business

partners, could harm F-Secure or its customers reputation, decrease sales, hinder operations, tie up personnel resources and give rise to claims for damages and increase other costs.

Integration of F-Secure and Lookout consumer security product portfolios over time may prove to be more costly than estimated, take longer than planned, or may need to be kept separate to continue to serve different customer segments and their needs. This may increase F-Secure costs or negatively impact planned future product releases, their scope, availability and/or competitiveness.

If F-Secure's or Lookout consumer security business unit's agreement with a significant business partner or Channel Partner ends or is terminated, or if F-Secure is unable to continue cooperating with a business partner or Channel Partner under acceptable terms, or if there is a failure by a Channel Partner to fulfil its duties, this could significantly decrease F-Secure revenue, increase its costs, hinder its operative business and weaken its ability to offer services or solutions to its customers.

F-Secure provides consumer cyber security solutions to some of the largest Service Providers in the world ("Tier 1 Channel Partners") and aims to win new Tier 1 Channel Partner contracts. Tier 1 Channel Partners may require solutions that F-Secure is unable to create, deliver and maintain with sufficient profitability over time. These contracts may also expose F-Secure to claims related to Service Level Agreements ("support penalties"). F-Secure may have to invest up-front to create and deliver said solutions, which in turn may have a negative impact on F-Secure product roadmaps, Company revenue and profitability.

F-Secure is in the process of transforming the Company and its operating model with its growth strategy. Changes in the Company strategic priorities, structure and processes may take time to become effective. Additionally, these changes may lead to cost savings that can negatively impact Company product roadmap and its operations. Uncertainties among employees may also lead to higher attrition rate. These combined can have a negative impact on Company financial outlook.

Risks related to the technology used by F-Secure, intellectual property rights and other regulations

Any malfunctions in technologies, IT systems or network connections used by F-Secure or any security breaches could engender disruptions to F-Secure's service offering. F-Secure may not succeed in registering, protecting, managing, maintaining and enforcing its intellectual property rights, and F-Secure may be targeted by intellectual property right infringement claims which can cause significant costs. Leakage of personal data collected by F-Secure may have a material adverse effect on F-Secure's business and reputation and result in claims for damages as well as fines and orders imposed by the authorities.

Risks related to F-Secure's financial position and financing

The number of operations and sites outside the Eurozone in different currencies exposes F-Secure to a risk related to currency fluctuations. Changes in the exchange rates between currencies could have an adverse effect on F-Secure's revenue, results and financial position. F-Secure is exposed to transaction risks caused by purchasing and selling products and goods in currencies that are not F-Secure's home currencies especially USD after Lookout consumer security business acquisition, investment risks in units abroad and translation risks that arise when investments in subsidiaries in different currencies are converted into F-Secure's operational currency, i.e., the euro. Furthermore, F-Secure financed the acquisition of Lookout's consumer security business with bank debt subject to leverage covenants. Failure to comply with the covenants would lead to early expiry of the debt. Changes in interest rates have an impact on interest costs.

Significant events during the review period

Revised outlook for 2023

On 8 September 2023, F-Secure issued a negative profit warning. F-Secure lowered its outlook for the year 2023 revenue and adjusted EBITA due to weaker than expected business performance during the third quarter. Slower than anticipated conversion to enhanced F-Secure Total offering as well as some delays in deliveries in partner business have had a negative impact on the revenue development in the second half of 2023. Lookout Life growth has been pushed forward due to longer sales cycles and challenges in execution capability in the first months after the acquisition. The revised outlook can be found on page 3 of this interim report.

Significant events after the review period

Change negotiations

On 25 October 2023, F-Secure announced that F-Secure Corporation and its subsidiaries initiate group-wide statutory change negotiations to restructure its global operating model and personnel to align with the strategic priorities and financial targets of the company. The change negotiations concern the entire F-Secure personnel globally. According to the initial estimate, the change negotiations could result in a reduction of a maximum of 70 positions, of which maximum of 50 are expected to be in Finland.

The planned changes are estimated to generate annual cost savings of around EUR 9 million versus current run rate. One-off costs related to the planned changes are expected to be recorded as items affecting comparability (IAC), and more information about these will be disclosed once the negotiations are concluded. The change negotiations do not affect financial outlook for 2023 or medium term financial targets of F-Secure.

In Finland, the change negotiations will begin on October 30, 2023 and the negotiations will last an estimated six weeks unless otherwise agreed. All applicable processes will be conducted in accordance with local legislations in each country. F-Secure is committed to communicating openly with its employees throughout the negotiation process and will report the outcome once the negotiations are concluded, which is estimated by mid December. More information about the process can be found in the stock exchange release published on October 25, 2023.

Financial calendar in 2024

In 2024, F-Secure Corporation will publish financial information as follows:

- Financial Statements Release and Annual Report 2023 on Friday February 16, 2024
- Interim Report for January–March 2024 on Friday April 26, 2024
- Half-year Financial Report for January–June 2024 on Thursday July 18, 2024
- Interim Report for January–September 2024 on Thursday October 24, 2024

The Annual General Meeting is scheduled for Wednesday, March 13, 2024.

Helsinki, October 25, 2023

F-Secure Corporation

Board of Directors

Financial information

Income Statement

EUR thousand	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue	35,134	27,935	25.8%	93,464	82,763	12.9%	111,017
Cost of revenue	-4,834	-2,225	117.3%	-10,915	-6,966	56.7%	-9,342
Gross margin	30,300	25,710	17.9%	82,550	75,797	8.9%	101,675
Other operating income	239	407	-41.2%	698	816	-14.4%	1,076
Sales and marketing	-8,609	-6,501	32.4%	-25,090	-22,736	10.4%	-29,857
Research and development	-6,428	-3,645	76.3%	-17,782	-12,549	41.7%	-16,434
Administration ¹⁾	-5,514	-4,910	12.3%	-17,940	-11,962	50.0%	-17,690
EBIT	9,988	11,061	-9.7%	22,436	29,365	-23.6%	38,770
Financial income	404	506	-20.2%	6,674	1,253	432.7%	1,476
Financial expenses	-3,231	-414	679.9%	-5,063	-960	427.2%	-1,691
Profit before taxes	7,161	11,153	-35.8%	24,047	29,658	-18.9%	38,556
Income tax	-1,754	-2,409	-27.2%	-4,893	-6,393	-23.5%	-8,403
Result for the period	5,408	8,744	-38.2%	19,154	23,265	-17.7%	30,153
Other comprehensive income							
Items that may be reclassified to profit or loss:							
Exchange difference on translation of foreign operations	1,598	320	399.5%	699	169	314.7%	79
Comprehensive income for the period	7,005	9,064	-22.7%	19,853	23,434	-15.3%	30,233
Earnings per share							
Earnings per share, basic and diluted, EUR	0.03	0.05	-38.2 %	0.11	0.13	-17.7 %	0.17

Income statement information has been prepared on a carve-out basis for 1-6/2022 - refer to Note 1, Basis of Preparation.

¹⁾ Costs related to acquisition increase administration expense by EUR 0.2 million in Q3/2023 and EUR 6.1 million in 1-9/2023. Cost related to listing increase administration expenses EUR 3.8 million in 1-9/2022 and 1-12/2022.

Statement of financial position

Assets	30 Sep 2023	30 Sep 2022	31 Dec 2022
Tangible assets	323	139	154
Right-of-use assets	1,419	2,035	1,834
Intangible assets	127,721	7,609	9,064
Goodwill	88,453	-	-
Deferred tax assets	1,330	108	93
Interest-bearing receivables	3,752	3,899	3,693
Total non-current assets	222,999	13,792	14,838
Inventories	33	42	41
Accrued income	2,028	1,341	1,651
Trade and other receivables	36,850	26,139	23,040
Income tax receivables	649	142	143
Cash and cash equivalents	15,410	14,576	22,953
Total current assets	54,969	42,240	47,828
Total assets	277,968	56,031	62,667
Shareholders' equity and liabilities	30 Sep 2023	30 Sep 2022	31 Dec 2022
Total Equity	32,414	18,151	24,804
Interest bearing liabilities, non-current	180,956	6,759	6,381
Deferred tax liabilities	1,989	397	528
Deferred revenue, non-current	5,999	3,378	3,621
Other non-current liabilities	37	78	81
Total non-current liabilities	188,981	10,612	10,612
Interest-bearing liabilities, current	25,954	953	957
Trade and other payables	12,773	8,524	7,818
Provisions	200	-	-
Income tax liabilities	886	1,393	1,152
Deferred revenue, current	16,761	16,398	17,324
Total current liabilities	56,573	27,268	27,251
Total equity and liabilities	277,968	56,031	62,667

Cash flow statement

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Cash flow from operations					
Result for the financial year	5,408	8,744	19,154	23,265	30,153
Adjustments	7,591	3,057	7,984	7,875	11,269
Cash flow from operations before change in working capital	12,999	11,801	27,137	31,140	41,423
Change in net working capital	-2,124	-430	-6,991	263	2,960
Cash flow from operations before financial items and taxes	10,875	11,371	20,146	31,403	44,383
Net financial items and taxes	-4,869	-1,065	-3,198	-5,714	-8,002
Cash flow from operations	6,006	10,306	16,948	25,689	36,381
Cash flow from investments					
Net Investments in tangible and intangible assets	-2,307	-1,609	-6,520	-2,748	-4,634
Acquisition, net of cash acquired	-	-	-206,887	-	-
Proceeds from sale of intangible and tangible assets	-	-	-	-	-4
Cash flow from investments	-2,307	-1,609	-213,407	-2,748	-4,638
Cash flow from financing activities					
Repayments of lease liabilities	-286	-260	-806	-406	-612
Increase in interest-bearing liabilities	-	-	202,000	-	-
Increase in interest-bearing liabilities with WithSecure	-	-	-	5,663	5,663
Increase in interest-bearing receivables with WithSecure	-	-	-	-3,789	-3,789
Dividends paid	-	-	-12,227	-	-
Equity financing with WithSecure, net	-	-	-	-10,068	-10,068
Cash flow from financing activities	-286	-260	188,967	-8,600	-8,806
Change in cash	3,413	8,438	-7,492	14,341	22,937
Cash and cash equivalents at the beginning of the period ¹⁾	11,891	5,908	22,953	-	-
Effect of exchange rate changes on cash	106	230	-51	235	16
Cash and cash equivalents at period end	15,410	14,576	15,410	14,576	22,953

Cash flow statement information has been prepared on a carve-out basis for 1-6/2022 - refer to Note 1, Basis of Preparation.

¹⁾ Prior to the Demerger on 30 June 2022, no cash was allocated to F-Secure in the carve-out financial information.

Statement of changes in shareholder's equity

EUR thousand	Invested equity and retained earnings	Share capital	Unrestricted equity reserve	Retained earnings	Translation difference	Total
Invested equity 31 December 2021	9,546					9,546
Result of the financial year	14,521					14,521
Translation difference	-151					-151
Total comprehensive income for the year	14,370					14,370
Cost of share-based payments	-208					-208
Equity transactions with WithSecure	-14,796					-14,796
Invested equity 30 June 2022	8,912					8,912
Demerger 30 June 2022	-8,912	80	9,590	-759		
Result of the financial year				8,744	320	9,064
Total comprehensive income for the year				8,744	320	9,064
Cost of share-based payments				175		175
Equity 30 September 2022		80	9,590	8,161	320	18,152
Equity 31 December 2022		80	9,590	15,213	-79	24,804
Result of the period				19,154	699	19,853
Total comprehensive income for the period				19,154	699	19,853
Cost of share-based payments				-15		-15
Dividend				-12,227		-12,227
Equity 30 September 2023		80	9,590	22,124	620	32,414

Statement of changes in shareholder's equity has been prepared on a carve-out basis for 1-6/2022 - refer to Note 1, Basis of Preparation.

1. Basis of preparation

F-Secure formed a separate legal group as of 30 June 2022. The financial information presented in this report is based on actual figures as an independent group after the consummation of the partial demerger and carve-out figures prior to the consummation of the partial demerger.

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. For comparison period, the financial information is presented on an actual basis for the income statement Jul-Dec 2022 and the statement of financial position as at 31 December 2022, 30 September 2022 and 30 June 2022, and on a carve-out basis for income statement Jan-Jun 2022. The accounting principles and carve-out principles applied are consistent with those followed in the annual report 2022, note 1 Basis of preparation, accounting principles and carve-out principles.

Lookout consumer business unit has been included in the financial information from 1 June 2023 onwards applying F-Secure's accounting principles.

The information of interim periods is unaudited. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented. All figures are presented as EUR thousand unless otherwise stated.

Segment information

F-Secure has only one segment (consumer security). Revenue per sales channel and geographical information about revenue are presented in Note 2 Revenue.

Significant exchange rates and sensitivity to exchange rate changes

One euro is	Closing rate			Average rate		
	30 Sep 2023	30 Sep 2022	31 Dec 2022	1-9/2023	1-9/2022	1-12/2022
USD	1.0594	0.9748	1.0666	1.0824	1.0736	1.0555
GBP	0.8646	0.8830	0.8869	0.8713	0.8447	0.8509
JPY	158.10	141.01	140.66	149.21	134.97	137.28

FX sensitivity

The sensitivity of F-Secure's profit before taxes to foreign exchange rate fluctuations when all other variables are held constant is as follows:

+/- 10% FX rate change (EUR million)	30 Sep 2023	30 Sep 2022	31 Dec 2022
USD	-1.3/+1.6	-0.7/+0.8	-0.7/+0.8

2. Revenue

Disaggregation of revenue

Sales channels	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Revenue from external customers					
Partner channel	28,479	22,128	75,057	65,543	88,052
<i>of which Lookout consumer business¹⁾</i>	6,050		8,167		
Direct channel (E-commerce)	6,655	5,807	18,407	17,220	22,965
<i>of which Lookout consumer business¹⁾</i>	1,067		1,418		
Total	35,134	27,935	93,464	82,763	111,017

¹⁾ Revenue from acquired Lookout consumer business after acquisition 1 June 2023.

Geographical information	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Revenue from external customers					
Nordic countries	10,069	9,942	29,937	29,444	39,426
Rest of Europe	12,660	11,963	36,761	36,432	48,653
North America	10,200	4,411	21,082	12,528	17,082
Rest of world	2,205	1,620	5,684	4,359	5,856
Total	35,134	27,935	93,464	82,763	111,017

3. Acquisitions

On 1 June 2023 F-Secure completed the acquisition of the mobile consumer security business unit from Lookout Inc. Purchased mobile consumer security business unit consists of shares of Lookout LLC in US and Saferpass s.r.o. in Slovakia as well as certain IP and related know-how transferred to Finland. In the transaction 65 employees were transferred to F-Secure.

The acquisition strengthens F-Secure's position as a leading consumer security company. F-Secure has significantly increased scale, strengthened footprint in the US and in the communication service provider channel as well as a complementary mobile optimized software product portfolio reaching tens of millions of subscribers worldwide.

Purchase consideration

The purchase consideration comprises of cash payment of EUR 206.9 million which was financed with external debt. The consideration was paid in USD. Company hedged the purchase price between signing and closing which resulted in profit of EUR 5.5 million booked in financial income. The company did not apply hedge accounting for the arrangement.

EUR thousand	
Cash flow from the acquisition	
Consideration paid in cash	-206,887
Cash and cash equivalents of the acquired business	9
Total cash flow from the acquisition	-206,878

Recognized amounts of identifiable assets required and liabilities assumed

Lookout's net assets were identified and recognized at fair value as of the acquisition date on 1 June 2023. The following table summarizes the fair values of assets acquired and liabilities assumed. The accounting of acquisition is still provisional pending the finalization of the valuation of the assets acquired and liabilities assumed and consequently the tax review is still provisional. The provisional amounts recognized may be adjusted within 12 months after the date of acquisition, to reflect new information obtained about the facts and circumstances that existed at the date of acquisition.

Provisional fair values of the assets and liabilities recognized as a result of the acquisition

EUR thousand	
Tangible assets	1
Technology related intangibles	83,013
Customer-related intangibles (Partner Business)	31,717
Customer-related intangibles (Direct Business)	1,829
Deferred tax assets	653
Trade and other receivables	5,583
Cash and cash equivalents	9
Total assets	122,805
Other non-current liabilities	473
Trade and other liabilities	3,130
Deferred tax liabilities	546
Total liabilities	4,148
Total net assets	118,657
Goodwill	88,230

The identified intangible assets relate to technology and customer relationships. Fair values for the intangible assets have been determined using appropriate valuation methods including multi-period excess earnings method (MEEM) for customer relationships and Relief from royalty method (RfR) for technology. The amortization period for these varies from 5 years to 15 years. Goodwill reflects the value of buyer specific synergies, geographic presence, assembled workforce, future technology and customers. The total amount of goodwill that is expected to be deductible for tax purposes is EUR 83.0 million.

Acquisition related costs (IAC) of EUR 6.1 million are expensed and included in administration expenses in consolidated income statement and in operating cash flow in the consolidated statement of cash flows.

Impact on F-Secure's comprehensive income statement

The acquired business contributed revenues of EUR 9.6 million and net profit of EUR -0.4 million to F-Secure for the period from 1 June to 30 September 2023 including amortization of the fair valued assets acquired for the period EUR -2.7 million and fair valuation of deferred revenue EUR -2.0 million.

Had the acquisition occurred on 1 January 2023, management estimates that combined illustrative revenue would have been EUR 105.8 million for Jan-Jun 2023 and combined illustrative net profit would have been EUR 15.2 million including amortization of fair valued assets EUR -6.0 million, interest expenses for the loan EUR -8.1 million and fair valuation of deferred revenue EUR -3.7 million.

Financial information of Lookout consumer business unit for the 5-month period ended May 30, 2023 has been carved out and combined from Lookout Inc's management reporting, accounting records and other sources of financial information. Lookout consumer business carve-out financial data for the above period includes cost allocations, management assumptions, judgements and estimates as Lookout consumer business unit has not formed a legal sub-group within Lookout and it has not prepared consolidated group financial information prior to the transaction. Pro forma adjustments are attributable to accounting policy alignments between F-Secure's accounting policies and US GAAP accounting principles applied by Lookout and impact of the fair value adjustments.

4. Goodwill, right-of-use, intangible and tangible assets

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Book value at beginning of period	11,052	6,186	6,186
Acquisition	204,779	-	-
Additions	6,736	4,961	6,948
Disposals	-34	-2	-112
Depreciation and amortization	-5,172	-1,357	-1,969
Transfers	-	-	-
Translation differences	556	-4	-2
Book value at end of period	217,917	9,784	11,052

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Depreciation and amortization by function					
Sales and marketing	281	254	837	338	601
Research and development	579	340	1,662	1,016	1,357
Administration	1,988	2	2,658	2	18
Total depreciation and amortization	2,848	597	5,156	1,357	1,976

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Amortization	2,578	348	4,352	1,023	1,387
Depreciation	269	248	804	334	589
Total depreciation and amortization	2,848	597	5,156	1,357	1,976

5. Financial assets and liabilities

The carrying amounts of F-Secure's financial assets and financial liabilities are considered to approximate their fair values based on their nature and short maturity. F-Secure's financial assets and liabilities are presented in the following tables.

	Carrying value		Total
	Financial assets	Financial liabilities	
	Amortized cost	Amortized cost	
30 Sep 2023			
Cash and cash equivalents	15,410		15,410
Interest-bearing receivables	3,752		3,752
Trade receivables	30,394		30,394
Bank loans		200,200	200,200
Trade payables		2,565	2,565
Lease liabilities		1,430	1,430
Other interest-bearing liabilities		5,281	5,281
30 Sep 2022			
Cash and cash equivalents	14,576		14,576
Interest-bearing receivables	3,899		3,899
Trade receivables	20,883		20,883
Trade payables		2,829	2,829
Lease liabilities		2,046	2,046
Other interest-bearing liabilities		5,666	5,666
31 Dec 2022			
Cash and cash equivalents	22,953		22,953
Interest-bearing receivables	3,693		3,693
Trade receivables	18,243		18,243
Trade payables		1,398	1,398
Lease liabilities		1,840	1,840
Other interest-bearing liabilities		5,498	5,498

The Lookout consumer business unit acquisition was financed with debt for which a new facilities agreement was entered into with Danske Bank A/S and OP Corporate Bank plc. The new financing package consisted of two facilities, (i) a EUR 202 million amortising term loan to finance the acquisition, and (ii) a EUR 20 million revolving loan facility to be used for general corporate purposes of the combined group. Both facilities hold a maturity of 3 years with two 1-year extension options. The interest rate for credit facility is variable. The revolving credit facility is undrawn at the reporting date. The previous undrawn revolving credit facility, procured in conjunction with the demerger from WithSecure, was cancelled concurrently with closing of the transaction.

Prior to completion of the demerger, WithSecure's consumer business conducted by its foreign subsidiaries was separated from the rest of the business into separate companies through business acquisitions or similar transactions in each relevant country. The transaction prices vary between approximately EUR 70 thousand and EUR 3.0 million. The payback time for the resulting payables and receivables is primarily three years from the effective date of each local transaction, and prepayment is allowed. The interest rate for the

unpaid transaction price varies by country. F-Secure's payables totaled EUR 5.3 million and the receivables totaled EUR 3.8 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

As at 30 September 2023, F-Secure's lease liabilities relate to leases for office premises and cars.

Financial liabilities

Contractual maturities of financial liabilities:

	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total	Nominal value
Bank loans	25,000	177,000	202,000	200,200
Lease liabilities	954	476	1,430	1,430
Other interest-bearing liabilities	-	5,281	5,281	5,281
Total	25,954	182,757	208,711	206,911

Bank loans are recorded at amortized cost and the transaction costs are recognized as part of interest expense using the effective interest method.

Quarterly figures and alternative performance measures

Income statement quarterly

	7-9/2023	4-6/2023	1-3/2023	10-12/2022	7-9/2022
Revenue	35,134	30,524	27,806	28,254	27,935
Cost of revenue	-4,834	-3,552	-2,529	-2,376	-2,225
Gross margin	30,300	26,972	25,277	25,878	25,710
Other operating income	239	228	231	260	407
Sales and marketing	-8,609	-8,865	-7,616	-7,121	-6,501
Research and development	-6,428	-6,260	-5,094	-3,884	-3,645
Administration	-5,514	-7,970	-4,457	-5,728	-4,910
EBIT	9,988	4,105	8,342	9,405	11,061
Financial net	-2,827	4,356	83	-507	92
Profit before taxes	7,161	8,461	8,425	8,898	11,153
Income tax	-1,754	-1,483	-1,657	-2,010	-2,409
Profit for the period	5,408	6,978	6,768	6,888	8,744

Income statement information has been prepared on a carve-out basis for 1-6/2022 - refer to Note 1, Basis of Preparation.

Key figures

EUR thousand	7-9/2023	4-6/2023	1-3/2023	10-12/2022	7-9/2022
Revenue	35,134	30,524	27,806	28,254	27,935
Revenue growth %	25.8%	11.1%	1.6 %	4.3 %	5.3 %
Adjusted EBITDA	13,065	10,157	10,467	10,024	11,658
% of revenue	37.2%	33.3%	37.6%	35.5%	41.7%
EBITA	12,567	5,332	8,888	9,769	11,410
% of revenue	35.8%	17.5%	32.0%	34.6%	40.8%
Adjusted EBITA	12,795	9,885	10,204	9,769	11,410
% of revenue	36.4%	32.4%	36.7%	34.6%	40.8%
EBIT	9,988	4,105	8,342	9,405	11,061
% of revenue	28.4%	13.4%	30.0%	33.3%	39.6%
Profit for the period	5,408	6,978	6,768	6,888	8,744
% of revenue	15.4%	22.9%	24.3%	24.4%	31.3%
Earnings per share, basic and diluted, EUR ¹⁾	0.03	0.04	0.04	0.04	0.05
Earnings per share, basic and diluted, excluding PPA, EUR ¹⁾	0.04	0.04	0.04	0.04	0.05
R&D costs	6,428	6,260	5,094	3,884	3,645
% of revenue	18.3%	20.5%	18.3%	13.7%	13.0%
Capital expenditure, excl. acquisition	2,307	1,963	2,250	1,885	1,609
% of revenue	6.6%	6.4%	8.1%	6.7%	5.8%
Capital expenditure	2,307	208,850	2,250	1,885	1,609
Deferred revenue	22,760	23,350	21,171	20,945	19,775
Operating cash flow	6,006	3,621	7,321	10,692	10,306
Net debt (+) / Net cash (-)	187,748	191,253	-24,187	19,308	10,763
Net debt/Adjusted EBITDA ²⁾	3.6	3.5	-0.6	-0.4	-0.2
Equity ratio %	11.7%	9.3%	26.5%	39.6%	32.4%
Shareholder's equity per share, EUR	0.19	0.14	0.11	0.14	0.10
P/E ratio	14.1	14.6	20.6	17.9	12.2
Gearing, %	590.8%	774.0%	-108.2%	-63.0%	-37.8%
Cash conversion	66.1%	32.5%	78.8%	108.1%	82.5%
Personnel at the end of the period	516	511	414	376	361

The Key Figures are presented on an actual basis on and after July 2022 and for financial position on an actual basis after 30 June 2022, and on a carve-out basis prior to that. Refer to Note 1, Basis of Preparation.

¹⁾ Based on the average number of shares during the reporting period.

²⁾ Net debt/Adjusted EBITDA for the last 12 months includes Lookout consumer business unit EBITDA on an illustrative basis as if the acquisition had been made on the first day of the period in question.

Alternative Performance Measures

In addition to EBIT, F-Secure uses Adjusted EBITA and Adjusted EBITDA as key performance indicators when measuring performance between periods. Adjusted EBITA and Adjusted EBITDA exclude items that affect comparability. Items affecting comparability are associated with acquisition and listing costs. Adjusted EBITA and Adjusted EBITDA are presented in addition to EBIT to reflect the underlying business performance and to enhance comparability between periods. F-Secure believes that these comparable alternative performance measures provide meaningful supplemental information by excluding items outside normal business operations, which reduce comparability between the periods.

Reconciliation between adjusted EBITDA, EBITDA, adjusted EBITA, EBITA and EBIT

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Adjusted EBITDA	13,065	11,658	33,689	34,486	44,510
Adjustments to EBITDA					
Costs related to acquisition	-229		-6,097		
Costs related to listing				-3,764	-3,764
EBITDA	12,836	11,658	27,592	30,722	40,746
Depreciation and amortization	-2,848	-597	-5,156	-1,357	-1,976
EBIT	9,988	11,061	22,436	29,365	38,770
Adjusted EBITA	12,795	11,410	32,884	34,152	43,921
Adjustments to EBITA					
Costs related to acquisition	-229		-6,097		
Costs related to listing				-3,764	-3,764
EBITA	12,567	11,410	26,788	30,388	40,157
Amortization	-587	-348	-1,696	-1,023	-1,387
PPA amortization	-1,991		-2,656		
EBIT	9,988	11,061	22,436	29,365	38,770

Classification of adjusted costs in operating expenses

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Operating expenses					
Sales and marketing	-8,609	-6,501	-25,090	-22,736	-29,857
Research and development	-6,428	-3,645	-17,782	-12,549	-16,434
Administration	-5,514	-4,910	-17,940	-11,962	-17,690
Total	-20,551	-15,056	-60,812	-47,248	-63,981
Depreciation and amortization by function					
Sales and marketing	-281	-254	-837	-338	-601
Research and development	-579	-340	-1,662	-1,016	-1,357
Administration	-1,988	-2	-2,658	-2	-18
Total	-2,848	-597	-5,156	-1,357	-1,976
Items affecting Comparability (IAC) by function					
Administration	-5,514	-4,910	-17,940	-11,962	-17,690
Less: Costs related to acquisition	229		6,097		
Less: Costs related to listing				3,764	3,764
Less: PPA amortization	1,991		2,656		
Administration excluding IAC	-3,294	-4,910	-9,188	-8,198	-13,927
Operating expenses less depreciation, amortization and IAC					
Sales and marketing	-8,328	-6,247	-24,253	-22,398	-29,257
Research and development	-5,849	-3,305	-16,120	-11,533	-15,076
Administration	-3,294	-4,910	-9,182	-8,198	-13,927
Total	-17,471	-14,462	-49,556	-42,129	-58,260

Impact of the Lookout acquisition on F-Secure's illustrative combined key figures

Basis of presentation of certain illustrative combined key figures

F-Secure has prepared certain key figures on a combined basis to illustrate the effects of the acquisition of Lookout consumer business unit and to facilitate the comparability of F-Secure's financial information. The illustrative key figures are unaudited.

Certain illustrative key figures address a hypothetical situation as if the acquisition had been completed on 1 January 2022. Therefore, it is not necessarily indicative of what F-Secure's historical financial performance actually would have been had the acquisition been completed as of the date indicated and does not purport to project the operating results of F-Secure as of any future date.

F-Secure has included adjustments attributable to accounting policy alignments between F-Secure's accounting policies and US GAAP accounting principles applied by Lookout and excluded the impact of the fair value adjustments on the figures as applicable.

The illustrative key figures do not reflect any cost savings, synergy benefits or integration costs that are expected to be generated after the acquisition.

F-Secure financial information included is based on reported financial information for the period ending 30 September 2023. For the periods ending 30 September 2022 and 31 December 2022 the financial information is presented on carve-out basis for Jan-Jun 2022 and actual basis for Jul-Sep and Jul-Dec 2022.

Lookout consumer business unit's financial information prior to acquisition has been prepared by Lookout Inc's management on a carve-out basis. The carve-out financial information includes the revenue and expenses directly attributable to Lookout consumer business unit including also an allocation of portion of certain Lookout's costs. Allocations are based on management judgement, assumptions and estimates.

The certain unaudited carve-out financial information of Lookout consumer business unit for the 9-month period ended 30 September 2022 and for the 12-month period ended 31 December 2022 has been derived from Lookout's consolidated unaudited financial information for the 12-month period ended 31 January 2023. Financial information of Lookout consumer business unit for the 5-month period ended 31 May 2023 has been carved out and combined from Lookout Inc's management reporting, accounting records and other sources of financial information. Financial information prior to acquisition date 1 June 2023 has been prepared in conformity with accounting principles generally accepted in the United States (US GAAP). Lookout consumer business unit has not formed a legal sub-group within Lookout and it has not prepared consolidated group financial statements prior to the transaction.

Lookout consumer business unit's financial information below has been converted to EUR using the average exchange rate for the period 1 July to 30 September 2023 of EUR/USD 1.0919, 1 April to 30 June 2023 of EUR/USD 1.0846, 1 January 2023 to 31 March 2023 of EUR/USD 1.0706, 1 October to 31 December 2022 of EUR/USD 1.0013, 1 July to 30 September 2022 of EUR/USD 1.0195, 1 April to 30 June 2022 of EUR/USD 1.0547 and 1 January to 31 March 2022 of EUR/USD 1.1227. The figures have been rounded.

Illustrative combined key figures

EUR thousand	1-9/2023	1-9/2022	1-12/2022
Revenue	110,190	109,747	147,433
Gross margin	95,651	96,993	130,388
Adjusted EBITA	39,475	46,263	59,543

Calculation of key figures

Key figure	Definition
EBITDA	EBIT + Depreciation, amortization and impairment
EBITA	EBIT + Amortization and impairment
EBIT	Result before taxes and net financial items
Adjusted EBITDA	EBITDA before items affecting comparability
Adjusted EBITA	EBITA before items affecting comparability
Adjusted EBIT	EBIT before items affecting comparability
Items affecting comparability	Items affecting comparability are associated with acquisition and cost related to listing
Operating expenses	Sales and marketing, research and development, and administration expenses
Capital expenditure	Corresponds to the Statement of Cash Flows line item Investments in intangible and tangible assets
Operating cash flow	Corresponds to the Statement of Cash Flows line item Cash flow from operations
Net debt (+) / Net cash (-)	Interest-bearing liabilities – Interest-bearing receivables - Cash and cash equivalents
Net debt/Adjusted EBITDA	Net debt/Adjusted EBITDA for the last 12 months
Equity ratio, %	Total equity/Total assets
Gearing, %	(Interest bearing liabilities – cash and bank) / Total equity
Cash conversion, %	(Adjusted EBITDA –Capital expenditure –/+ Change in net working capital) / Adjusted EBITDA
Earnings per share, EUR	Profit attributable to equity holders of the company / Weighted average number of outstanding shares
Earnings per share, excluding PPA, EUR	(Profit attributable to equity holders of the company + PPA amortization adjusted by tax impact) / Weighted average number of outstanding shares
Shareholders' equity per share, EUR	Equity attributable to equity holders of the company / Number of outstanding shares at the end of period
P/E ratio	Closing price of the share (at period end) / Earnings per share (annualized)



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