



F-Secure Corporation

Half Year Financial Report

1 January–30 June 2023

Major progress through an acquisition while business continues to operate amid adverse conditions

Highlights of April–June (Q2 2023)

- Revenue increased by 11.1% to EUR 30.5 million (EUR 27.5 million). In addition to organic growth of 2.2%, the acquisition of Lookout consumer security business contributed to the figures for June.
 - Revenue from Partner Channel increased by 12.8% to EUR 24.5 million (EUR 21.7 million), organic growth was 3.1%
 - Revenue from Direct Channel increased by 4.8% to EUR 6.0 million (EUR 5.7 million), organic growth was -1.4%
- Adjusted EBITA was EUR 9.9 million (EUR 10.1 million), 32.4% of revenue (36.7%)
- Items affecting comparability (IAC) for Adjusted EBITA were EUR -4.6 million (EUR -3.0 million), following the acquisition of the Lookout consumer security business. Purchase price allocation (PPA) amortizations were EUR -0.7 million.
- Earnings per share (EPS) was EUR 0.04 (EUR 0.03).
- Cash flow from operating activities before financial items and taxes was EUR -0.1 million (EUR 9.2 million)
- On 26 April 2023, F-Secure announced the acquisition of Lookout consumer mobile security business, which was completed on 1 June 2023. Consequently F-Secure updated its outlook 2023 to reflect the impact of the acquisition. The financial figures of the acquired business unit have been consolidated with F-Secure figures starting from 1 June 2023. To finance the acquisition, F-Secure entered into a new facilities agreement with Danske Bank A/S and OP Corporate Bank plc.
- On 1 June 2023, changes in the executive leadership team of F-Secure were announced.

Highlights of January–June (H1 2023)

- Revenue increased by 6.4% to EUR 58.3 million (EUR 54.8 million). Organic growth was 1.9%.
 - Revenue from Partner Channel increased by 7.3% to EUR 46.6 million (EUR 43.4 million), organic growth was 2.4%
 - Revenue from Direct Channel increased by 3.0% to EUR 11.8 million (EUR 11.4 million), organic growth was -0.1%
- Adjusted EBITA was EUR 20.1 million (EUR 22.7 million), 34.4% of revenue (41.5%)
- Items affecting comparability (IAC) for Adjusted EBITA were EUR -5.9 million (EUR -3.8 million), following the acquisition of the Lookout consumer security business.
- Earnings per share (EPS) was EUR 0.08 (EUR 0.08).

- Cash flow from operating activities before financial items and taxes was EUR 9.3 million (EUR 20.0 million)
- Net debt amounted to EUR 191.3 million (-1.8) and leverage was 3.5x.¹⁾
- On 23 March 2023, the Annual General Meeting of F-Secure resolved that a dividend of EUR 0.07 per share will be paid for the financial year 30 June 2022–31 December 2022. The dividend was paid on 4 April 2023.

¹⁾ 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 half-year financial 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 half-year financial 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 enterprise value of USD 223 million (approx. EUR 202 million) was paid in cash, for which F-Secure had secured debt financing. 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 half-year financial report.

Outlook for 2023 (updated June 1, 2023)

Financial outlook for 2023, including the acquisition of Lookout consumer business is as follows:

Growth: In 2023, F-Secure expects revenue to exceed EUR 134 million.

Profitability: The group's adjusted EBITA is expected to exceed EUR 45 million. The adjusted EBITA margin is estimated to temporarily decrease in 2023 due to acquisition related additional OPEX investments of more than 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 and the global demand to remain stable, in the face of a challenging operating environment.
- Lookout consumer BU included from June to December (7 months).
- Pro forma revenue growth of Lookout consumer BU expected to be around 10% (previously above 10%) on a standalone basis and therefore contributing to F-Secure growth positively (FY 1 February 2023–31 January 2024).
- Lookout consumer BU has received payments in advance related to part of its revenue. Such payments are recognized 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 recognized post-acquisition related to deferred revenue balances will be lower compared to revenue recognized 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 (updated April 26, 2023)

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	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Revenue	30.5	27.5	11.1%	58.3	54.8	6.4%	111.0
Partner channel	24.5	21.7	12.8%	46.6	43.4	7.3%	88.1
Direct channel	6.0	5.7	4.8%	11.8	11.4	3.0%	23.0
Cost of revenue	-3.6	-2.6	36.3%	-6.1	-4.7	28.2%	-9.3
Gross Margin	27.0	24.9	8.5%	52.2	50.1	4.3%	101.7
% of revenue	88.4%	90.5%		89.6%	91.4%		91.6%
Other operating income	0.2	0.2	31.7%	0.5	0.4	12.4%	1.1
Operating expenses¹⁾	-17.0	-14.9	14.4%	-32.1	-27.7	16.0%	-58.3
Sales & Marketing	-8.6	-8.8	-2.6%	-15.9	-16.2	-1.4%	-29.3
R&D	-5.7	-4.3	32.6%	-10.3	-8.2	24.8%	-15.1
Administration	-2.8	-1.8	54.6%	-5.9	-3.3	79.1%	-13.9
Adjusted EBITDA¹⁾	10.2	10.1	0.3%	20.6	22.8	-9.7%	44.5
% of revenue	33.3%	36.9%		35.4%	41.6%		40.1%
Adjusted EBITA¹⁾	9.9	10.1	-1.9%	20.1	22.7	-11.7%	43.9
% of revenue	32.4%	36.7%		34.4%	41.5%		39.6%
Items affecting comparability (IAC)²⁾	-4.6	-3.0	54.0%	-5.9	-3.8	55.9%	-3.8
Depreciation & amortization, excl. PPA amortization	-0.8	-0.4	>100%	-1.6	-0.8	>100%	-2.0
PPA amortization	-0.7			-0.7			
EBIT	4.1	6.8	-39.5%	12.4	18.3	-32.0%	38.8
% of revenue	13.4%	24.7%		21.3%	33.4%		34.9%
Earnings per share (EUR)³⁾	0.04	0.03	32.4%	0.08	0.08	-5.4%	0.17
Earnings per share, adjusted for PPA amortization (EUR)³⁾	0.04	0.03	45.0%	0.08	0.08	-0.8%	0.17
Shareholders' equity per share, EUR				0.14			0.14
Operating cash flow	3.6	7.1	-48.8%	10.9	15.4	-28.9%	36.4
Cash conversion %	32.5%	>100%		56.0%	98.0%		96.2%
Deferred revenue				23.4	20.6	13.3%	20.9
Net debt (+) / Net cash (-)⁴⁾				191.3	-1.8		-19.3
Net debt/Adjusted EBITDA				3.5 ⁵⁾	0.0		-0.4
Gearing, %				>100%			-63.0%
Equity ratio, %				9.3%	18.8%		39.6%
Personnel at the end of the period				511	368	38.9%	414

The key figures and other financial information are presented on an actual basis for the income statement after July 2022 and for financial position after 30 June 2023, and on a carve-out basis for the prior periods. 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 after 30 June 2022 and on the number of shares upon formation of F-Secure on 30 June 2022.

⁴⁾ Prior to the demerger on 30 June 2022, no cash or certain lease liabilities, such as lease liabilities related to business premises or machinery and equipment, were allocated to F-Secure. From 30 June 2022 onwards, the figure includes F-Secure's interest-bearing liabilities, less interest-bearing receivables and cash and cash equivalents.

⁵⁾ 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

In the second quarter we announced the acquisition of Lookout consumer security business, which was a significant step in expanding our business in the US with 1st tier Communication Service Providers (CSP) and in strengthening our position in the global CSP segment. With the acquisition, we have a significantly increased scale, strengthened footprint in the US as well as a complementary mobile optimized software product portfolio. The acquisition was completed at the beginning of June and the integration has started according to our plans. Some integration areas are already well on the way, while other areas related to, for example, portfolio management will require more time. I am very happy to welcome the strong team and our new fellows to F-Secure.



The second quarter developed in line with the trend seen in the first quarter, with continued high inflation resulting in lower than normal consumer confidence and volatility in demand. This was clearly reflected in revenue performance, in our eCommerce business. Second quarter revenue increased by 11.1% to EUR 30.5 million. Organic revenue growth was 2.2% for the second quarter. Revenue from Lookout consumer security business was consolidated starting from the beginning of June. In the Direct Channel, organic revenue growth was -1.4% amid strong headwinds, especially in new sales while renewal performance was flat. Partner Channel revenue was on a slightly better track, with organic growth of 3.1% for the second quarter. The adjusted EBITA for the second quarter was EUR 9.9 (10.1) million, with an adjusted EBITA margin of 32.4% (36.7%). Ramp-up investments for future growth and Lookout consumer security business integration continue to burden our profitability until the end of the year and then start gradually evening out to more regular level.

We continued to execute our strategy during the quarter by signing up with three new partners for F-Secure Total. In addition, five existing partners signed up for F-Secure Total upgrade and we made 12 new Total launches with partners that had been signed up for the service in previous quarters. This was a record number of launches but less than expected due to delivery delays, resulting in lower than forecasted revenue growth. The postponed launches are planned to go live in July. All of these launches are expected to result in gradual revenue growth in the upcoming quarters.

We made good progress with other key products, for example by signing up an Asian CSP for F-Secure Sense with the service expected to go live by the beginning of 2024, and with that, all in all we have now signed up eight CSP partners for Sense. We signed up three new router partners for Sense, one of which will start providing the service also to their retail customers towards the end of 2023. Furthermore, during the quarter we signed our first deal within Network Security with a new European CSP partner, based on our DNS (Domain Name System) security technology partnership. This service is due to be launched in July. The benefit of DNS layer security is that it requires no application to be installed by the end user yet still provides protection from a number of common threats, for instance, phishing attacks. The new F-Secure Total, enabling users to protect themselves from cyber threats with one simple solution, was launched in the Direct Channel during the first quarter, but resulted in lower new sales activity than originally expected. However, as a result of a number of eCommerce improvements we have started to see slightly better performance late in the quarter compared to last year's figures but we remain cautious until we see a longer positive trend. During the quarter, we strengthened our position in new vertical partner channel by launching Total with one insurance company and two banks we had signed in the previous quarters.

Following the acquisition of Lookout consumer security business, we updated both our medium term financial targets and outlook for 2023. Given the ongoing challenging operating environment, we expect the overall consumer cyber security market to grow in low single digit figures in 2023 while some solution areas may experience higher growth. We expect revenue to exceed EUR 134 million and the adjusted EBITA to exceed EUR 45 million. Acquisition-related OPEX investments of more than EUR 3 million are estimated to temporarily decrease the adjusted EBITA in 2023.

During the quarter we announced changes in the F-Secure leadership team to support growth after the acquisition of Lookout consumer security business. TL Viswanathan, previously Vice President for Embedded Security since November 2022, was appointed Chief Product Business Officer. In addition, Firas Azmeh, who joined F-Secure through the acquisition of Lookout consumer security business was appointed Chief Commercial Officer.

One key highlight of the second quarter was F-Secure SPECIES, our annual global partner conference held in Amsterdam, Netherlands. In addition to interesting partner presentations this year's theme was centered around what to expect from Generative AI from both service development and threat perspectives. This year's conference was yet another great success according to the feedback, and it was a pleasure to meet a record number of our partners from across the world.

The end of June marked our first year as an independent company. The past year has been exceptional with external factors impacting our business, while building and ramping up our operations as a company. I am happy to see the strong commitment to our strategy and the resilience and dedication of our fellows. Our Employee Net Promoter Score (eNPS) reached an exceptionally high level in the second quarter acting as proof that we are appreciated as an employer. Likewise, our customer, partner and product NPS have remained at very high levels. All of this gives us confidence in delivering on our strategy to build an accelerating growth business.

Group performance

Revenue by sales channel

EUR million	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Revenue from external customers							
Partner channel	24.5	21.7	12.8%	46.6	43.4	7.3%	88.1
Direct channel (E-commerce)	6.0	5.7	4.8%	11.8	11.4	3.0%	23.0
Total	30.5	27.5	11.1%	58.3	54.8	6.4%	111.0

Revenue by geography

EUR million	4-6/2023	4-6/2022	Change %	Comparable change* %	1-6/2023	1-6/2022	Change %	Comparable change* %	1-12/2022
Revenue from external customers									
Nordic countries	9.9	9.9	0.4%	0.5%	19.9	19.5	1.9%	2.0%	39.4
Rest of Europe	12.1	12.1	0.2%	0.2%	24.1	24.5	-1.5%	-1.5%	48.7
North America	6.6	4.1	58.6%	59.5%	10.9	8.1	34.1%	31.1%	17.1
Rest of the world	1.9	1.4	42.1%	50.8%	3.5	2.7	27.0%	35.2%	5.9
Total	30.5	27.5	11.1%	11.6%	58.3	54.8	6.4%	6.4%	111.0

*Comparable change excludes the impact of exchange rates.

April–June 2023

Revenue

F-Secure revenue increased by 11.1% to EUR 30.5 million (EUR 27.5 million) in the second quarter. The acquisition of Lookout consumer security business contributed to the figures for June. F-Secure organic growth was 2.2% and currency neutral growth was 2.6%, due to negative impact from the JPY. Deferred revenue increased by 13.3%, driven by the Lookout acquisition. Deferred revenue in F-Secure Partner channel grew as well, whereas eCommerce decreased. Weakened consumer confidence has resulted in a decline in global device spending, which has an adverse effect in especially on the Direct Channel and within new sales revenue development.

Partner Channel

Revenue from the partner channel grew by 12.8% to EUR 24.5 million (EUR 21.7 million). Organic revenue growth in the partner channel was 3.1%. Revenue increased especially in the Netherlands and in the DACH region, where activity and partners' interest in F-Secure solutions is good. Strong revenue growth continued

in the Asia-Pacific (APAC) area, and especially Japan and Hong Kong developed positively. 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 due to weaker business performance also in the UK. 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, revenue growth was lower than expected due to some delayed launches.

Direct Channel

Revenue from the direct channel increased by 4.8% to EUR 6.0 million (EUR 5.7 million), with slow growth especially in new sales. Organically revenue decreased by 1.4%. The renewal performance remained flat. Low consumer sentiment and the market's uncertainty is reflected in new sales. 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. F-Secure Total was launched in the direct channel in mid-February, but challenges in eCommerce optimization and weaker than expected demand resulted in declining revenue development. However, measures to combat these challenges have been implemented during the second quarter and will continue in the third quarter.

Gross margin

Gross margin was 27.0 million (EUR 24.9 million) and 88.4% of revenue (90.5%). The gross margin was impacted by fair valuation adjustments of deferred revenue made in purchase price allocation and increased costs in hosting. Also some double cost due to finalization of WithSecure TSAs and product mix changes have an effect on hosting costs. Lookout business has 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 second quarter of 2023, the TSA costs were EUR 0.9 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 incurred in June 2023. These TSA costs were EUR 0.6 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 were EUR 17.0 million (EUR 14.9 million) in the second quarter. Sales and marketing costs were EUR 8.6 million (EUR 8.8 million). Research and development (R&D) costs were EUR 5.7 million (EUR 4.3 million) and administration costs were EUR 2.8 million (EUR 1.8 million). R&D expenses increased as planned due to increased investments in product development and people. 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 second quarter were EUR 0.6 million in R&D and EUR 0.3 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 incurred in June 2023 and the TSA costs were EUR 0.1 million in R&D and EUR 0.1 million in administration. 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) totaled EUR 4.6 million (EUR 3.0 million) and consisted of costs related to acquisition of Lookout consumer security business (described in Alternative performance measures on page 31). The comparison period included EUR 3.0 million of items affecting comparability attributable to costs incurred due to the listing in the first half of 2022.

Depreciation and amortization totaled EUR 1.5 million (EUR 0.4 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. Purchase price allocation (PPA) amortizations related to the Lookout consumer security business acquisition amounted to EUR 0.7 million.

Profitability

Adjusted EBITA was EUR 9.9 million and 32.4% of revenue (EUR 10.1 million, 36.7%) for the second quarter of 2023. Items affecting comparability (IAC) were EUR 4.6 million (EUR 3.0 million). EBIT was EUR 4.1 million and 13.4% of revenue (EUR 6.8 million, 24.7%). Strategic investments for future growth and technology as well as Lookout consumer security business integration burdened our profitability in the second quarter. The figures for the comparison period do not fully reflect F-Secure's profitability as a standalone entity.

January–June 2023

Revenue

F-Secure revenue increased in January–June by 6.4% to EUR 58.3 million (EUR 54.8 million). Organic revenue growth was 1.9%. In addition to organic growth, the acquisition of Lookout consumer security business contributed to the figures for June. Deferred revenue increased by 13.3%, 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.

Partner Channel

Revenue from the partner channel increased by 7.3% to EUR 46.6 million (EUR 43.4 million). Organic revenue growth in the partner channel was 2.4%. Revenue increased especially in the Asia-Pacific (APAC) area. Revenue decreased in the rest of Europe, due to a regulatory change in Poland in 2021 that has a continued negative impact on adoption rates on the local market. Revenue decreased due to weaker business performance also in the UK. The roll-out of the latest version of F-Secure Total progressed as planned throughout the period, with all in all seven new partners having signed up for F-Secure Total. Partner channel retail sales performed well.

Direct Channel

Revenue from the direct channel increased by 3.0% to EUR 11.8 million (EUR 11.4 million). Organically revenue declined in the direct channel by 0.1%. 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, and the market's uncertainty is reflected especially in new sales. F-Secure Total was launched in the direct channel in mid-February, but challenges in eCommerce optimization and weaker than expected demand resulted in declining revenue development. However, measures to combat these challenges have been implemented during the second quarter of the year and will continue in the third quarter.

Gross margin

Gross margin was 52.2 million (EUR 50.1 million) and 89.6% of revenue (91.4%). 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 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 first half of 2023, the TSA costs were EUR 1.7 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 incurred in June 2023 and the TSA costs were EUR 0.6 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 were EUR 32.1 million (EUR 27.7 million) in January–June 2023. Sales and marketing costs were EUR 15.9 million (EUR 16.2 million). Research and development (R&D) costs were EUR 10.3 million (EUR 8.2 million) and administration costs were EUR 5.9 million (EUR 3.3 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 23. 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 the first half of 2023 were EUR 1.5 million in R&D and EUR 0.9 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 incurred in June 2023 and the TSA costs were EUR 0.1 million in R&D and EUR 0.1 million in administration. 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 5.9 million (EUR 3.8 million), as a result of the acquisition of Lookout consumer security business (described in Alternative performance measures on page 31). 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 totaled EUR 1.6 million (EUR 0.8 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. Purchase price allocation (PPA) amortizations related to the Lookout consumer security business acquisition incurred in June and were EUR 0.7 million in total.

Profitability

Adjusted EBITA in January–June was EUR 20.1 million and 34.4% of revenue (EUR 22.7 million, 41.5%). Items affecting comparability (IAC) were EUR 5.9 million (EUR 3.8 million). EBIT was EUR 12.4 million and 21.3% of revenue (EUR 18.3 million, 33.4%). 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	4-6/2023	4-6/2022	Change	1-6/2023	1-6/2022	Change	1-12/2022
Cash and cash equivalents				11.9	5.9		23.0
Bank loans, non-current				175.1			
Bank loans, current				25.0			
Receivable from WithSecure					6.8		
Interest-bearing receivables				3.7	3.8		3.7
Lease liabilities, non-current				0.5	1.3		0.9
Lease liabilities, current				1.0	0.9		1.0
Other interest-bearing liabilities, non-current				5.3	5.7		5.5
Financial income	5.7	0.4	>100%	6.3	0.7	>100%	1.5
Financial expense	-1.4	-0.4	>100%	-1.8	-0.5	>100%	-1.7
Capital Expenditure excl. acquisition	2.0	0.6	>100%	4.2	1.1	>100%	4.6
% of revenue	6.4%	2.1%		7.2%	2.1%		4.2%
Capital expenditure	208.9	0.6		211.1	1.1		4.6

In January–June 2023, cash flow from operating activities before financial items and taxes amounted to EUR 9.3 million (EUR 20.0 million). Second quarter cash flow was burdened by acquisition related costs and growth in accounts receivables, due to temporary challenges in invoicing process. The lost cash flow following these temporary invoicing challenges is expected to recover in the third quarter. Cash flow from operations was EUR 11.0 million (EUR 15.4 million) and the cash conversion rate was 56.0% (98.0%). Prior to the Demerger on 30 June 2022, no cash or cash equivalents were allocated to F-Secure in the carve-out financial information, instead it was presented as Receivable from WithSecure. The receivable from WithSecure was transferred as cash to F-Secure in July 2022, and as at 30 June 2023, cash and cash equivalents were EUR 11.9 million in total.

At the end of June 2023, F-Secure net debt amounted to EUR 191.3 million (net cash of EUR 1.8 million) and net debt to adjusted EBITDA ratio¹⁾ was 3.5, being above of the medium-term target of below 2.5x, due to acquisition impact. Equity ratio was 9.3% (18.8%) 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 increased to EUR 1.4 million, mainly driven by interest for the loan, and financial income to EUR 5.7 million, mainly driven by short-term hedging arrangement done for the acquisition.

Total assets were EUR 270.4 million (EUR 47.3 million) at the end of June 2023.

As at 30 June 2023, current lease liabilities were EUR 1.0 million (EUR 0.9 million) and non-current lease liabilities were EUR 0.5 million (EUR 1.3 million). The lease liabilities relate to leases for office premises and cars.

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.

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 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 3.7 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

In January–June 2023, capital expenditure was EUR 208.9 million (EUR 0.6 million) following the Lookout consumer security business acquisition. Capital expenditure excluding the acquisition impact was EUR 2.0 million (EUR 0.6 million), and was mainly related to technology and IT.

Organization and leadership

At the end of June 2023, F-Secure had 511 (368) employees. The average number of personnel during January–June 2023 was 425 (250*). The increase in number of employees resulted from the acquisition of the Lookout consumer security business in the second quarter of 2023.

On 1 June 2023, F-Secure announced changes to its executive leadership team. TL Viswanathan was appointed Chief Product Business Officer and Firas Azmeh was appointed Chief Commercial Officer and a member of F-Secure Leadership Team. Following these changes, Steven Offerein, Vice President, Portfolio Management, Dmitri Vellikok, Vice President, Network Security Business Team, Michal Iwan, Vice President, Security Suite Business Team, Paul Palmer, Senior Vice President for Partner Business, Perttu Tynkkynen, Senior Vice President for Direct Business and Mikko Kestilä, Vice President, Operations, became part of the new Extended Leadership Team.

At the end of June 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

* Prior to the demerger on 30 June 2022, the figure consisted of personnel directly employed by the consumer security business and did not include the share of personnel in shared group functions.

Shares and shareholders

At the end of June 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 June 2023 was EUR 2.34. In January–June, the highest price paid was EUR 3.44 and the lowest EUR 2.30. In January–June, the share's volume weighted average price was EUR 2.96. The share trading volume in January–June was EUR 47 million and 16 million shares. On June 30, 2023, the company's market capitalization was EUR 408 million.

The number of registered shareholders at the end of June 2023 was 32,036, including nominee registers. F-Secure did not hold any treasury shares at the end of the review period.

Flagging notifications

During the review period, F-Secure received one flagging notification:

According to a notification received on 11 May 2023, the number of voting rights in F-Secure controlled by Nordea Funds reached ten (10) per cent of the total voting rights of F-Secure Corporation.

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.

*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.

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.

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.

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.

Significant events during the review period

Acquisition of Lookout consumer security business

On 26 April 2023, F-Secure announced the acquisition of Lookout consumer security business, US-based consumer focused mobile security business arm of Lookout Inc. The agreed enterprise value was USD 223 million (approx. EUR 202 million) on a cash and debt-free basis. With the acquisition F-Secure has a 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.

The acquisition was completed on June 1, 2023 and EUR 5.9 million of transaction costs were booked as IACs during the first half of the year. The acquired business was consolidated as part of F-Secure from 1 June 2023 onwards. The acquired business has 65 employees, and they became employees of F-Secure after the completion of the acquisition. The transaction is expected to deliver at least EUR 12 million of revenue synergies and incremental EBITA level synergies of EUR 10 million per annum in 2027.

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 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 previous undrawn revolving credit facility, procured in conjunction with the demerger from WithSecure, was cancelled concurrently with closing of the transaction.

More information on the transaction can be found from the Stock Exchange Release published on 26 April 2023.

Updated outlook 2023

Following the completion of the acquisition of the mobile consumer security business of Lookout Inc, F-Secure updated its financial outlook for 2023 on 1 June 2023. The updated outlook can be found on page 4 of this half year financial report.

Updated medium term financial targets

In connection with the signing of the acquisition of the mobile consumer security business of Lookout Inc on 26 April 2023, F-Secure updated its medium term financial targets by 2026. The updated financial targets can be found on page 4 of this half year financial report.

Change of responsible auditor

On 21 April 2023, F-Secure announced that PricewaterhouseCoopers Oy, the firm of authorised public accountants acting as the auditor of F-Secure Corporation, has informed F-Secure Corporation that it has appointed APA Samuli Perälä as the responsible auditor of F-Secure Corporation to replace the previously appointed responsible auditor APA Janne Rajalahti. The change concerns the financial year 2023.

Changes in the Leadership Team of F-Secure Corporation

On 1 June 2023, F-Secure announced changes to its executive leadership team. More information about the changes can be found on page 13 of this report.

Financial calendar in 2023

In 2023, F-Secure Corporation will publish financial information as follows:

- Interim Report for January-September 2023, Wednesday, October 25, 2023

Helsinki, July 20, 2023

F-Secure Corporation

Board of Directors

Financial information

Income Statement

EUR thousand	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Revenue	30,524	27,463	11.1%	58,330	54,828	6.4%	111,017
Cost of revenue	-3,552	-2,606	36.3%	-6,081	-4,741	28.2%	-9,342
Gross margin	26,972	24,856	8.5%	52,250	50,087	4.3%	101,675
Other operating income	228	173	31.7%	459	408	12.4%	1,076
Sales and marketing	-8,865	-8,855	0.1%	-16,481	-16,235	1.5%	-29,857
Research and development	-6,260	-4,646	34.8%	-11,354	-8,904	27.5%	-16,434
Administration ¹⁾	-7,970	-4,743	68.0%	-12,427	-7,052	76.2%	-17,690
EBIT	4,105	6,786	-39.5%	12,447	18,304	-32.0%	38,770
Financial income	5,737	382	1402.2%	6,271	747	739.5%	1,476
Financial expenses	-1,381	-389	254.8%	-1,832	-546	235.5%	-1,691
Profit before taxes	8,461	6,779	24.8%	16,886	18,505	-8.7%	38,556
Income tax	-1,483	-1,514	-2.0%	-3,140	-3,984	-21.2%	-8,403
Result for the period	6,978	5,265	32.5%	13,746	14,521	-5.3%	30,153
Other comprehensive income							
Items that may be reclassified to profit or loss:							
Exchange difference on translation of foreign operations	-868	120	-820.3%	-898	-151	494.1%	79
Comprehensive income for the period	6,111	5,385	13.5%	12,848	14,370	-10.6%	30,233
Earnings per share							
Earnings per share, basic and diluted, EUR	0.04	0.03	32.4%	0.08	0.08	-5.4%	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 4.6 million in Q2/2023 and EUR 5.9 million in H1/2023. Cost related to listing increase administration expenses EUR 3.0 million in Q2/2022 and EUR 3.8 million in H1/2022.

Statement of financial position

Assets	30 Jun 2023	30 Jun 2022	31 Dec 2022
Tangible assets	175	247	154
Right-of-use assets	1,496	2,186	1,834
Intangible assets	127,513	6,244	9,064
Goodwill	87,873	-	-
Deferred tax assets	1,288	102	93
Interest-bearing receivables	3,707	3,789	3,693
Total non-current assets	222,052	12,569	14,838
Inventories	30	44	41
Accrued income	3,693	2,090	1,651
Trade and other receivables	32,602	19,031	23,040
Receivable from WithSecure	-	6,808	-
Income tax receivables	138	889	143
Cash and cash equivalents ¹⁾	11,891	5,908	22,953
Total current assets	48,354	34,771	47,828
Total assets	270,406	47,339	62,667
Shareholders' equity and liabilities	30 Jun 2023	30 Jun 2022	31 Dec 2022
Total Equity	25,188	8,912	24,804
Interest bearing liabilities, non-current	180,860	6,978	6,381
Deferred tax liabilities	1,484	314	528
Deferred revenue, non-current	6,437	3,310	3,621
Other non-current liabilities	96	75	81
Total non-current liabilities	188,876	10,677	10,612
Interest-bearing liabilities, current	25,991	897	957
Trade and other payables	12,521	8,674	7,818
Income tax liabilities	916	878	1,152
Deferred revenue, current	16,913	17,303	17,324
Total current liabilities	56,341	27,751	27,251
Total equity and liabilities	270,406	47,339	62,667

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

Cash flow statement

EUR thousand	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Cash flow from operations					
Result for the financial year	6,978	5,265	13,746	14,521	30,153
Adjustments	-2,137	2,068	392	4,818	11,269
Cash flow from operations before change in working capital	4,842	7,333	14,138	19,339	41,423
Change in net working capital	-4,895	1,905	-4,867	693	2,960
Cash flow from operations before financial items and taxes	-54	9,239	9,271	20,032	44,383
Net financial items and taxes	3,675	-2,164	1,671	-4,649	-8,002
Cash flow from operations	3,621	7,075	10,942	15,383	36,381
Cash flow from investments					
Net Investments in tangible and intangible assets	-1,963	-583	-4,213	-1,140	-4,634
Acquisition, net of cash acquired	-206,887	-	-206,887	-	-
Proceeds from sale of intangible and tangible assets	-	-	-	-	-4
Cash flow from investments	-208,850	-583	-211,100	-1,140	-4,638
Cash flow from financing activities					
Repayments of lease liabilities	-263	-106	-520	-145	-612
Increase in interest-bearing liabilities	202,000	-	202,000	-	-
Increase in interest-bearing liabilities with WithSecure	-	5,663	-	5,663	5,663
Increase in interest-bearing receivables with WithSecure	-	-3,789	-	-3,789	-3,789
Dividends paid	-12,227	-	-12,227	-	-
Equity financing with WithSecure, net	-	-2,356	-	-10,068	-10,068
Cash flow from financing activities	189,509	-589	189,252	-8,340	-8,806
Change in cash	-15,720	5,903	-10,906	5,903	22,937
Cash and cash equivalents at the beginning of the period ¹⁾	27,675	-	22,953	-	-
Effect of exchange rate changes on cash	-64	5	-157	5	16
Cash and cash equivalents at period end	11,891	5,908	11,891	5,908	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		
Equity 30 June 2022		80	9,590	-759		8,912
Equity 31 December 2022		80	9,590	15,213	-79	24,804
Total comprehensive income for the period				13,746	-898	12,848
Cost of share-based payments				-236		-236
Dividend				-12,227		-12,227
Equity 30 June 2023		80	9,590	16,496	-978	25,188

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 half-year financial 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 Jun 2023	30 Jun 2022	31 Dec 2022	1-6/2023	1-6/2022	1-12/2022
USD	1.0866	1.0387	1.0666	1.0814	1.0849	1.0555
GBP	0.8583	0.8582	0.8869	0.8785	0.8436	0.8509
JPY	157.16	141.54	140.66	145.58	134.86	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 Jun 2023	30 Jun 2022	31 Dec 2022
USD	-1.0/+1.3	-0.7/+0.8	-0.7/+0.8

2. Revenue

Disaggregation of revenue

Sales channels	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Revenue from external customers					
Partner channel	24,539	21,749	46,579	43,415	88,052
of which Lookout consumer business ¹⁾	2,117		2,117		
Direct channel (E-commerce)	5,986	5,714	11,751	11,413	22,965
of which Lookout consumer business ¹⁾	351		351		
Total	30,524	27,463	58,330	54,828	111,017

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

Geographical information	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Revenue from external customers					
Nordic countries	9,948	9,908	19,868	19,502	39,426
Rest of Europe	12,092	12,063	24,101	24,469	48,653
North America	6,553	4,132	10,882	8,118	17,082
Rest of world	1,931	1,359	3,479	2,739	5,856
Total	30,524	27,463	58,330	54,828	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 5.9 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 2.5 million and net profit of EUR -0.2 million to F-Secure for the period from 1 to 30 June 2023 including amortization of the fair valued assets acquired for the period EUR -0.7 million and fair valuation of deferred revenue EUR -0.6 million.

Had the acquisition occurred on 1 January 2023, management estimates that combined illustrative revenue would have been EUR 70.6 million for Jan-Jun 2023 and combined illustrative net profit would have been EUR 9.8 million including amortization of fair valued assets EUR -4.0 million, interest expenses for the loan EUR -5.4 million and fair valuation of deferred revenue EUR -2.9 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 Jun 2023	30 Jun 2022	31 Dec 2022
Book value at beginning of period	11,052	6,186	6,186
Acquisition	204,779	-	-
Additions	4,403	3,257	6,948
Disposals	-1	-2	-112
Depreciation and amortization	-2,304	-760	-1,969
Translation differences	-872	-3	-2
Book value at end of period	217,057	8,678	11,052

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Depreciation and amortisation by function					
Sales and marketing	283	45	556	84	601
Research and development	548	337	1,082	676	1,357
Administration	667		670		18
Total depreciation and amortisation	1,499	382	2,309	760	1,976

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Amortization	1,227	337	1,774	675	1,387
Depreciation	271	45	535	86	589
Total depreciation and amortisation	1,499	382	2,309	760	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 Jun 2023			
Cash and cash equivalents	11,891		11,891
Interest-bearing receivables	3,707		3,707
Trade receivables	25,523		25,523
Bank loans		200,060	200,060
Trade payables		1,562	1,562
Lease liabilities		1,503	1,503
Other interest-bearing liabilities		5,288	5,288
30 Jun 2022			
Cash and cash equivalents	5,908		5,908
Interest-bearing receivables	3,789		3,789
Receivable from WithSecure	6,808		6,808
Trade receivables	15,778		15,778
Trade payables		4,119	4,119
Lease liabilities		2,212	2,212
Other interest-bearing liabilities		5,663	5,663
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 3.7 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

As at 30 June 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	200,060
Lease liabilities	991	512	1,503	1,503
Other interest-bearing liabilities		5,288	5,288	5,288
Total	25,991	182,800	208,791	206,851

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

	4-6/2023	1-3/2023	10-12/2022	7-9/2022	4-6/2022
Revenue	30,524	27,806	28,254	27,935	27,463
Cost of revenue	-3,552	-2,529	-2,376	-2,225	-2,606
Gross margin	26,972	25,277	25,878	25,710	24,856
Other operating income	228	231	260	407	173
Sales and marketing	-8,865	-7,616	-7,121	-6,501	-8,855
Research and development	-6,260	-5,094	-3,884	-3,645	-4,646
Administration	-7,970	-4,457	-5,728	-4,910	-4,743
EBIT	4,105	8,342	9,405	11,061	6,786
Financial net	4,356	83	-507	92	-7
Profit before taxes	8,461	8,425	8,898	11,153	6,779
Income tax	-1,483	-1,657	-2,010	-2,409	-1,514
Profit for the period	6,978	6,768	6,888	8,744	5,265

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	4-6/2023	1-3/2023	10-12/2022	7-9/2022	4-6/2022
Revenue	30,524	27,806	28,254	27,935	27,463
Revenue growth %	11.1%	1.6%	4.3%	5.3%	
Adjusted EBITDA	10,157	10,467	10,024	11,658	10,124
% of revenue	33.3%	37.6%	35.5%	41.7%	36.9%
EBITA	5,332	8,888	9,769	11,410	7,123
% of revenue	17.5%	32.0%	34.6%	40.8%	25.9%
Adjusted EBITA	9,885	10,204	9,769	11,410	10,079
% of revenue	32.4%	36.7%	34.6%	40.8%	36.7%
EBIT	4,105	8,342	9,405	11,061	6,786
% of revenue	13.4%	30.0%	33.3%	39.6%	24.7%
Profit for the period	6,978	6,768	6,888	8,744	5,265
% of revenue	22.9%	24.3%	24.4%	31.3%	19.2%
Earnings per share, basic and diluted, EUR ¹⁾	0.04	0.04	0.04	0.05	0.03
Earnings per share, basic and diluted, adjusted for PPA, EUR ¹⁾	0.04	0.04	0.04	0.05	0.03
R&D costs	6,260	5,094	3,884	3,645	4,646
% of revenue	20.5%	18.3%	13.7%	13.0%	16.9%
Capital expenditure, excl. acquisition	1,963	2,250	1,885	1,609	583
% of revenue	6.4%	8.1%	6.7%	5.8%	2.1%
Capital expenditure	208,850	2,250	1,885	1,609	583
Deferred revenue	23,350	21,171	20,945	19,775	20,613
Operating cash flow	3,621	7,321	10,692	10,306	7,075
Net debt (+) / Net cash (-) ²⁾	191,253	-24,187	-19,308	-10,763	-1,823
Net debt/Adjusted EBITDA	3.5 ³⁾	-0.6	-0.4	-0.2	-0.0
Equity ratio %	9.3%	26.5%	39.6%	32.4%	18.8%
Shareholder's equity per share, EUR	0.14	0.11	0.14	0.10	
P/E ratio	14.6	20.6	17.9	12.2	
Gearing, %	774.0%	-108.2%	-63.0%	-37.8%	
Cash conversion	32.5%	78.8%	108.1%	82.5%	113.1%
Personnel at the end of the period	511	414	376	361	368

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 on and after Q3/2022, and on the number of shares upon formation of F-Secure on 30 June 2022.

²⁾ Prior to the demerger on 30 June 2022, no cash or certain lease liabilities, such as lease liabilities related to business premises or machinery and equipment, were allocated to F-Secure. From 30 June 2022 onwards, the figure includes F-Secure's interest-bearing liabilities, less interest-bearing receivables and cash and cash equivalents.

³⁾ 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

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Adjusted EBITDA	10,157	10,124	20,624	22,828	44,510
Adjustments to EBITDA					
Costs related to acquisition	-4,553		-5,868		
Costs related to listing		-2,956		-3,764	-3,764
EBITDA	5,604	7,168	14,756	19,064	40,746
Depreciation and amortization	-1,499	-382	-2,309	-760	-1,976
EBIT	4,105	6,786	12,447	18,304	38,770
Adjusted EBITA	9,885	10,079	20,089	22,742	43,921
Adjustments to EBITA					
Costs related to acquisition	-4,553		-5,868		
Costs related to listing		-2,956		-3,764	-3,764
EBITA	5,332	7,123	14,221	18,979	40,157
Amortization	-563	-337	-1,109	-675	-1,387
PPA amortization	-665		-665		
EBIT	4,105	6,786	12,447	18,304	38,770

Classification of adjusted costs in operating expenses

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Operating expenses					
Sales and marketing	-8,865	-8,855	-16,481	-16,235	-29,857
Research and development	-6,260	-4,646	-11,354	-8,904	-16,434
Administration	-7,970	-4,743	-12,427	-7,052	-17,690
Total	-23,095	-18,243	-40,262	-32,192	-63,981
Depreciation and amortization by function					
Sales and marketing	-283	-45	-556	-84	-601
Research and development	-548	-337	-1,082	-676	-1,357
Administration	-667		-670		-18
Total	-1,499	-382	-2,309	-760	-1,976
Items affecting Comparability (IAC) by function					
Administration	-7,970	-4,743	-12,427	-7,052	-17,690
Less: Costs related to acquisition	4,553		5,868		
Less: Costs related to listing		2,956		3,764	3,764
Less: PPA amortization	665		665		
Administration excluding IAC	-2,752	-1,787	-5,894	-3,289	-13,927
Operating expenses less depreciation, amortization and IAC					
Sales and marketing	-8,582	-8,810	-15,925	-16,151	-29,257
Research and development	-5,712	-4,308	-10,272	-8,228	-15,076
Administration	-2,749	-1,787	-5,888	-3,289	-13,927
Total	-17,043	-14,905	-32,085	-27,668	-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 June 2023 and on carve-out basis for the period ending 30 June 2022. For the period ending 31 December 2022 the financial information is presented on carve-out basis for Jan-Jun 2022 and actual basis for 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 6-month period ended 30 June 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 January 2023 to 30 June 2023 of EUR/USD 1.0814, for the period 1 January 2022 to 30 June 2022 of EUR/USD 1.0849 and for the period 1 January 2022 to 31 December 2022 of EUR/USD 1.0555. The figures have been rounded.

Illustrative combined key figures

EUR thousand	1-6/2023	1-6/2022	1-12/2022
Revenue	73,552	72,309	146,639
Gross margin	64,115	63,897	128,964
Adjusted EBITA	25,614	31,290	59,249

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
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, adjusted for PPA	(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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