



F-Secure Corporation

Financial Statement Release 2023

1 January–31 December 2023

Ending the year on a positive note

Highlights of October–December 2023 (Q4)

- Revenue increased by 30.6% to EUR 36.9 million (EUR 28.3 million). Organic growth was 2.9%.
 - Revenue from Partner Channel increased by 33.6% to EUR 30.1 million (EUR 22.5 million), organic growth was 4.2%
 - Revenue from Direct Channel increased by 19.1% to EUR 6.8 million (EUR 5.7 million), organic growth was -2.6%
- Adjusted EBITA was EUR 11.7 million (EUR 9.8 million), 31.7% of revenue (34.6%)
- Items affecting comparability (IAC) for Adjusted EBITA were EUR -1.9 million (EUR 0.0 million) and almost entirely consisted of costs related to restructuring and change negotiation activities announced in October 2023.
- Purchase price allocation (PPA) amortizations were EUR -2.0 million.
- Earnings per share (EPS) was EUR 0.02 (EUR 0.04). Earnings per share excluding PPA amortization was EUR 0.03 (EUR 0.04) ¹⁾.
- Cash flow from operating activities before financial items and taxes was EUR 17.4 million (EUR 13.0 million).
- During the quarter F-Secure conducted group-wide change negotiations to restructure the company's global operating model and personnel. As a result of the change negotiations and other measures, 56 employments in F-Secure would to be terminated, of which 39 in Finland.

Highlights of January–December 2023

- Revenue increased by 17.4% to EUR 130.4 million (EUR 111.0 million). Organic growth was 1.7%.
 - Revenue from Partner Channel increased by 19.4% to EUR 105.1 million (EUR 88.1 million), organic growth was 2.6%
 - Revenue from Direct Channel increased by 9.9% to EUR 25.2 million (EUR 23.0 million), organic growth was -1.7%
- Adjusted EBITA was EUR 44.6 million (EUR 43.9 million), 34.2% of revenue (39.6%).
- Items affecting comparability (IAC) for Adjusted EBITA were EUR -8.0 million (EUR -3.8 million), following the acquisition of the Lookout consumer security business and one-off costs related to the restructuring and change negotiation activities.
- Purchase price allocation (PPA) amortizations were EUR -4.7 million.
- Earnings per share (EPS) was EUR 0.13 (EUR 0.17). Earnings per share excluding PPA amortization was EUR 0.15 (EUR 0.17) ¹⁾.
- Cash flow from operating activities before financial items and taxes was EUR 37.6 million (EUR 44.4 million).
- Net debt amounted to EUR 177.4 million (-19.3) and leverage was 3.6x. ²⁾

- The Board of Directors proposes a dividend of EUR 0.07 per share (55% of the group January–December 2023 net profit), to be paid in two instalments.

¹⁾ From the third quarter of 2023, F-Secure has reported 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 30 June 2022. The financial information presented in this financial statement release 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 financial statement release 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 report.

Outlook for 2024

Growth: F-Secure estimates that revenue for 2024 will be in the range of EUR 142–152 million.

Profitability: The group's adjusted EBITA is expected to be in the range of EUR 48–54 million.

Background for the outlook:

- F-Secure expects the consumer cyber security market to grow mid-single digit CAGR between 2024-2026*. The growth may be moderated due to uncertainties we see around consumer sentiment in certain markets resulting also Service Providers, especially Communication Service Providers being cautious in their investment priorities.
- Biggest organic growth driver is Total and Total conversion within the partner channel; within Direct Business focus will be on retention, and marketing investments for paid customer acquisition will be lower than previously.
- F-Secure continues investing (both OPEX and CAPEX) in Embedded Security capabilities including Tier 1 capabilities and - relationships, which are expected to boost growth in medium term
- Lookout consumer BU is now included for the full year, compared to June to December (7 months) in 2023.
- Lookout consumer BU post-acquisition related deferred revenue is fair valued according to IFRS reporting and will be lower compared to revenue recognised by Lookout consumer BU for those advance payments. The negative revenue impact included in the outlook is estimated to be approximately EUR 1.5 million in 2024, and negative EBITA-level impact in the outlook approximately EUR 0.5 million, respectively.

* Industry analyst views such as Gartner and IDC, and F-Secure management estimates.

Financial targets

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	10-12/2023	10-12/2022	Change %	1-12/2023	10-12/2022	Change %
Revenue	36.9	28.3	30.6%	130.4	111.0	17.4%
Partner channel	30.1	22.5	33.6%	105.1	88.1	19.4%
Direct channel	6.8	5.7	19.1%	25.2	23.0	9.9%
Cost of revenue	-5.1	-2.4	115.1%	-16.0	-9.3	71.5%
Gross Margin	31.8	25.9	22.9%	114.3	101.7	12.5%
% of revenue	86.2%	91.6%		87.7%	91.6%	
Other operating income	0.1	0.3	-49.6%	0.8	1.1	-22.9%
Operating expenses¹⁾	-20.0	-16.1	24.3%	-69.6	-58.3	19.5%
Sales & Marketing	-9.3	-6.9	36.0%	-33.6	-29.3	14.8%
R&D	-7.1	-3.5	101.0%	-23.2	-15.1	54.2%
Administration	-3.6	-5.7	-37.2%	-12.8	-13.9	-8.2%
Adjusted EBITDA¹⁾	12.0	10.0	19.3%	45.7	44.5	2.6%
% of revenue	32.4%	35.5%		35.0%	40.1%	
Adjusted EBITA¹⁾	11.7	9.8	19.7%	44.6	43.9	1.5%
% of revenue	31.7%	34.6%		34.2%	39.6%	
Items affecting comparability (IAC)²⁾	-1.9			-8.0	-3.8	111.4%
Depreciation & amortization, excl. PPA amortization	-1.0	-0.6	68.0%	-3.5	-2.0	79.2%
PPA amortization	-2.0			-4.7		
EBIT	7.1	9.4	-24.9%	29.5	38.8	-23.9%
% of revenue	19.1%	33.3%		22.6%	34.9%	
Earnings per share (EUR)³⁾	0.02	0.04	-53.5%	0.13	0.17	-25.9%
Earnings per share, excluding PPA amortization (EUR)³⁾	0.03	0.04	-30.2%	0.15	0.17	-13.6%
Shareholders' equity per share, EUR				0.19	0.14	
Operating cash flow	13.2	10.7	23.1%	30.1	36.4	-17.2%
Cash conversion %	141.2%	108.1%		81.2%	96.2%	
Deferred revenue				25.6	20.9	22.3%
Net debt (+) / Net cash (-)				177.4	-19.3	
Net debt/Adjusted EBITDA⁴⁾				3.6	-0.4	
Gearing, %				>100%	-63.0%	
Equity ratio, %				12.0%	39.6%	
Personnel at the end of the period				524	376	39.4%

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

The year 2023 was the second consecutive year of big changes for F-Secure. We completed a major overhaul of our application offering by combining it all into one app: F-Secure Total. Our connected home security service, F-Secure Sense, reached a new level of simplicity in terms of ease and speed of integration and deployment. We took significant strides forward in technology, product, brand, consumer experience as well as in serving partners and customers. The acquisition of Lookout consumer security business almost tripled our business in North America, strengthened our position among Tier 1 partners and enhanced capabilities in mobile-first service design and mobile offering.

Under the hood, the year 2023 has been about developing and assuming full control of our core technology platforms and business infrastructure following the demerger. These projects were completed on schedule as a result of almost two years of consistent work. We also dedicated significant effort to upgrading F-Secure customers and partners onto the latest generation of our client and cloud backend services. As a result, we can now focus support and maintenance efforts on a single service platform thus freeing up more resources to new product creation.



It is fair to say that we entered 2023 with higher expectations and ambitions for growth and profitability. Our consumer cyber security business had experienced consistent revenue growth in previous years, a record number of new partner acquisitions in 2022, renewed offering and brand launches scheduled for early 2023, along with increased marketing investments. However, these were not enough to counter weak consumer sentiment and service provider reticence to expand into new security services amidst consumer challenges and higher interest rates.

Fourth quarter revenue increased by 30.6% amounting to EUR 36.9 million. Revenue growth was mainly attributable to the acquisition of Lookout consumer business. Organic revenue growth was 2.9%. Adjusted EBITA was EUR 11.7 (9.8) million for the quarter. EBITA margin, despite strict cost control especially during the second half of the year, remained below comparison period and was 31.7% (34.6%), higher cost of revenue being the key reason. Group revenue in January–December amounted to EUR 130.4 million, growing by 17.4% year-on-year. Adjusted EBITA for the full year was EUR 44.6 (43.9) million, or 34.2% (39.6%) of revenue.

Partner Business continued on a steady path during the fourth quarter, with three new partner signings and nine agreements with existing partners. Among others, two Nordic Communications Service Providers (CSP) signed up for Total conversion, as well as two Central European CSPs. Two CSPs were signed up for Network Security (DNS) and new partner, Celcom Digi, which is the largest CSP in Malaysia agreed to adopt Total as their consumer security offering. Focus in the Partner Business has been on the conversion of existing partners and their customers from separate F-Secure apps to Total, simplifying our partners' - and F-Secure's - offering and go-to-market activities, acting as a profitability driver for both parties. All in all, 34 existing partners signed up for F-Secure Total upgrade and 38 Total launches were made during the year 2023. The total amount of existing partners who have signed for Total deployment during 2022 and 2023 is around 70. F-Secure Embedded security business has become a significant part of our revenue following the Lookout Life acquisition. Overall, despite the positive effect that Total converted partners generated in 2023 we fell short of our growth targets. There were two primary reasons for this: We did not convert as many partners to Total as planned and partners that took on Total promoted it to their new customers only, leaving existing customer base untouched.

In the second half of 2023 we dedicated significant bandwidth to upgrade our partners' services to run on our latest technology platforms, operating systems and app versions. During the fourth quarter we implemented an agile product creation process that will drive faster value creation in the form of, for instance, novel scam protection capabilities and advances in customer experience. Finally, we strengthened our capabilities across the line to win and serve Tier 1 partners - investments that continue in the new year, especially during the first half of the year, and are expected to bear fruit starting during the latter part of 2024.

Already towards the end of the third quarter we saw some early signs of demand recovery and increased market activity in Direct Business, and I am happy to confirm that this positive trend continued during the remainder of the year, powered by strong renewals. In the third quarter of 2023 we decreased paid customer acquisition investments in Direct Business as those were not generating expected returns. Subsequently, in the fourth quarter we took several steps to boost sales, such as price adjustments, launch of free tools, and content driven activities across non-paid channels. While new sales continue to face a headwind in Direct Business, we will apply the same principle in 2024 – i.e. limited paid acquisition while boosting organic demand creation.

In October we initiated change negotiations to enable continued growth investments while securing a solid financial position. The change negotiations were completed in mid-December with 56 roles terminated globally. Alongside change negotiations we reorganized our global operating model and made some group Leadership Team appointments. Mikko Kestilä was appointed Senior Vice President, Services and member of the F-Secure Leadership Team. Firas Azmeh, previously Chief Commercial Officer assumed a new position as Chief Revenue Officer while continuing as a member of the Leadership Team.

The market sentiment remains volatile, with some variation across geographies. The market demand in Europe is cautiously improving, whereas consumer sentiment in the United States remains subdued. Demand in the Asia Pacific region continues on a solid level.

F-Secure operations rely heavily on our vision to become the number one security experience company in the world. The most crucial enabler in achieving this target is our ability to attract and retain a highly capable and inspired team of people. I want to express my warmest thanks to all F-Secure fellows for their passion, commitment and excellent work – both the ones who left the company as well as the ones who will continue to carry the torch going forward.

Group performance

Revenue by sales channel

EUR million	10-12/2023	10-12/2022	Change %	1-12/2023	1-12/2022	Change %
Revenue from external customers						
Partner channel	30.1	22.5	33.6%	105.1	88.1	19.4%
Direct channel (E-commerce)	6.8	5.7	19.1%	25.2	23.0	9.9%
Total	36.9	28.3	30.6%	130.4	111.0	17.4%

Revenue by geography

EUR million	10-12/2023	10-12/2022	Change %	Comparable change* %	1-12/2023	1-12/2022	Change %	Comparable change* %
Revenue from external customers								
Nordic countries	10.1	10.0	0.7%	0.7%	40.0	39.4	1.4%	1.5%
Rest of Europe	13.3	12.2	8.4%	8.4%	50.0	48.7	2.8%	2.8%
North America	10.9	4.6	139.8%	154.5%	32.0	17.1	87.3%	91.4%
Rest of the world	2.7	1.5	79.3%	93.1%	8.4	5.9	42.9%	53.6%
Total	36.9	28.3	30.6%	32.4%	130.4	111.0	17.4%	18.3%

*Comparable change excludes the impact of exchange rates.

October–December 2023

Revenue

F-Secure revenue increased by 30.6% to EUR 36.9 million (EUR 28.3 million) in the fourth quarter. Revenue growth was mainly attributable to the acquisition of Lookout Life consumer business. Organic growth was 2.9% and currency neutral organic growth was 4.2%, due to negative impact from the US dollar and JPY. Deferred revenue increased from the previous quarter by 12.6% thanks to both channels as well as Lookout Life acquisition.

Partner Channel

Revenue from the partner channel grew by 33.6% to EUR 30.1 million (EUR 22.5 million). Organic revenue growth in the partner channel was 4.2%. Revenue growth continued in the Netherlands, where activity and partners' interest in F-Secure solutions remained good. Revenue growth sustained also in the Asia-Pacific (APAC) area, with solid development especially in Japan, Singapore and Hong Kong. Revenue decreased especially in Poland, due to strong headwinds throughout the quarter. Revenue decreased also in Germany, due to continued weaker business performance. 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. Nine existing partners signed up for F-Secure Total upgrade during the fourth quarter.

Direct Channel

Revenue from the direct channel increased by 19.1% to EUR 6.8 million (EUR 5.7 million). Organically revenue decreased by 2.6%. Direct Business recovered compared to preceding quarter, and gradual demand recovery and increased market activity is reflected in the fourth quarter figures. Renewal performance was strong during the quarter. New sales still declined, but we have taken steps to boost sales, such as price adjustments, the launch of free tools, and content driven activities across non-paid channels. Direct channel deferred revenue developed positively due better billings during the fourth quarter as well as Lookout Life impact.

Gross margin

Gross margin was 31.8 million (EUR 25.9 million) and 86.2% 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 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 fourth quarter of 2023, the TSA costs were EUR 0.7 million in cost of revenue. These TSAs in cost of revenue terminated at 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 fourth 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 20.0 million (EUR 16.1 million) in the fourth quarter. Sales and marketing costs were EUR 9.3 million (EUR 6.9 million). Research and development (R&D) costs were EUR 7.1 million (EUR 3.5 million) and administration costs were EUR 3.6 million (EUR 5.7 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 fourth 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 terminated at the end of 2023.

The transitional services agreements (“TSA”) entered between F-Secure and Lookout consumer security business started from June 2023 and amounted to EUR 0.2 million in R&D and EUR 0.1 million in administration in the fourth quarter. Majority of the administration TSAs terminated at 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 1.9 million (EUR 0.0 million) and almost entirely consisted of costs related to restructuring and change negotiation activities announced in October 2023.

Depreciation and amortization excluding purchase price allocation amortization (PPA) totaled EUR 1.0 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 11.7 million and 31.7% of revenue (EUR 9.8 million, 34.6%) for the fourth quarter of 2023. EBIT was EUR 7.1 million and 19.1% of revenue (EUR 9.4 million, 33.3%). Because of the lower gross margin, profitability for the quarter was lower than in the comparison period.

January–December 2023

Revenue

F-Secure revenue increased in January–December by 17.4% to EUR 130.4 million (EUR 111.0 million). Revenue growth was attributable to the acquisition of Lookout Life consumer business. Organic revenue growth was 1.7% and currency neutral organic growth was 2.5%. Deferred revenue increased by 22.3% thanks to both channels as well as Lookout Life acquisition. The demand for our strategic growth products, F-Secure Total, Sense and ID Protection was rather good throughout the period, but the weaker consumer sentiment resulted in a decline in global device spending, which had an adverse effect on the Direct Channel throughout the year.

Partner Channel

Revenue from the partner channel increased by 19.4% to EUR 105.1 million (EUR 88.1 million). Organic revenue growth in the partner channel was 2.6%. Revenue increased in the Asia-Pacific (APAC) area, especially in Japan, Singapore and Hong Kong. Also, Netherlands developed favorably. Revenue decreased especially in Poland, due to strong headwinds throughout the year. Revenue decreased slightly 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 34 existing partners having signed up for F-Secure Total upgrade during the year. Partner channel retail sales performed well. 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 9.9% to EUR 25.2 million (EUR 23.0 million). Organically revenue declined in the direct channel by 1.7%. The renewal performance continued on a good 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 resulted in slower growth throughout the year, and the market’s uncertainty is reflected especially in new sales. Market recovery was visible towards the end of the year, with favorable renewal development during the fourth quarter of the year.

Gross margin

Gross margin was 114.3 million (EUR 101.7 million) and 87.7% 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–December 2023, the TSA costs were EUR 3.2 million in cost of revenue. These TSAs in cost of revenue terminated at the end of 2023.

The transitional services agreements (“TSA”) entered between F-Secure and Lookout consumer security business amounted to EUR 3.9 million in cost of revenue in June–December 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 69.6 million (EUR 58.3 million) in January–December 2023. Sales and marketing costs were EUR 33.6 million (EUR 29.3 million). Research and development (R&D) costs were EUR 23.2 million (EUR 15.1 million) and administration costs were EUR 12.8 million (EUR 13.9 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 January–December 2023 were EUR 2.5 million in R&D and EUR 1.2 million in administration. Majority of the administration TSAs terminated at the end of 2022, and the rest of administration and all of R&D terminated at the end of 2023.

The transitional services agreements (“TSA”) entered between F-Secure and Lookout consumer security business amounted to EUR 0.5 million in R&D and EUR 0.4 million in administration in June–December 2023. Majority of the administration TSAs terminated 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 8.0 million (EUR 3.8 million), as a result of the acquisition of Lookout consumer security business (described in Alternative performance measures on page 31) and restructuring and change negotiation related costs during the fourth quarter. 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 3.5 million (EUR 2.0 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 totaled EUR 4.7 million.

Profitability

Adjusted EBITA in January–December was EUR 44.6 million and 34.2% of revenue (EUR 43.9 million, 39.6%). Items affecting comparability (IAC) were EUR 8.0 million (EUR 3.8 million). Of this, approximately EUR 1.8 million relates to the restructuring and change negotiation expenses recognized in the fourth quarter and the rest is related to the acquisition of Lookout consumer security business. EBIT was EUR 29.5 million and 22.6% of revenue (EUR 38.8 million, 34.9%). Strategic investments in growth and technology, Lookout consumer security business integration and lower gross margin in the fourth quarter of the year 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	10-12/2023	10-12/2022	Change %	1-12/2023	1-12/2022	Change %
Cash and cash equivalents				15.9	23.0	-30.9%
Bank loans, non-current				160.4		
Bank loans, current				30.0		
Interest-bearing receivables				3.7	3.7	-1.0%
Lease liabilities, non-current				0.3	0.9	-66.2%
Lease liabilities, current				1.0	1.0	0.8%
Other interest-bearing liabilities, non-current				5.3	5.5	-3.5%
Financial income	0.3	0.2	43.3 %	7.0	1.5	373.8%
Financial expense	-3.8	-0.7	413.7%	-8.8	-1.7	421.4%
Capital Expenditure excl. acquisition	1.4	1.9	-25.7%	7.9	4.6	70.9%
% of revenue	3.8%	6.7%		6.1%	4.2%	
Capital expenditure	2.3	1.9	20.8 %	215.7	4.6	

In January–December 2023, cash flow from operating activities before financial items and taxes amounted to EUR 37.6 million (EUR 44.4 million). Challenges related to receivables experienced earlier this year have been recovered. Cash flow from operations was EUR 30.1 million (EUR 36.4 million). Cash conversion rate was 81.2% (96.2%), following the increase in capital expenditure. Cash at the end of December 2023 amounted to EUR 15.9 million.

At the end of December 2023, F-Secure net debt amounted to EUR 177.4 million (net cash of EUR 19.3 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 12.0% (39.6%) 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. The Group's loan agreement includes a quarterly measured financial covenant based on the ratio between net debt and adjusted EBITDA. The group has met these covenant terms and conditions during the reporting period and on the reporting date. In the fourth quarter, the term loan was repaid by EUR 10.0 million. Financial expenses in the fourth quarter increased to EUR 3.8 million (EUR 0.7 million), mainly driven by interest for the loan. Financial income amounted to EUR 0.3 million (EUR 0.2 million).

Total assets were EUR 275.3 million (EUR 62.7 million) at the end of 2023.

As at 31 December 2023, current lease liabilities were EUR 1.0 million (EUR 1.0 million) and non-current lease liabilities were EUR 0.3 million (EUR 0.9 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

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 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–December 2023, capital expenditure was EUR 215.7 million (EUR 4.6 million) following the Lookout consumer security business acquisition. Capital expenditure excluding the acquisition impact was EUR 7.9 million (EUR 4.6 million), and was mainly related to technology and IT.

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.

Organization and leadership

At the end of December 2023, F-Secure had 524 (376) employees. The increase in number of employees resulted from the acquisition of the Lookout consumer security business in the second quarter of 2023. In addition, investments made in the technology team contributed to the increase of the total number of personnel. The average number of personnel in 2023 was 484 (368*).

During the fourth quarter of 2023, F-Secure conducted 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 concerned the entire F-Secure personnel globally, and as a result of the change negotiations and other measures, 56 employments in F-Secure were to be terminated, of which 39 in Finland. Out of these, 40 employees were still on payroll at the end of 2023.

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

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

On 13 December 2023, F-Secure announced the following Leadership Team appointments effective 1 January 2024: Mikko Kestilä was appointed Senior Vice President, Services and member of the F-Secure Leadership Team. Firas Azmeh was appointed Chief Revenue Officer while continuing as a member of the Leadership Team.

* The average number of employees for the comparison period consists of average employees after the demerger in June 2022.

Shares and shareholders

At the end of December 2023, the registered share capital of F-Secure was 80,000 and the company had 174,673,165 fully paid shares. F-Secure has made two directed share issues in March 2023 to the plan participants of the Company's Performance Share Plan and Restricted Share plan. The shares issued account for the rewards earned from the performance period 2020–2022 and retention period 2021–2022.

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 December 2023 was EUR 2.04. In January–December, the highest price paid was EUR 3.44 and the lowest EUR 1.64. In January–December, the share's volume weighted average price

was EUR 2.35. The share trading volume in January–December was EUR 92 million and 39 million shares. On 31 December 2023, the company's market capitalization was EUR 355 million.

The number of registered shareholders at the end of December 2023 was 33,785, including nominee registers. The proportion of nominee-registered and direct foreign shareholders was 12.35% of the company's shares at the end of the year. The list of the shareholders of F-Secure Corporation is based on the information given by the Euroclear Finland Ltd.

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 integration of Lookout consumer business

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

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. 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 directly as well 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. Geopolitical instability, such as the war in Ukraine, 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 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.

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 or take longer than planned. These may increase F-Secure costs or negatively impact planned future product releases, their scope, availability and/or competitiveness and thereby revenue growth.

If F-Secure'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) or other similar contractual liabilities. 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 at least initially have a negatively impact on Company product roadmap and its operations. New strategy and implemented changes 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. F-Secure continues to have a commercial relationship with WithSecure related to certain protection capabilities after the demerger and having completed the TSAs. WithSecure inability to provide these protection capabilities could have a material adverse effect on F-Secure's business operations and its customers.

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

Change negotiations

On 12 December 2023, F-Secure completed the change negotiations that were started in October. The change negotiations were initiated as part of measures to restructure F-Secure global operating model and personnel to align with the strategic priorities and financial targets of the company. The change negotiations concerned the entire F-Secure personnel globally. As a result of the change negotiations and other measures, 56 employments in F-Secure would be terminated, of which 39 in Finland.

The estimated annual cost savings of around EUR 9 million will be achieved through personnel reductions, as well as savings in operating costs like marketing, subcontracting and other external purchases. One-off costs related to the changes amounted to EUR 1.8 million, which were recorded as items affecting comparability (IAC) in the fourth quarter of 2023.

Changes in the leadership team

On 13 December 2023, F-Secure announced the following Leadership Team appointments effective 1 January 2024: Mikko Kestilä was appointed Senior Vice President, Services and member of the F-Secure Leadership Team. Firas Azmeh was appointed Chief Revenue Officer while continuing as a member of the Leadership Team.

Significant events after the review period

On 9 February 2024, F-Secure announced that Kitta Virtavuo, Chief People Officer and a member of F-Secure Leadership Team, has decided to leave F-Secure to pursue other career opportunities outside the company. Virtavuo will continue in her current role until April 2024, ensuring smooth handover of her duties.

Board of Directors' proposal for the distribution of profit

According to the company's dividend policy F-Secure aims to pay around or above 50% of net profit as dividend on an annual basis. On 31 December 2023 distributable funds of F-Secure Corporation were EUR 15.9 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.07 per share be paid. The dividend shall be paid in two instalments. Earnings per share (EPS) for the period January–December 2023 was EUR 0.13, and the proposed dividend is 54.7% of the group January–December earnings.

No material changes have occurred in the company's financial position since the end of the financial year.

Financial calendar in 2024

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

- Interim Report for January–March 2024 on Friday 26 April 2024
- Half-year Financial Report for January–June 2024 on Thursday 18 July 2024
- Interim Report for January–September 2024 on Thursday 24 October 2024

F-Secure will publish its 2023 Annual Report, including financial statements and Report by the Board of Directors for 2023, the Corporate Governance Statement, the Remuneration Report for Governing Bodies, and sustainability statement on 16 February 2024 on its website at <https://investors.f-secure.com/en>.

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

Helsinki, February 16, 2024

F-Secure Corporation

Board of Directors

Financial information

Income Statement

EUR thousand	10-12/2023	10-12/2022	Change %	1-12/2023	1-12/2022	Change %
Revenue	36,907	28,254	30.6%	130,371	111,017	17.4%
Cost of revenue	-5,110	-2,376	115.1%	-16,025	-9,342	71.5%
Gross margin	31,796	25,878	22.9%	114,346	101,675	12.5%
Other operating income	131	260	-49.6%	830	1,076	-22.9%
Sales and marketing	-9,607	-7,121	34.9%	-34,698	-29,857	16.2%
Research and development	-7,801	-3,884	100.8%	-25,583	-16,434	55.7%
Administration ¹⁾	-7,458	-5,728	30.2%	-25,398	-17,690	43.6%
EBIT	7,061	9,405	-24.9%	29,497	38,770	-23.9%
Financial income	320	224	43.3%	6,995	1,476	373.8%
Financial expenses	-3,752	-730	413.7%	-8,815	-1,691	421.4%
Profit before taxes	3,630	8,898	-59.2%	27,677	38,556	-28.2%
Income tax	-423	-2,010	-79.0%	-5,316	-8,403	-36.7%
Result for the period	3,207	6,888	-53.4%	22,360	30,153	-25.8%
Other comprehensive income						
Items that may be reclassified to profit or loss:						
Exchange difference on translation of foreign operations	-2,690	-79	>100%	-1,990	79	>100%
Comprehensive income for the period	517	6,809	-92.4%	20,370	30,233	-32.6%
Earnings per share						
Earnings per share, basic and diluted, EUR	0.02	0.04	-53.5%	0.13	0.17	-25.9%

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 restructuring increase administration expense by EUR 1.8 million in Q4/2023 and 1-12/2023. Costs related to acquisition increase administration expense by EUR 0.1 million in Q4/2023 and EUR 6.2 million in 1-12/2023. Cost related to listing increase administration expenses EUR 3.8 million in 1-12/2022.

Statement of financial position

Assets	31 Dec 2023	31 Dec 2022
Tangible assets	360	154
Right-of-use assets	1,257	1,834
Intangible assets	125,179	9,064
Goodwill	88,361	-
Deferred tax assets	883	93
Interest-bearing receivables	3,658	3,693
Total non-current assets	219,698	14,838
Inventories	35	41
Accrued income	1,953	1,651
Trade and other receivables	35,604	23,040
Income tax receivables	2,108	143
Cash and cash equivalents	15,867	22,953
Total current assets	55,568	47,828
Total assets	275,266	62,667
Shareholders' equity and liabilities	31 Dec 2023	31 Dec 2022
Total Equity	33,086	24,804
Interest bearing liabilities, non-current	165,963	6,381
Deferred tax liabilities	2,064	528
Deferred revenue, non-current	5,837	3,621
Other non-current liabilities	51	81
Total non-current liabilities	173,915	10,612
Interest-bearing liabilities, current	30,965	957
Trade and other payables	14,182	7,818
Provisions	1,739	-
Income tax liabilities	1,592	1,152
Deferred revenue, current	19,788	17,324
Total current liabilities	68,265	27,251
Total equity and liabilities	275,266	62,667

Cash flow statement

EUR thousand	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Cash flow from operations				
Result for the financial year	3,207	6,888	22,360	30,153
Adjustments	7,888	3,394	15,872	11,269
Cash flow from operations before change in working capital	11,095	10,282	38,232	41,423
Change in net working capital	6,331	2,698	-661	2,960
Cash flow from operations before financial items and taxes	17,426	12,980	37,572	44,383
Net financial items and taxes	-4,264	-2,288	-7,462	-8,002
Cash flow from operations	13,162	10,692	30,109	36,381
Cash flow from investments				
Net Investments in tangible and intangible assets	-1,401	-1,885	-7,920	-4,634
Acquisition, net of cash acquired	-877	-	-207,764	-
Proceeds from sale of intangible and tangible assets	-	-4	-	-4
Cash flow from investments	-2,278	-1,890	-215,684	-4,638
Cash flow from financing activities				
Repayments of lease liabilities	-263	-206	-1,070	-612
Repayments of interest-bearing liabilities	-10,000	-	-10,000	-
Increase in interest-bearing liabilities	-	-	202,000	-
Increase in interest-bearing liabilities with WithSecure	-	-	-	5,663
Increase in interest-bearing receivables with WithSecure	-	-	-	-3,789
Dividends paid	-	-	-12,227	-
Equity financing with WithSecure, net	-	-	-	-10,068
Cash flow from financing activities	-10,263	-206	178,703	-8,806
Change in cash	620	8,596	-6,872	22,937
Cash and cash equivalents at the beginning of the period ¹⁾	15,410	14,576	22,953	-
Effect of exchange rate changes on cash	-163	-219	-214	16
Cash and cash equivalents at period end	15,867	22,953	15,867	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				15,632	-79	15,553
Total comprehensive income for the year				15,632	-79	15,553
Cost of share-based payments				339		339
Equity 31 December 2022		80	9,590	15,213	-79	24,804
Result of the period				22,360	-1,990	20,370
Total comprehensive income for the period				22,360	-1,990	20,370
Cost of share-based payments				139		139
Dividend				-12,227		-12,227
Equity 31 December 2023		80	9,590	25,485	-2,070	33,086

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 financial statement release 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 this financial statement release 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	
	31 Dec 2023	31 Dec 2022	1-12/2023	1-12/2022
USD	1.1050	1.0666	1.0797	1.0555
GBP	0.8691	0.8869	0.8703	0.8509
JPY	156.33	140.66	151.87	137.28

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)	31 Dec 2023	31 Dec 2022
USD	-1.0/+1.2	-0.7/+0.8

2. Revenue

Disaggregation of revenue

Sales channels	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Revenue from external customers				
Partner channel	30,065	22,509	105,122	88,052
<i>of which Lookout consumer business¹⁾</i>	6,601		14,769	
Direct channel (E-commerce)	6,842	5,745	25,249	22,965
<i>of which Lookout consumer business¹⁾</i>	1,244		2,662	
Total	36,907	28,254	130,371	111,017

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

Geographical information	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Revenue from external customers				
Nordic countries	10,051	9,982	39,989	39,426
Rest of Europe	13,253	12,221	50,014	48,653
North America	10,917	4,553	31,999	17,082
Rest of world	2,685	1,498	8,369	5,856
Total	36,907	28,254	130,371	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 the 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 207.9 million which was financed with external debt. The initial consideration EUR 206.9 million was paid in USD in June. EUR 0.9 million was settled during Q4/2023 and final purchase price adjustment EUR 0.1 million was agreed during Q4/2023 and settled after the year end. Adjustments relate to net working capital. The 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	-207,900
Cash and cash equivalents of the acquired business	9
Total cash flow from the acquisition	-207,891

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	647
Trade and other receivables	5,583
Cash and cash equivalents	9
Total assets	122,800
Other non-current liabilities	473
Trade and other liabilities	2,979
Deferred tax liabilities	546
Total liabilities	3,998

Total net assets	118,802
<hr/>	
Goodwill	89,099

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 under Finnish and US GAAP is EUR 83.5 million.

Acquisition related costs of EUR 6.2 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 17.4 million and net profit of EUR -0.1 million to F-Secure for the period from 1 June to 31 December 2023 including amortization of the fair valued assets acquired for the period EUR -4.7 million and fair valuation of deferred revenue EUR -3.2 million.

Had the acquisition occurred on 1 January 2023, management estimates that combined illustrative revenue would have been EUR 142.7 million for Jan-Dec 2023 and combined illustrative net profit would have been EUR 18.4 million including amortization of fair valued assets EUR -8.0 million, interest expenses for the loan EUR -12.0 million and fair valuation of deferred revenue EUR -4.1 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

	31 Dec 2023	31 Dec 2022
Book value at beginning of period	11,052	6,186
Acquisition	205,648	-
Additions	8,454	6,948
Disposals	-34	-112
Depreciation and amortization	-8,195	-1,969
Translation differences	-1,767	-2
Book value at end of period	215,157	11,052

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Depreciation and amortization by function				
Sales and marketing	278	262	1,115	601
Research and development	677	341	2,339	1,357
Administration	2,087	16	4,745	18
Total depreciation and amortization	3,043	619	8,199	1,976

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Amortization	2,771	364	7,123	1,387
Depreciation	272	255	1,076	589
Total depreciation and amortization	3,043	619	8,199	1,976

5. Financial assets and liabilities

The fair value hierarchy levels are not applied in the financial statement release given the nature of financial assets and liabilities. F-Secure's financial assets and liabilities are presented in the following tables.

	Carrying value		Total
	Financial assets	Financial liabilities	
	Amortized cost	Amortized cost	
31 Dec 2023			
Cash and cash equivalents	15,867		15,867
Interest-bearing receivables	3,658		3,658
Trade receivables	28,558		28,558
Bank loans		190,357	190,357
Trade payables		3,911	3,911
Lease liabilities		1,263	1,263
Other interest-bearing liabilities		5,307	5,307
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. During the reporting period, the term loan was repaid by EUR 10.0 million. The revolving credit facility is undrawn at the reporting date.

The Group's loan agreement includes a financial covenant, measured on quarterly basis. The covenant relates to the ratio between net debt and adjusted EBITDA, as defined under the terms of the loan agreement. Group has met covenant terms and conditions during the reporting period and on the reporting date.

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 31 December 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	30,000	162,000	192,000	190,357
Lease liabilities	965	298	1,263	1,263
Other interest-bearing liabilities		5,307	5,307	5,307
Total	30,965	167,606	198,570	196,928

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

	10-12/2023	7-9/2023	4-6/2023	1-3/2023	10-12/2022
Revenue	36,907	35,134	30,524	27,806	28,254
Cost of revenue	-5,110	-4,834	-3,552	-2,529	-2,376
Gross margin	31,796	30,300	26,972	25,277	25,878
Other operating income	131	239	228	231	260
Sales and marketing	-9,607	-8,609	-8,865	-7,616	-7,121
Research and development	-7,801	-6,428	-6,260	-5,094	-3,884
Administration	-7,458	-5,514	-7,970	-4,457	-5,728
EBIT	7,061	9,988	4,105	8,342	9,405
Financial net	-3,432	-2,827	4,356	83	-507
Profit before taxes	3,630	7,161	8,461	8,425	8,898
Income tax	-423	-1,754	-1,483	-1,657	-2,010
Profit for the period	3,207	5,408	6,978	6,768	6,888

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	10-12/2023	7-9/2023	4-6/2023	1-3/2023	10-12/2022
Revenue	36,907	35,134	30,524	27,806	28,254
Revenue growth %	30.6%	25.8%	11.1%	1.6%	4.3%
Adjusted EBITDA	11,962	13,065	10,157	10,467	10,024
% of revenue	32.4%	37.2%	33.3%	37.6%	35.5%
EBITA	9,832	12,567	5,332	8,888	9,769
% of revenue	26.6%	35.8%	17.5%	32.0%	34.6%
Adjusted EBITA	11,691	12,795	9,885	10,204	9,769
% of revenue	31.7%	36.4%	32.4%	36.7%	34.6%
EBIT	7,061	9,988	4,105	8,342	9,405
% of revenue	19.1%	28.4%	13.4%	30.0%	33.3%
Profit for the period	3,207	5,408	6,978	6,768	6,888
% of revenue	8.7%	15.4%	22.9%	24.3%	24.4%
Earnings per share, basic and diluted, EUR ¹⁾	0.02	0.03	0.04	0.04	0.04
Earnings per share, basic and diluted, excluding PPA, EUR ¹⁾	0.03	0.04	0.04	0.04	0.04
R&D costs	7,801	6,428	6,260	5,094	3,884
% of revenue	21.1%	18.3%	20.5%	18.3%	13.7%
Capital expenditure, excl. acquisition	1,401	2,307	1,963	2,249	1,885
% of revenue	3.8%	6.6%	6.4%	8.1%	6.7%
Capital expenditure	2,278	2,307	208,850	2,249	1,885
Deferred revenue	25,626	22,760	23,350	21,171	20,945
Operating cash flow	13,162	6,006	3,621	7,321	10,692
Net debt (+) / Net cash (-)	177,402	187,748	191,253	-24,187	-19,308
Net debt/Adjusted EBITDA ²⁾	3.6	3.6	3.5	-0.6	-0.4
Equity ratio %	12.0%	11.7%	9.3%	26.5%	39.6%
Shareholder's equity per share, EUR	0.19	0.19	0.14	0.11	0.14
P/E ratio	27.7	14.1	14.6	20.6	17.9
Gearing, %	547.2%	590.8%	774.0%	-108.2%	-63.0%
Cash conversion	141.2%	66.1%	32.5%	78.8%	108.1%
Personnel at the end of the period	524	516	511	414	376

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, restructuring 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

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Adjusted EBITDA	11,962	10,024	45,651	44,510
Adjustments to EBITDA				
Costs related to acquisition	-54		-6,150	
Costs related to restructuring	-1,805		-1,805	
Costs related to listing				-3,764
EBITDA	10,104	10,024	37,696	40,746
Depreciation and amortization	-3,043	-619	-8,199	-1,976
EBIT	7,061	9,405	29,497	38,770
Adjusted EBITA	11,691	9,769	44,575	43,921
Adjustments to EBITA				
Costs related to acquisition	-54		-6,150	
Costs related to restructuring	-1,805		-1,805	
Costs related to listing				-3,764
EBITA	9,832	9,769	36,620	40,157
Amortization	-768	-364	-2,465	-1,387
PPA amortization	-2,003		-4,658	
EBIT	7,061	9,405	29,497	38,770

Classification of adjusted costs in operating expenses

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Operating expenses				
Sales and marketing	-9,607	-7,121	-34,698	-29,857
Research and development	-7,801	-3,884	-25,583	-16,434
Administration	-7,458	-5,728	-25,398	-17,690
Total	-24,866	-16,733	-85,679	-63,981
Depreciation and amortization by function				
Sales and marketing	-278	-262	-1,115	-601
Research and development	-677	-341	-2,339	-1,357
Administration	-2,087	-16	-4,745	-18
Total	-3,043	-619	-8,199	-1,976
Items affecting Comparability (IAC) by function				
Administration	-7,458	-5,728	-25,398	-17,690
Less: Costs related to acquisition	54		6,150	
Less: Costs related to restructuring	1,805		1,805	
Less: Costs related to listing				3,764
Less: PPA amortization	2,003		4,658	
Administration excluding IAC	-3,597	-5,728	-12,785	-13,927
Operating expenses less depreciation, amortization and IAC				
Sales and marketing	-9,329	-6,858	-33,583	-29,257
Research and development	-7,124	-3,544	-23,244	-15,076
Administration	-3,597	-5,728	-12,783	-13,927
Total	-20,050	-16,130	-69,609	-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 31 December 2023. 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 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 October to 31 December 2023 of 1.0797, 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	1-12/2023	1-12/2022
Revenue	148,219	147,433
Gross margin	128,313	130,388
Adjusted EBITA	52,031	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 restructuring, 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 Flow line item Investments in intangible and tangible assets
Operating cash flow	Corresponds to the Statement of Cash Flow 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, 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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