



F-Secure Corporation

# Interim Report

1 January–31 March 2024

# Solid start to the year

## Highlights of January–March 2024

- Revenue increased by 30.8% to EUR 36.4 million (EUR 27.8 million). Organic growth was 3.2%.
  - Revenue from Partner Channel increased by 33.6% to EUR 29.4 million (EUR 22.0 million), organic growth was 4.7%.
  - Revenue from Direct Channel increased by 20.3% to EUR 6.9 million (EUR 5.8 million), organic growth was -2.3%.
- Adjusted EBITA was EUR 12.7 million (EUR 10.2 million), 34.9% of revenue (36.7%).
- Purchase price allocation (PPA) amortizations were EUR -1.9 million.
- Earnings per share (EPS) was EUR 0.03 (EUR 0.04). Earnings per share excluding PPA amortization was EUR 0.04 (EUR 0.04)<sup>1)</sup>.
- Cash flow from operating activities before financial items and taxes was EUR 11.8 million (EUR 9.3 million).
- Net debt amounted to EUR 179.6 million (-24.2) and leverage was 3.7x.<sup>2)</sup>

<sup>1)</sup> 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.

<sup>2)</sup> 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.

Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented. Figures in this interim report are unaudited.

As announced on 20 March 2024, F-Secure changed the calculation method for gross margin in its income statement. Some of the costs previously recorded in F-Secure income statement as Cost of revenue have been included in Research and development and Sales and marketing costs. F-Secure applies the new calculation method for gross margin as of 1 January 2024. Comparative figures are also revised.

## Outlook for 2024 (unchanged)

**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	1-3/2024	1-3/2023	Change %	1-12/2023
<b>Revenue</b>	36.4	27.8	30.8%	130.4
<b>Gross Margin<sup>1)</sup></b>	31.2	26.0	19.7%	118.6
% of revenue	85.7%	93.6%		90.9%
<b>Adjusted EBITDA<sup>2)</sup></b>	13.0	10.5	23.9%	45.7
% of revenue	35.6%	37.6%		35.0%
<b>Adjusted EBITA<sup>2)</sup></b>	12.7	10.2	24.2%	44.6
% of revenue	34.9%	36.7%		34.2%
<b>Items affecting comparability (IAC)<sup>3)</sup></b>	0.2	-1.3	-113.8%	-8.0
PPA amortization	-1.9	-		-4.7
<b>EBIT</b>	10.0	8.3	19.7%	29.5
% of revenue	27.4%	30.0%		22.6%
<b>Earnings per share (EUR)<sup>4)</sup></b>	0.03	0.04	-18.3%	0.13
<b>Earnings per share, excluding PPA amortization (EUR)<sup>4)</sup></b>	0.04	0.04	4.7%	0.15
<b>Shareholders' equity per share, EUR</b>	0.16	0.11		0.19
<b>Operating cash flow</b>	7.9	7.3	7.8%	30.1
<b>Cash conversion %</b>	63.3%	78.8%		81.2%
<b>Deferred revenue</b>	27.9	21.2	31.8%	25.6
<b>Net debt (+) / Net cash (-)</b>	179.6	-24.2		177.4
<b>Net debt/Adjusted EBITDA<sup>5)</sup></b>	3.7	-0.6		3.6
<b>Gearing, %</b>	654.3%	-108.2%		547.2%
<b>Equity ratio, %</b>	10.0%	26.5%		12.0%
<b>Personnel at the end of the period</b>	497	414	20.0%	524

<sup>1)</sup> As announced on 20 March 2024, F-Secure changed the calculation method for gross margin in its income statement. Some of the costs previously recorded in F-Secure income statement as Cost of revenue have been included in Research and development and Sales and marketing costs. F-Secure applies the new calculation method for gross margin as of 1 January 2024. Comparative figures are also revised.

<sup>2)</sup> Excluding Items Affecting Comparability (IAC) and depreciation and amortization.

<sup>3)</sup> A reconciliation of items affecting comparability is presented at the end of this report.

<sup>4)</sup> Based on the average number of shares during the reporting period.

<sup>5)</sup> 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

Revenue development in the first quarter of 2024 was positively supported by organic growth in Partner Business, as well as strong renewal performance and increased ARPU in Direct Business. Profitability grew in absolute numbers but declined slightly in relative terms. First quarter gross margin was burdened by some additional costs related to lost synergies post-TSA period. Measures, such as signing of a new cloud hosting contract, have been taken to mitigate this. As we make progress in consolidating our production operations, we expect synergies to increase again. The year 2024 started in line with the trend seen in the previous quarter – cautiously recovering market activity with gradually improving customer demand.

Throughout the first quarter, we continued to execute on our growth strategy with primary focus on Partner Business. We strengthened our capabilities to win and serve Tier 1 partners. In March we announced a major deal with one of the world's leading Communication Service Providers (CSP). In the collaboration, we work closely with the CSP enabling them to develop completely new cybersecurity services powered by our expanding suite of embedded security products and services. The announced partnership is an important milestone for F-Secure, as it underscores our commitment to delivering innovative security solutions and the underlying logic of the Lookout Life acquisition. We continue our initiatives to develop our product offering and services to fit even the most demanding partner requirements. Alongside with Tier 1 partners, we remain focused on winning new vertical partnerships and that work has proceeded according to plan.

In the first quarter we saw significant growth in Total, with quarterly billings almost tripling from the first quarter of 2023. F-Secure Trusted Shopping – a solution that shows the trustworthiness rating for online stores – has been well received by the market.

The steps taken in the Direct Business already during the fourth quarter of 2023 to boost profitability, such as price adjustments, launch of free tools to drive traffic, and content driven activities across non-paid channels have borne fruit. Improved renewal performance was supported by high customer satisfaction scores and subscription experience improvements implemented already during the previous quarters. Positive ARPU development was powered by pricing measures and upsell to Total full feature offering. This year's focus in the Direct Business will continue to be on consumer experience, retention and upsell.

We started the year 2024 with a new organization set-up after the change negotiations that took place in the fourth quarter of 2023. The new organization is now fully up and running. We started a new chapter in March with the launch of our renewed corporate culture. It builds on the best of F-Secure and Lookout Life uniting all of our fellows, guiding us in everything we do. After a couple of years of big changes as a company, a common cultural ground is more relevant than ever before.

With the first quarter of 2024 behind us, we remain well positioned to deliver increased value to our customers and partners and accelerate our business growth to become the number one security experience company in the world.



## Group performance

### Revenue by sales channel

EUR million	1-3/2024	1-3/2023	Change %	1-12/2023
<b>Revenue from external customers</b>				
Partner channel	29.4	22.0	33.6%	105.1
Direct channel (E-commerce)	6.9	5.8	20.3%	25.2
<b>Total</b>	<b>36.4</b>	<b>27.8</b>	<b>30.8%</b>	<b>130.4</b>

### Revenue by geography

EUR million	1-3/2024	1-3/2023	Change %	Comparable change* %	1-12/2023
<b>Revenue from external customers</b>					
Nordic countries	10.4	9.9	4.5%	4.5%	40.0
Rest of Europe	12.6	12.0	5.2%	5.2%	50.0
North America	10.7	4.3	147.4%	150.4%	32.0
Rest of the world	2.7	1.5	72.5%	85.1%	8.4
<b>Total</b>	<b>36.4</b>	<b>27.8</b>	<b>30.8%</b>	<b>31.6%</b>	<b>130.4</b>

\*Comparable change excludes the impact of exchange rates.

## January–March 2024

### Revenue

F-Secure revenue increased in January–March by 30.8% to EUR 36.4 million (EUR 27.8 million). Revenue growth was attributable to the acquisition of Lookout Life consumer business in the second quarter of 2023. Organic revenue growth in January–March was 3.2% and currency neutral organic growth was 3.8%, with negative impact especially from the JPY but also from the US dollar. Deferred revenue increased by 31.8%, boosted by Lookout Life acquisition and direct channel.

#### Partner Channel

Revenue from the partner channel increased by 33.6% to EUR 29.4 million (EUR 22.0 million). Organic revenue growth in the partner channel was 4.7%. Revenue increased in the Asia-Pacific (APAC) area, especially in Japan, Singapore and Hong Kong. Revenue growth continued also in the Netherlands, where activity and partners' interest in F-Secure solutions is strong. The announced strategic collaboration with one of the world's leading Communication Service Providers (CSP) accelerated revenue growth in the partner channel. Revenue decreased especially in Poland, due to continued strong headwinds. Revenue decreased also in Germany, due to continued weaker business performance.

#### Direct Channel

Revenue from the direct channel increased by 20.3% to EUR 6.9 million (EUR 5.8 million). Organically revenue declined in the direct channel by 2.3%. Direct channel deferred revenue developed positively due to better billings during the first quarter as well as Lookout Life impact. Renewals were on a strong level throughout the first quarter. The decrease in paid customer acquisition investments was reflected in Direct Business new sales.

### Gross margin

Gross margin was 31.2 million (EUR 26.0 million) and 85.7% of revenue (93.6%). Lookout Life business has a lower gross margin level than F-Secure traditionally. The gross margin was also impacted by fair valuation adjustments of deferred revenue made in purchase price allocation. In addition, the gross margin was burdened by some additional costs related to lost synergies post-TSA period. This impact materialized in the first quarter as full technical autonomy was achieved at the end of 2023 when the TSAs ended. We will see an improvement in this cost profile moving forward as we make progress in consolidating our production operations and adapt our hosting infrastructure fully to the usage patterns of the independent consumer company.

The transitional services agreements ("TSA") entered between F-Secure and Lookout consumer security business amounted to EUR 1.2 million in cost of revenue in January–March 2024. Some of these TSAs in cost of revenue are planned to last several years, and some of these TSAs will terminate during the second quarter of 2024.

### Operating expenses

Operating expenses excluding depreciation and amortization and items affecting comparability (IAC) were EUR 18.5 million (EUR 15.8 million) in January–March. Sales and marketing costs were EUR 8.5 million (EUR 7.9 million). Research and development (R&D) costs were EUR 6.2 million (EUR 4.8 million) and administration costs were EUR 3.8 million (EUR 3.1 million). R&D costs increased mainly as Lookout consumer security business R&D expenses have been included. Sales and marketing costs increased also due to actions for stronger sales operations and excellence.

The transitional services agreements ("TSA") entered between F-Secure and Lookout consumer security business amounted to EUR 0.7 million in R&D and EUR 0.1 million in administration in January–March 2024. These TSAs in administration are planned to terminate during 2024. Following the gross margin revision, TSAs in R&D are planned to last several years, although some of these TSAs will terminate during the second quarter of 2024.

Items affecting comparability (IAC) totaled EUR 0.2 million (EUR -1.3 million), due to a release of a restructuring provision booked in the previous quarter.

Depreciation and amortization excluding purchase price allocation amortization (PPA) totaled EUR 1.2 million (EUR 0.8 million). PPA amortizations related to the Lookout consumer security business acquisition totaled EUR 1.9 million in January–March.

### Profitability

Adjusted EBITA in January–March 2024 was EUR 12.7 million and 34.9% of revenue (EUR 10.2 million, 36.7%). Items affecting comparability (IAC) were EUR 0.2 million (EUR -1.3 million). EBIT was EUR 10.0 million and 27.4% of revenue (EUR 8.3 million, 30.0%). The lower gross margin was the main driver for lower profitability in the first quarter.

## Cash flow, financial position and financing

EUR million	1–3/2024	1–3/2023	Change %	1-12/2023
Cash and cash equivalents	13.9	27.7	-49.8%	15.9
Bank loans, non-current	160.5			160.4
Bank loans, current	30.0			30.0
Interest-bearing receivables	3.8	3.7	3.7%	3.7
Lease liabilities, non-current	0.6	0.7	-16.5%	0.3
Lease liabilities, current	0.9	1.0	-8.0%	1.0
Other interest-bearing liabilities, non-current	5.2	5.4	-3.5%	5.3
Financial income	0.3	0.5	-35.9%	7.0
Financial expense	-3.2	-0.5	615.7%	-8.8
Capital Expenditure excl. acquisition	3.3	2.2	47.8%	7.9
% of revenue	9.1%	8.1%		6.1%
Capital expenditure	3.5	2.2		215.7

In January–March 2024, cash flow from operating activities before financial items and taxes amounted to EUR 11.8 million (EUR 9.3 million). Cash flow from operations was EUR 7.9 million (EUR 7.3 million). Cash conversion rate decreased to 63.3% (78.8%), following the first dividend payment in March 2024 as well as an increase in capital expenditure. In 2023, the entire dividend was paid in the second quarter of the year. Cash at the end of March 2024 amounted to EUR 13.9 million (EUR 27.7 million).

At the end of March 2024, F-Secure net debt amounted to EUR 179.6 million (net cash of EUR 24.2 million) and net debt to adjusted EBITDA ratio<sup>1)</sup> was 3.7x, being above of the medium-term target of below 2.5x, due to Lookout Life acquisition and dividend payment during the quarter. Subsequently, equity ratio was 10.0% (26.5%).

The acquisition of Lookout Life consumer business in the second quarter of 2023 was financed with debt for which a new facilities agreement was entered into with Danske Bank A/S and OP Corporate Bank plc. The 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 originally held a maturity of 3 years with two 1-year extension options. The first extension option has been exercised in April, thus the maturity is currently 4 years with one 1-year extension option. The revolving credit facility is undrawn at reporting date. 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. The next repayment of the term loan will be made in the second quarter of 2024. Financial expenses in the first quarter increased to EUR 3.2 million (EUR 0.5 million), due to the interest for the loan. Financial income amounted to EUR 0.3 million (EUR 0.5 million).

Total assets were EUR 279.8 million (EUR 71.7 million) at the end of March 2024.

As at 31 March 2024, current lease liabilities were EUR 0.9 million (EUR 1.0 million) and non-current lease liabilities were EUR 0.6 million (EUR 0.7 million). The lease liabilities relate to leases for office premises and cars.

F-Secure payables to WithSecure totaled EUR 5.2 million and the receivables from WithSecure totaled EUR 3.8 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

In January–March 2024, capital expenditure including the Lookout Life final purchase price payment was EUR 3.5 million (EUR 2.2 million) and was mainly related to technology.

<sup>1)</sup> 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 March 2024, F-Secure had 497 (414) employees. The increase in number of employees resulted from the acquisition of the Lookout consumer security business in the second quarter of 2023.

At the end of March 2024, the composition of the Leadership Team was the following:

Timo Laaksonen	President & Chief Executive Officer
Firas Azmeh	Chief Commercial Officer
Mikko Kestilä	Vice President, Services
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

As announced on 9 February 2024, F-Secure Chief People Officer Kitta Virtavuo decided to leave F-Secure to pursue other career opportunities outside the company. Virtavuo continued in her role until 19 April 2024.

## Shares and shareholders

At the end of March 2024, 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 March 2024 was EUR 1.88. In January–March, the highest price paid was EUR 2.09 and the lowest EUR 1.67. In January–March, the share's volume weighted average price was EUR 1.87. The share trading volume in January–March was EUR 14.3 million and 7.6 million shares. On 31 March 2024, the company's market capitalization was EUR 328 million.

The number of registered shareholders at the end of March 2024 was 33,902, including nominee registers. The proportion of nominee-registered and direct foreign shareholders was 10.64% 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 2024

The Annual General Meeting of F-Secure Corporation held on 13 March 2024 adopted the annual accounts and the consolidated annual accounts for the financial year ended 31 December 2023, 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 2023 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 based on the balance sheet for the financial year that ended on 31 December 2023, a dividend of EUR 0.07 per share be paid. The dividend will be paid in two instalments as follows:

The first dividend instalment of EUR 0.035 per share to be paid to shareholders who are registered in the Company's shareholders' register, maintained by Euroclear Finland Oy, on the record date of the first dividend instalment on 15 March 2024. The first dividend instalment was paid on 22 March 2024.

The second dividend instalment of EUR 0.035 per share will be paid to shareholders who are registered in the Company's shareholders' register, maintained by Euroclear Finland Oy, on the record date of the second dividend instalment on 27 September 2024. The second dividend instalment will be paid on 4 October 2024. In addition, the Annual General Meeting authorised the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second dividend instalment, should the rules of Euroclear Finland Oy or statutes applicable to the Finnish book-entry system be amended or should other rules or obligations binding on the Company so require.

#### *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, Risto Siilasmaa, Thomas Jul and Petra Teräsaho were re-elected to the Board of Directors. Tommi Uitto was elected as a new member. Katja Kuusikumpu, who belongs to the personnel of the corporation, was also 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. It was resolved that approximately 40% of the remuneration be paid as shares in the Company repurchased from the market or as treasury shares held by the Company. The Company will pay any transfer tax levied on the repurchase of shares. The Company will repurchase the shares or transfer shares held by the Company as treasury shares in the name and on behalf of the members of the Board of Directors.

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 European country to an on-site meeting in Europe. If inter-continental travel is required, the fee is EUR 2,000. No separate travel 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 Samuli Perälä, APA, will continue as the Company's Responsible Auditor. The same audit firm was elected to audit the sustainability report from the financial year 2024.

The Auditor will be remunerated in accordance with the invoice approved by the Company and the same applies to the auditor's fees relating to the audit of the Company's sustainability report from the financial year 2024.

#### *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. This number of shares corresponds to approximately 5.72% of the Company's total number of shares on the date of the notice to the Annual General Meeting

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 public trading or otherwise based on the market price on the date of purchase, or with a bid to the shareholders in which case the repurchase price must be the same for all shareholders. The Company's own shares shall be repurchased to be used for carrying out acquisitions or implementing other arrangements related to the Company's business, for optimising the Company's capital structure, as part of the implementation of the Company's incentive scheme or otherwise to be transferred further or cancelled. 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 is valid until the conclusion of the next Annual General Meeting, but no later than 30 June 2025. 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 Limited Liability Companies Act, so that by virtue of the authorisation altogether 17,000,000 shares may be issued and/or transferred at the maximum. This number of shares corresponds to approximately 9.73% of the Company's total number of shares on the date of the notice to the Annual General Meeting.

The authorisation can 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 Limited Liability 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 Limited Liability Companies Act on the maximum amount of treasury shares.

The authorisation will remain valid until the conclusion of the following Annual General Meeting, but no later than 30 June 2025. The authorisation cancels the Company's prior authorisations concerning the issuance of shares and special rights entitling to shares.

## 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 Petra Teräsaho (Chair of the committee), Pertti Ervi and Risto Siilasmaa as members of the Audit Committee.

## Establishment of the Personnel and Nomination Committee

In its organisational meeting, the Board of Directors resolved to establish a Personnel and Nomination Committee. The Personnel and Nomination Committee prepares material and instructs with issues related to the composition and compensation of the Board of Directors and remuneration of the other members of the top management of the company. The Committee assists in the preparation of Board proposals to the shareholders related to these matters, as governed by the Finnish Limited Liability Companies Act. The Personnel and Nomination Committee is neither a decision-making nor an executive body. The Personnel and Nomination Committee calls in experts to its meetings when necessary for the issues to be discussed. Materials of Committee meetings are made available for all members of the Board of Directors. The Personnel and Nomination Committee convenes at least two times a year as notified by the Chair of the Committee.

From among its members, the Board elected Pertti Ervi (chair of the committee) and Risto Siilasmaa as members of the Personnel and Nomination Committee. Following the announcement on 3 April 2024, F-Secure Corporation's Board of Directors appointed Thomas Jul, F-Secure Board member as the third member of the Personnel and Nomination Committee.

# 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. Furthermore, some Channel Partners may be slow in adopting new solutions that may delay F-Secure revenue growth or increase maintenance related costs.

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.

## **Flagging notifications**

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

According to a notification received on 20 February 2024, the number of voting rights in F-Secure controlled by Nordea Funds decreased below ten (10) per cent of the total shares and voting rights of F-Secure Corporation on 19 February 2024.

## Significant events after the review period

As announced on 15 April 2024, the Board of Directors of F-Secure decided on commencement of a new three-year performance period of the company's share-based long-term incentive plans, including a Performance Share Plan ("PSP") as the main plan and Restricted Share Plan ("RSP") as a complementary share-based incentive plan for individually selected key employees in specific situations. More detailed information can be found in the published stock exchange release.

## Financial calendar in 2024

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

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

Helsinki, April 26, 2024

F-Secure Corporation

Board of Directors

# Financial information

## Income Statement

EUR thousand	1-3/2024	1-3/2023	Change %	1-12/2023
Revenue	36,377	27,806	30.8%	130,371
Cost of revenue <sup>1)</sup>	-5,211	-1,773	194.0%	-11,814
<b>Gross margin<sup>1)</sup></b>	<b>31,166</b>	<b>26,033</b>	<b>19.7%</b>	<b>118,557</b>
Other operating income	288	231	24.4%	830
Sales and marketing <sup>1)</sup>	-8,771	-8,167	7.4%	-36,996
Research and development <sup>1)</sup>	-6,965	-5,299	31.4%	-27,496
Administration <sup>2)</sup>	-5,736	-4,457	28.7%	-25,398
<b>EBIT</b>	<b>9,982</b>	<b>8,342</b>	<b>19.7%</b>	<b>29,497</b>
Financial income	342	534	-35.9%	6,995
Financial expenses	-3,230	-451	615.7%	-8,815
<b>Profit before taxes</b>	<b>7,095</b>	<b>8,425</b>	<b>-15.8%</b>	<b>27,677</b>
Income tax	-1,564	-1,657	-5.6%	-5,316
<b>Result for the period</b>	<b>5,531</b>	<b>6,768</b>	<b>-18.3%</b>	<b>22,360</b>
<b>Other comprehensive income</b>				
Exchange difference on translation of foreign operations	1,440	-31	-4,783.9%	-1,990
<b>Comprehensive income for the period</b>	<b>6,971</b>	<b>6,737</b>	<b>3.5%</b>	<b>20,370</b>
<b>Earnings per share</b>				
<b>Earnings per share, basic and diluted, EUR</b>	<b>0.03</b>	<b>0.04</b>	<b>-18.3%</b>	<b>0.13</b>

<sup>1)</sup> As announced on 20 March 2024, F-Secure changed the calculation method for gross margin in its income statement. Some of the costs previously recorded in F-Secure income statement as Cost of revenue have been included in Research and development and Sales and marketing costs. F-Secure applies the new calculation method for gross margin as of 1 January 2024. Comparative figures are also revised.

<sup>2)</sup> Costs related to restructuring decrease administration expense by EUR 0.2 million in Q1/2024 and increase administration expense by EUR 1.8 million in Q4/2023 and 1-12/2023. Costs related to acquisition increase administration expense by EUR 1.3 million in Q1/2023 and EUR 6.2 million in 1-12/2023.

## Statement of financial position

<b>Assets</b>	<b>31 Mar 2024</b>	<b>31 Mar 2023</b>	<b>31 Dec 2023</b>
Tangible assets	373	182	360
Right-of-use assets	1,514	1,716	1,257
Intangible assets	126,289	10,732	125,179
Goodwill	88,855	-	88,361
Deferred tax assets	284	136	883
Interest-bearing receivables	3,800	3,665	3,658
<b>Total non-current assets</b>	<b>221,116</b>	<b>16,431</b>	<b>219,698</b>
Inventories	32	39	35
Accrued income	3,362	3,786	1,953
Trade and other receivables	39,232	23,645	35,604
Income tax receivables	2,124	136	2,108
Cash and cash equivalents	13,894	27,675	15,867
<b>Total current assets</b>	<b>58,645</b>	<b>55,280</b>	<b>55,568</b>
<b>Total assets</b>	<b>279,760</b>	<b>71,711</b>	<b>275,266</b>
<b>Shareholders' equity and liabilities</b>	<b>31 Mar 2024</b>	<b>31 Mar 2023</b>	<b>31 Dec 2023</b>
<b>Total Equity</b>	<b>28,025</b>	<b>18,972</b>	<b>33,086</b>
Interest bearing liabilities, non-current	166,339	6,141	165,963
Deferred tax liabilities	2,361	593	2,064
Deferred revenue, non-current	7,363	3,763	5,837
Other non-current liabilities	54	86	51
<b>Total non-current liabilities</b>	<b>176,116</b>	<b>10,583</b>	<b>173,915</b>
Interest-bearing liabilities, current	30,931	1,012	30,965
Trade and other payables	22,626	22,905	14,182
Provisions	286	-	1,739
Income tax liabilities	1,226	831	1,592
Deferred revenue, current	20,549	17,408	19,788
<b>Total current liabilities</b>	<b>75,619</b>	<b>42,156</b>	<b>68,265</b>
<b>Total equity and liabilities</b>	<b>279,760</b>	<b>71,711</b>	<b>275,266</b>



## Cash flow statement

EUR thousand	1-3/2024	1-3/2023	1-12/2023
<b>Cash flow from operations</b>			
Result for the financial year	5,531	6,768	22,360
Adjustments	7,662	2,529	15,872
<b>Cash flow from operations before change in working capital</b>	<b>13,193</b>	<b>9,297</b>	<b>38,232</b>
Change in net working capital	-1,428	28	-661
<b>Cash flow from operations before financial items and taxes</b>	<b>11,765</b>	<b>9,325</b>	<b>37,572</b>
Net financial items and taxes	-3,876	-2,004	-7,462
<b>Cash flow from operations</b>	<b>7,889</b>	<b>7,321</b>	<b>30,109</b>
<b>Cash flow from investments</b>			
Net Investments in tangible and intangible assets	-3,323	-2,249	-7,920
Acquisition, net of cash acquired <sup>1)</sup>	-132	-	-207,764
Proceeds from sale of intangible and tangible assets	0	0	0
<b>Cash flow from investments</b>	<b>-3,456</b>	<b>-2,250</b>	<b>-215,684</b>
<b>Cash flow from financing activities</b>			
Repayments of lease liabilities	-269	-257	-1,070
Repayments of interest-bearing liabilities	-	-	-10,000
Increase in interest-bearing liabilities	-	-	202,000
Dividends paid	-6,114	-	-12,227
<b>Cash flow from financing activities</b>	<b>-6,382</b>	<b>-257</b>	<b>178,703</b>
<b>Change in cash</b>	<b>-1,948</b>	<b>4,814</b>	<b>-6,872</b>
Cash and cash equivalents at the beginning of the period	15,867	22,953	22,953
Effect of exchange rate changes on cash	-24	-92	-214
<b>Cash and cash equivalents at period end</b>	<b>13,894</b>	<b>27,675</b>	<b>15,867</b>

<sup>1)</sup> EUR 0.1 million relates to final settlement payment for mobile consumer security business acquisition of Lookout Inc.

## Statement of changes in shareholder's equity

EUR thousand	Share capital	Unrestricted equity reserve	Retained earnings	Translation difference	Total
<b>Equity 31 December 2022</b>	<b>80</b>	<b>9,590</b>	<b>15,213</b>	<b>-79</b>	<b>24,804</b>
Result of the financial year			6,768	-31	6,737
<b>Total comprehensive income for the year</b>			<b>6,768</b>	<b>-31</b>	<b>6,737</b>
Cost of share-based payments			-342		-342
Dividend			-12,227		-12,227
<b>Equity 31 March 2023</b>	<b>80</b>	<b>9,590</b>	<b>9,411</b>	<b>-110</b>	<b>18,972</b>

	Share capital	Unrestricted equity reserve	Retained earnings	Translation difference	Total
<b>Equity 31 December 2023</b>	<b>80</b>	<b>9,590</b>	<b>25,485</b>	<b>-2,070</b>	<b>33,086</b>
Result of the period			5,531	1,440	6,971
<b>Total comprehensive income for the period</b>			<b>5,531</b>	<b>1,440</b>	<b>6,971</b>
Cost of share-based payments			196		196
Dividend			-12,227		-12,227
<b>Equity 31 March 2024</b>	<b>80</b>	<b>9,590</b>	<b>18,984</b>	<b>-630</b>	<b>28,025</b>

# 1. Basis of preparation

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles applied are consistent with those followed in the annual report 2023, note 1 Basis of preparation, accounting principles and carve-out principles.

F-Secure changed the calculation method for gross margin in its income statement (stock exchange release 20 March 2024). Some of the costs previously recorded in F-Secure income statement as Cost of revenue have been included in Research and development and Sales and marketing costs. F-Secure applies the new calculation method for gross margin as of 1 January 2024. Comparative figures are also revised.

The information of this interim report 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 Mar 2024	31 Mar 2023	31 Dec 2023	1-3/2024	1-3/2023	1-12/2023
USD	1.0811	1.0875	1.1050	1.0904	1.0706	1.0797
GBP	0.8551	0.8792	0.8691	0.8600	0.8816	0.8703
JPY	163.45	144.83	156.33	159.68	142.39	151.87

### 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)	31 Mar 2024	31 Mar 2023	31 Dec 2023
USD	-1.0/+1.2	-0.7/+0.9	-1.0/+1.2

## 2. Revenue

### Disaggregation of revenue

<b>Sales channels</b>	<b>1-3/2024</b>	<b>1-3/2023</b>	<b>1-12/2023</b>
<b>Revenue from external customers</b>			
Partner channel	29,443	22,040	105,122
of which Lookout consumer business <sup>1)</sup>	6,370		14,769
Direct channel (E-commerce)	6,934	5,766	25,249
of which Lookout consumer business <sup>1)</sup>	1,300		2,662
<b>Total</b>	<b>36,377</b>	<b>27,806</b>	<b>130,371</b>

<sup>1)</sup> Revenue from acquired Lookout consumer business after acquisition 1 June 2023.

<b>Geographical information</b>	<b>1-3/2024</b>	<b>1-3/2023</b>	<b>1-12/2023</b>
<b>Revenue from external customers</b>			
Nordic countries	10,367	9,920	39,989
Rest of Europe	12,632	12,009	50,014
North America	10,708	4,329	31,999
Rest of world	2,670	1,548	8,369
<b>Total</b>	<b>36,377</b>	<b>27,806</b>	<b>130,371</b>

## 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 settled in Q1/2024. 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

<b>Cash flow from the acquisition</b>	
Consideration paid in cash	-207,900
Cash and cash equivalents of the acquired business	9
<b>Total cash flow from the acquisition</b>	<b>-207,891</b>

### 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
<b>Total assets</b>	<b>122,800</b>
Other non-current liabilities	473
Trade and other liabilities	2,979
Deferred tax liabilities	546
<b>Total liabilities</b>	<b>3,998</b>
<b>Total net assets</b>	<b>118,802</b>
<b>Goodwill</b>	<b>89,099</b>

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 Mar 2024	31 Mar 2023	31 Dec 2023
<b>Book value at beginning of period</b>	<b>215,157</b>	<b>11,052</b>	<b>11,052</b>
Acquisition			205,648
Additions	3,855	2,390	8,454
Disposals			-34
Depreciation and amortization	-3,165	-810	-8,195
Translation differences	1,183	-2	-1,767
<b>Book value at end of period</b>	<b>217,031</b>	<b>12,630</b>	<b>215,157</b>

	1-3/2024	1-3/2023	1-12/2023
<b>Depreciation and amortization by function</b>			
Sales and marketing	292	273	1,115
Research and development	769	534	2,339
Administration	2,101	3	4,745
<b>Total depreciation and amortization</b>	<b>3,162</b>	<b>810</b>	<b>8,199</b>

	1-3/2024	1-3/2023	1-12/2023
Amortization	2,876	547	7,123
Depreciation	286	264	1,076
<b>Total depreciation and amortization</b>	<b>3,162</b>	<b>810</b>	<b>8,199</b>

## 5. Financial assets and liabilities

The fair value hierarchy levels are not applied in the interim report 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	
<b>31 Mar 2024</b>			
Cash and cash equivalents	13,894		13,894
Interest-bearing receivables	3,800		3,800
Trade receivables	30,489		30,489
Bank loans		190,504	190,504
Trade payables		2,979	2,979
Lease liabilities		1,524	1,524
Other interest-bearing liabilities		5,242	5,242
<b>31 Mar 2023</b>			
Cash and cash equivalents	27,675		27,675
Interest-bearing receivables	3,665		3,665
Trade receivables	17,643		17,643
Trade payables		2,040	2,040
Lease liabilities		1,722	1,722
Other interest-bearing liabilities		5,431	5,431
<b>31 Dec 2023</b>			
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

The Lookout consumer business unit acquisition was financed with debt for which facilities agreement was entered into with Danske Bank A/S and OP Corporate Bank plc. The 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 originally held a maturity of 3 years with two 1-year extension options. The first extension option has been exercised in April, thus the maturity is currently 4 years with one 1-year extension option. The interest rate for credit facility is variable. 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 5.2 million and the receivables totaled EUR 3.8 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

As at 31 March 2024, 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	931	593	1,524	1,524
Other interest-bearing liabilities		5,242	5,242	5,242
<b>Total</b>	<b>30,931</b>	<b>167,835</b>	<b>198,766</b>	<b>197,270</b>

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

	1-3/2024	10-12/2023	7-9/2023	4-6/2023	1-3/2023
Revenue	36,377	36,907	35,134	30,524	27,806
Cost of revenue <sup>1)</sup>	-5,211	-3,896	-3,710	-2,435	-1,773
<b>Gross margin<sup>1)</sup></b>	<b>31,166</b>	<b>33,010</b>	<b>31,424</b>	<b>28,090</b>	<b>26,033</b>
Other operating income	288	131	239	228	231
Sales and marketing <sup>1)</sup>	-8,771	-10,242	-9,090	-9,497	-8,167
Research and development <sup>1)</sup>	-6,965	-8,381	-7,071	-6,745	-5,299
Administration	-5,736	-7,458	-5,514	-7,970	-4,457
<b>EBIT</b>	<b>9,982</b>	<b>7,061</b>	<b>9,988</b>	<b>4,105</b>	<b>8,342</b>
Financial net	-2,888	-3,432	-2,827	4,356	83
<b>Profit before taxes</b>	<b>7,095</b>	<b>3,630</b>	<b>7,161</b>	<b>8,461</b>	<b>8,425</b>
Income tax	-1,564	-423	-1,754	-1,483	-1,657
<b>Profit for the period</b>	<b>5,531</b>	<b>3,207</b>	<b>5,408</b>	<b>6,978</b>	<b>6,768</b>

<sup>1)</sup> As announced on 20 March 2024, F-Secure changed the calculation method for gross margin in its income statement. Some of the costs previously recorded in F-Secure income statement as Cost of revenue have been included in Research and development and Sales and marketing costs. F-Secure applies the new calculation method for gross margin as of 1 January 2024. Comparative figures are also revised.

### Key figures

EUR thousand	1-3/2024	10-12/2023	7-9/2023	4-6/2023	1-3/2023
Revenue	36,377	36,907	35,134	30,524	27,806
Revenue growth %	30.8%	30.6%	25.8%	11.1%	1.6%
Adjusted EBITDA	12,964	11,962	13,065	10,157	10,467
% of revenue	35.6%	32.4%	37.2%	33.3%	37.6%
EBITA	12,858	9,832	12,567	5,332	8,888
% of revenue	35.3%	26.6%	35.8%	17.5%	32.0%
Adjusted EBITA	12,677	11,691	12,795	9,885	10,204
% of revenue	34.9%	31.7%	36.4%	32.4%	36.7%
EBIT	9,982	7,061	9,988	4,105	8,342
% of revenue	27.4%	19.1%	28.4%	13.4%	30.0%
Profit for the period	5,531	3,207	5,408	6,978	6,768
% of revenue	15.2%	8.7%	15.4%	22.9%	24.3%
Earnings per share, basic and diluted, EUR <sup>1)</sup>	0.03	0.02	0.03	0.04	0.04
Earnings per share, basic and diluted, excluding PPA, EUR <sup>1)</sup>	0.04	0.03	0.04	0.04	0.04
R&D costs	6,965	8,381	7,071	6,745	5,299
% of revenue	19.1%	22.7%	20.1%	22.1%	19.1%
Capital expenditure, excl. acquisition	3,323	1,401	2,307	1,963	2,249

% of revenue	9.1%	3.8%	6.6%	6.4%	8.1%
Capital expenditure	3,455	2,278	2,307	208,850	2,249
Deferred revenue	27,912	25,626	22,760	23,350	21,171
Operating cash flow	7,889	13,162	6,006	3,621	7,321
Net debt (+) / Net cash (-)	179,576	177,402	187,748	191,253	-24,187
Net debt/Adjusted EBITDA <sup>2)</sup>	3.7	3.6	3.6	3.5	-0.6
Equity ratio %	10.0%	12.0%	11.7%	9.3%	26.5%
Shareholder's equity per share, EUR	0.16	0.19	0.19	0.14	0.11
P/E ratio	14.8	27.7	14.1	14.6	20.6
Gearing, %	654.3%	547.2%	590.8%	774.0%	-108.2%
Cash conversion	63.3%	141.2%	66.1%	32.5%	78.8%
Personnel at the end of the period	497	524	516	511	414

<sup>1)</sup> Based on the average number of shares during the reporting period.

<sup>2)</sup> 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 restructuring. 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

	1-3/2024	1-3/2023	1-12/2023
<b>Adjusted EBITDA</b>	<b>12,964</b>	<b>10,467</b>	<b>45,651</b>
Adjustments to EBITDA			
Costs related to acquisition		-1,315	-6,150
Costs related to restructuring	181		-1,805
<b>EBITDA</b>	<b>13,145</b>	<b>9,152</b>	<b>37,696</b>
Depreciation and amortization	-3,162	-810	-8,199
<b>EBIT</b>	<b>9,982</b>	<b>8,342</b>	<b>29,497</b>
<b>Adjusted EBITA</b>	<b>12,677</b>	<b>10,204</b>	<b>44,575</b>
Adjustments to EBITA			
Costs related to acquisition		-1,315	-6,150
Costs related to restructuring	181		-1,805
<b>EBITA</b>	<b>12,858</b>	<b>8,888</b>	<b>36,620</b>
Amortization	-928	-547	-2,465
PPA amortization	-1,948		-4,658
<b>EBIT</b>	<b>9,982</b>	<b>8,342</b>	<b>29,497</b>

## Classification of adjusted costs in operating expenses

	1-3/2024	1-3/2023	1-12/2023
<b>Operating expenses</b>			
Sales and marketing	-8,771	-8,167	-36,996
Research and development	-6,965	-5,299	-27,496
Administration	-5,736	-4,457	-25,398
<b>Total</b>	<b>-21,471</b>	<b>-17,923</b>	<b>-89,890</b>
<b>Depreciation and amortization by function</b>			
Sales and marketing	-292	-273	-1,115
Research and development	-769	-534	-2,339
Administration	-2,101	-3	-4,745
<b>Total</b>	<b>-3,162</b>	<b>-810</b>	<b>-8,199</b>
<b>Items affecting Comparability (IAC) by function</b>			
Administration	-5,736	-4,457	-25,398
Less: Costs related to acquisition		1,315	6,150
Less: Costs related to restructuring	-181		1,805
Less: PPA amortization	1,948		4,658
<b>Administration excluding IAC</b>	<b>-3,969</b>	<b>-3,142</b>	<b>-12,785</b>
<b>Operating expenses less depreciation, amortization and IAC</b>			
Sales and marketing	-8,479	-7,894	-35,881
Research and development	-6,196	-4,765	-25,157
Administration	-3,815	-3,139	-12,783
<b>Total</b>	<b>-18,490</b>	<b>-15,798</b>	<b>-73,821</b>

## 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 and acquisition
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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