



# Interim report

1 January – 30 September 2024



# Scam Protection takes off

## Highlights of July–September (Q3 2024)

- Revenue increased by 3.5% to EUR 36.3 million (EUR 35.1 million). Organic growth was 1.9%.
  - Revenue from Partner Channel increased by 3.0% to EUR 29.3 million (EUR 28.5 million), organic growth was 2.3%.
  - Revenue from Direct Channel increased by 5.2% to EUR 7.0 million (EUR 6.7 million), organic growth was 0.5%.
- Adjusted EBITA was EUR 14.6 million (EUR 12.8 million), 40.3% of revenue (36.4%).
- Earnings per share (EPS) was EUR 0.04 (EUR 0.03). Earnings per share excluding PPA amortization was EUR 0.05 (EUR 0.04)<sup>1)</sup>
- Cash flow from operating activities before financial items and taxes was EUR 9.5 million (EUR 10.9 million).

## Highlights of January–September 2024

- Revenue increased by 16.9% to EUR 109.2 million (EUR 93.5 million). Organic growth was 2.4%.
  - Revenue from Partner Channel increased by 17.5% to EUR 88.2 million (EUR 75.1 million), organic growth was 3.1%.
  - Revenue from Direct Channel increased by 14.2% to EUR 21.0 million (EUR 18.4 million), organic growth was -0.7%.
- Adjusted EBITA was EUR 40.5 million (EUR 32.9 million), 37.1% of revenue (35.2%).
- Earnings per share (EPS) was EUR 0.10 (EUR 0.11). Earnings per share excluding PPA amortization was EUR 0.13 (EUR 0.12)<sup>1)</sup>
- Cash flow from operating activities before financial items and taxes was EUR 42.0 million (EUR 20.1 million).
- Net debt amounted to EUR 165.4 million (187.7) and leverage was 3.1x.

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.

<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.

# Outlook for 2024 (specified)

**Growth:** F-Secure estimates that revenue for 2024 will be in the range of EUR 144–147 million (previously EUR 142–152 million).

**Profitability:** The group's adjusted EBITA is expected to be in the range of EUR 50–53 million (previously EUR 48–54 million).

## Background for the outlook (specified):

- F-Secure expects the consumer cyber security market to grow mid-single digit CAGR between 2024-2026<sup>1)</sup>. 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. However, in the fourth quarter, we capitalize a smaller portion of R&D costs compared to previous quarters, which negatively affects our profitability (comment edited).
- 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.

<sup>1)</sup>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	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	36.3	35.1	3.5%	109.2	93.5	16.9%	130.4
Gross Margin <sup>1)</sup>	31.4	31.4	-0.1%	93.9	85.5	9.8%	118.6
% of revenue	86.4%	89.4%		86.0%	91.5%		90.9%
Adjusted EBITDA <sup>2)</sup>	14.9	13.1	14.4%	41.4	33.7	22.8%	45.7
% of revenue	41.1%	37.2%		37.9%	36.0%		35.0%
Adjusted EBITA <sup>2)</sup>	14.6	12.8	14.4%	40.5	32.9	23.1%	44.6
% of revenue	40.3%	36.4%		37.1%	35.2%		34.2%
Items affecting comparability (IAC) <sup>3)</sup>	-	-0.2		0.2	-6.1	-103.9%	-8.0
PPA amortization	-2.0	-2.0		-5.9	-2.7		-4.7
EBIT	11.5	10.0	15.3%	31.7	22.4	41.3%	29.5
% of revenue	31.7%	28.4%		29.0%	24.0%		22.6%
Earnings per share (EUR) <sup>4)</sup>	0.04	0.03	24.0%	0.10	0.11	-7.8%	0.13
Earnings per share, adjusted for PPA amortization (EUR) <sup>4)</sup>	0.05	0.04	18.3%	0.13	0.12	5.0%	0.15
Shareholder's equity per share				0.22	0.19		0.19
Operating cash flow	5.0	6.0	-16.6%	29.7	16.9	75.4%	30.1
Cash conversion %	40.5%	66.1%		75.0%	59.9%		81.2%
Deferred revenue				25.2	22.8	10.7%	25.6
Net debt (+) / Net cash (-)				165.4	187.7	-11.9%	177.4
Net debt/Adjusted EBITDA				3.1	3.6 <sup>5)</sup>		3.5 <sup>5)</sup>
Gearing, %				435.8%	590.8%		547.2%
Equity ratio %				14.4%	11.7%		12.0%
Personnel at the end of the period				530	516	2.7%	524

1) 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.

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

3) A reconciliation and breakdown of items affecting comparability is presented at the end of this report.

4) Based on the average number of shares for the reporting period.

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



## Timo Laaksonen, President and CEO

In the third quarter, we put strong emphasis on product and service development. As planned, we launched a new version of Total incorporating the best of F-Secure and Lookout Life product propositions. We made a significant enhancement into our service monitoring and partner care operations. We finalized a significant extension to our Embedded Security portfolio which performed well in a partner beta launch. Revenue growth was supported by good performance in the Direct Business while Partner Business continued to develop at a similar pace as in the previous quarter. Direct Business growth was driven by positive billings performance

during the past year. Profitability in the third quarter was strong, benefiting from the typically lower cost levels associated with this period.

We are consistently enhancing our product offering and service capabilities to meet the most demanding partner requirements. I am happy to see that this effort is bearing fruit in the form of new high-profile partnerships. In September we signed up a strategic partnership with one of the largest and most respected mobile service providers in Asia. The announced partnership demonstrates the efficacy of F-Secure's Embedded Security offering and Tier 1 strategy. The existing Tier 1 pipeline is robust, and we are actively developing new opportunities on several fronts. To fully seize this opportunity, we have decided to further increase our investment in Tier 1 sales and capabilities. This is expected to drive stronger growth and higher profitability in the long term, but it will also have a temporary negative impact on our profitability. As we have mentioned previously, sales, contract and delivery processes of Embedded Security solutions with Tier 1 CSPs require a lengthier time than what is typical in our Total partnerships.

The latest version of Total with an upgraded user experience and the new Scam Protection module has received overwhelmingly positive feedback in the market. F-Secure Total Net Promoter score for January-September period is at 49, while September score has climbed to 55. Scam Protection is already available for Direct Business customers while partner deliveries will be kicking off in the fourth quarter of 2024.

In mid-October, we announced that we will initiate a transformation process reflecting the increased focus on serving specific partner segment needs and establishing carrier grade product and service operations, in alignment with the company's strategy. The related change negotiations may lead to a maximum of 60 redundancies in Finland and in other countries while we plan to open approximately 45 new roles if the planned changes are implemented. The planned changes are estimated to generate annual cost savings of around EUR 4 million, and these will be reinvested back into the company to support growth and improve sales and service maturity. The results of the negotiations are expected to be disclosed by the end of November.

During the fall, there were several changes in the F-Secure Leadership Team. Nina Lehto joined the company as Senior Vice President, Services, Kaisa Tikka-Mustonen as Chief People Officer, and in the beginning of October, Bruno Rodriguez started as Chief Revenue Officer. Their combined expertise, experience and vision are invaluable assets as we drive the transformation, growth and operational excellence at F-Secure.

# Group performance

## Revenue by sales channel

EUR million	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue from external customers							
Partner channel	29.3	28.5	3.0%	88.2	75.1	17.5%	105.1
Direct channel (E-commerce)	7.0	6.7	5.2%	21.0	18.4	14.2%	25.2
<b>Total</b>	<b>36.3</b>	<b>35.1</b>	<b>3.5%</b>	<b>109.2</b>	<b>93.5</b>	<b>16.9%</b>	<b>130.4</b>

## Revenue by geography

EUR million	7-9/2024	7-9/2023 <sup>1)</sup>	Change % <sup>1)</sup>	Comparable change % <sup>2)</sup>	1-9/2024 <sup>1)</sup>	1-9/2023 <sup>1)</sup>	Change % <sup>1)</sup>	Comparable change % <sup>1,2)</sup>	1-12/2023 <sup>1)</sup>
Revenue from external customers									
Nordic countries	10.5	10.1	4.4%	4.3%	31.3	29.9	4.5%	4.5%	40.0
Rest of Europe	11.9	12.3	-3.4%	-3.4%	36.1	36.4	-1.0%	-1.0%	49.2
North America	11.3	10.5	6.9%	6.9%	34.1	21.4	59.2%	60.1%	32.8
Rest of the world	2.7	2.2	21.2%	23.3%	7.7	5.7	36.1%	41.0%	8.4
<b>Total</b>	<b>36.3</b>	<b>35.1</b>	<b>3.5%</b>	<b>3.6%</b>	<b>109.2</b>	<b>93.5</b>	<b>16.9%</b>	<b>17.2%</b>	<b>130.4</b>

1) F-Secure has adjusted the geographical split of revenues between Rest of Europe and North America. This adjustment impacts also the change percentages. The adjustment did not have a material impact to the reported figures. Comparative periods have been adjusted accordingly.

2) Comparable change excludes the impact of exchange rates.

# July–September 2024

## Revenue

F-Secure revenue increased in July–September by 3.5% to EUR 36.3 million (EUR 35.1 million). Organic revenue growth in July–September 2024 was 1.9% and currency neutral organic growth was 2.2%, due to JPY currency impact. Third quarter revenue growth was supported by Direct Business while Partner Business continued to develop at a similar pace as in the previous quarter. Revenue was also impacted by fair valuation adjustments of deferred revenue EUR -0.2 million (EUR -1.4 million) made in purchase price allocation. Deferred revenue decreased from the previous quarter by 2.5% mainly due to the seasonal billings of some large partner contracts.

### Partner Channel

Revenue from the partner channel increased by 3.0% to EUR 29.3 million (EUR 28.5 million). Organic revenue growth in the partner channel was 2.3%. Subscriber numbers and average revenue per user (ARPU) increased. The strategic collaboration with one of the world's leading Communication Service Providers (CSP), announced in the first quarter of 2024, supported revenue growth in the partner channel. However, the business ramp-up is starting in the fourth quarter of 2024. Nevertheless, revenue of some long-time F-Secure partners continues to decline as they are addressing challenges in their core business.

Partner channel revenue in Japan continued to increase, despite the slightly unfavorable currency impact. Revenue increased also in Sweden and Switzerland, where activity and partners' interest in F-Secure solutions is strong. The challenges in Poland have started to gradually improve, and revenue development was almost flat. Revenue decreased in the UK and Germany, due to continued weak partner performance.

### Direct Channel

Revenue from the direct channel increased by 5.2% to EUR 7.0 million (EUR 6.7 million). Organically revenue increased in the direct channel by 0.5%. Direct channel revenue was supported by strong F-Secure eCommerce billings in the previous quarters. Renewals remained on a good level throughout the quarter and ARPU increased. The lower level of paid customer acquisition investments is reflected in Direct Business new sales as planned.

## Gross margin

Gross margin was 31.4 million (EUR 31.4 million) and 86.4% of revenue (89.4%). The gross margin was still burdened by some additional costs related to lost synergies post-TSA period. This impact materialized already in the first half of 2024, and this cost profile has continued to gradually improve as we have progressed in consolidating our production operations and adapted our hosting infrastructure fully to the usage patterns of the independent consumer company.

## Operating expenses

Operating expenses excluding depreciation and amortization and items affecting comparability (IAC) were EUR -16.6 million (EUR -18.6 million) in July–September 2024. Sales and marketing costs were EUR -7.8 million (EUR -8.8 million). Research and development (R&D) costs were EUR -5.5 million (EUR -6.5 million) and administration costs were EUR -3.3 million (EUR -3.3 million). The lower cost structure typical for the third quarter was reflected in the operating expenses. In addition, the continuation of technology investments is visible in increased capital expenditure for the review period. Although the level of capital expenditure is higher compared to the previous year, it remains lower than in the first half of 2024. Capital expenditure level is expected to decrease further towards the year end.

Depreciation and amortization excluding purchase price allocation (PPA) amortization totaled EUR -1.5 million (EUR -0.9 million). PPA amortizations related to the Lookout consumer security business acquisition totaled EUR -2.0 million (EUR -2.0 million) in July–September 2024.

## Profitability

Adjusted EBITA in July–September 2024 was EUR 14.6 million and 40.3% of revenue (EUR 12.8 million, 36.4%). EBIT was EUR 11.5 million and 31.7% of revenue (EUR 10.0 million, 28.4%). Profitability for the review period reflects the lower cost structure typical for the third quarter. In addition, recording of more long-term technology investments as capital expenditure had a positive impact on profitability.

# January–September 2024

## Revenue

F-Secure revenue increased in January–September 2024 by 16.9% to EUR 109.2 million (EUR 93.5 million). Revenue growth was attributable to the acquisition of Lookout Life consumer business in the second quarter of 2023. Organic revenue growth in January–September was 2.4% and currency neutral organic growth was 2.8%, with impact especially from the JPY but also from the US dollar. Revenue was also impacted by fair valuation adjustments of deferred revenue EUR -1.3 million (EUR -2.0 million) made in purchase price allocation. Deferred revenue decreased slightly from year-end.

## Partner Channel

Revenue from the partner channel increased by 17.5% to EUR 88.2 million (EUR 75.1 million). Organic revenue growth in the partner channel was 3.1%. The strategic collaboration with one of the world's leading Communication Service Providers (CSP), announced in the first quarter, supported revenue growth in the partner channel. However, the business ramp-up is starting in the fourth quarter of 2024. Nevertheless, revenue of some long-time F-Secure partners continues to decline as they are addressing challenges in their core business.

Partner channel revenue increased in the Asia-Pacific (APAC) area, especially in Japan and Singapore. Revenue increased also in Sweden and Switzerland. Challenges in Poland started to gradually improve towards the end of the period. Revenue decreased in Germany and in the UK, due to a continued weak partner business performance.

## Direct Channel

Revenue from the direct channel increased by 14.2% to EUR 21.0 million (EUR 18.4 million). Organically revenue declined in the direct channel by -0.7%. Renewals remained on a good level throughout the period. The decrease in paid customer acquisition investments was reflected in Direct Business new sales throughout the period as planned.

## Gross margin

Gross margin was 93.9 million (EUR 85.5 million) and 86.0% of revenue (91.5%). 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 already in the first quarter as full technical autonomy was achieved at the end of 2023 when the TSAs ended with WithSecure. This cost profile gradually improved throughout the period end as we have made progress in consolidating our production operations and adapted 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 3.3 million (EUR 1.5 million) in cost of revenue in January–September 2024. These TSAs are planned to last several years.

## Operating expenses

Operating expenses excluding depreciation and amortization and items affecting comparability (IAC) were EUR -53.2 million (EUR -52.6 million) in January–September 2024. Sales and marketing costs were EUR -25.0 million (EUR -25.9 million). Research and development (R&D) costs were EUR -17.5 million (EUR -17.5 million) and administration costs were EUR -10.7 million (EUR -9.2 million). The increase in administration costs is related to building maturity specific to Tier1 partner business.

The transitional services agreements ("TSA") entered between F-Secure and Lookout consumer security business amounted to EUR 1.6 million (EUR 1.0 million) in R&D and EUR 0.2 million (EUR 0.3 million) in administration in January–September 2024. TSAs in R&D are planned to last several years. The last TSAs in administration terminated during the second quarter of 2024.

Items affecting comparability (IAC) totaled EUR 0.2 million (EUR -6.1 million), due to a release of a restructuring provision booked in the fourth quarter of 2023. The comparison period included EUR -6.1 million of items affecting comparability attributable to the acquisition of Lookout consumer security business.

Depreciation and amortization excluding purchase price allocation amortization (PPA) totaled EUR -4.1 million (EUR -2.5 million). PPA amortizations related to



the Lookout consumer security business acquisition totaled EUR -5.9 million (EUR -2.7 million) in January–September 2024.

### **Profitability**

Adjusted EBITA in January–September 2024 was EUR 40.5 million and 37.1% of revenue (EUR 32.9 million, 35.2%). Items affecting comparability (IAC) were EUR 0.2 million (EUR -6.1 million). EBIT was EUR 31.7 million and 29.0% of revenue (EUR 22.4 million, 24.0%). Profitability was supported by the recording of more long-term technology investments as capital expenditure in the second and third quarter.

# Cash flow, financial position and financing

EUR million	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Cash and cash equivalents				13.5	15.4	-12.2%	15.9
Bank loans, non-current				145.8	175.2	-16.8%	160.4
Bank loans, current				30.0	25.0	20.0%	30.0
Interest-bearing receivables				3.6	3.8	-4.3%	3.7
Lease liabilities, non-current				0.5	0.5	8.3%	0.3
Lease liabilities, current				0.9	1.0	-5.9%	1.0
Other interest-bearing liabilities				5.4	5.3		5.3
Financial income	0.4	0.4	-4.6%	1.1	6.7	-82.9%	7.0
Financial expense	-3.2	-3.2	-0.1%	-10.2	-5.1	100.6%	-8.8
Capital Expenditure excl. acquisition	3.0	2.3	30.6%	9.9	6.5	51.5%	7.9
% of revenue	8.3%	6.6%		9.0%	7.0%		6.1%
Capital expenditure	3.0	2.3	30.6%	10.0	213.4		215.7

In January–September 2024, cash flow from operating activities before financial items and taxes amounted to EUR 42.0 million (EUR 20.1 million), following the acquisition of Lookout Life consumer business. Cash flow from operations was EUR 29.7 million (EUR 16.9 million). Third quarter cash conversion rate was 40.5% (66.1%), mirroring the strong cash conversion in the second quarter of 2024. Cash conversion rate in January–September 2024 was to 75.0% (59.9%). Cash at the end of September 2024 amounted to EUR 13.5 million (EUR 15.4 million).

At the end of September 2024, F-Secure net debt amounted to EUR 165.4 million (EUR 187.7 million) and net debt to adjusted EBITDA ratio was 3.1x, being above of the medium-term target of below 2.5x, due to Lookout Life acquisition. Subsequently, equity ratio was 14.4% (11.7%).

The acquisition of Lookout Life consumer business in the second quarter of 2023 was financed with debt. 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 on the reporting date. The next repayment of the term loan will be made in the fourth quarter of 2024. In the third quarter of 2024, F-Secure repaid the EUR 5 million revolving credit facility drawn down in second quarter of 2024.

Total assets were EUR 270.1 million (EUR 278.0 million) at the end of September 2024.

As at 30 September 2024, current lease liabilities were EUR 0.9 million (EUR 1.0 million) and non-current lease liabilities were EUR 0.5 million (EUR 0.5 million). The lease liabilities relate to leases for office premises and cars.

F-Secure payables to WithSecure totaled EUR 5.4 million and the receivables from WithSecure totaled EUR 3.6 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively. These balances are now short-term and due for payment in the second quarter of 2025.

In January–September 2024, capital expenditure was EUR 10.0 million (EUR 213.4 million) and was mainly related to technology.

# Organization and leadership

At the end of September 2024, F-Secure had 530 (516) employees.

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

Timo Laaksonen	President & Chief Executive Office
Richard Larcombe	Chief Marketing Officer
Nina Lehto	Senior Vice President, Services
Antero Norkio	Senior Vice President, Corporate Development
Sari Somerkallio	Chief Financial Officer
Kaisa Tikka-Mustonen	Chief People Officer
TL Viswanathan	Chief Product Business Officer
Toby White	Chief Technology Officer

The following leadership team change was announced during the third quarter of 2024:

Bruno Rodriguez was appointed as Chief Revenue Officer (CRO) and a member of the Leadership Team of F-Secure Corporation as of 1 October 2024.

# Shares and shareholders

At the end of September 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 September 2024 was EUR 2.16. In January–September, the highest price paid was EUR 2.33 and the lowest EUR 1.67. In January–September 2024, the share's volume weighted average price was EUR 1.96. The share trading volume in January–September 2024 was EUR 33.6 million and 17.1 million shares. On 30 September 2024, the company's market capitalization was EUR 377 million.

The number of registered shareholders at the end of September 2024 was 33,295, including nominee registers. 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 for the financial year that ended on 31 December 2023, a dividend of EUR 0.07 per share be paid. The dividend was paid in two instalments as follows; The first dividend instalment of EUR 0.035 per share was paid on 22 March 2024. The second dividend instalment of EUR 0.035 per share was paid on 4 October 2024.

### 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. 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

Following the completion of the transitional services agreements (TSA) and carve-out with Lookout, F-Secure faces an elevated risk level due to the new operational landscape. Despite gaining full control, the integration of acquired systems, processes, and personnel has introduced complexities and potential operational challenges that may expose F-Secure to claims related to Service Level Agreements (“support penalties”), and/or negatively impacting partner relationships and future revenue outlook. This heightened risk is expected to persist in the short-term as we adapt to and optimise our expanded operations. F-Secure is actively monitoring and implementing mitigation strategies to reduce the risk exposure over time.

## 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 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 reputation, competitiveness, results of operations and financial position.

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 or increase cost for the products and services offered by F-Secure. Geopolitical instability has increased the uncertainty in the world and the risk of unexpected disruptions of the world economy. The war for example 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

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.

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.

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 include other similar and material contractual liabilities, such as consumer data breach. 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. As is customary in the cyber security industry, F-Secure protection is combination of own IPR and 3rd party solutions. F-Secure continues to have a relationship with Lookout and WithSecure, related to certain protection capabilities after the carve-out and demerger and having completed the TSAs with both companies. 3rd parties, such as Lookout's or WithSecure's, 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. In addition, F-Secure is exposed to 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 after the review period

## Change negotiations

On 17 October 2024, F-Secure announced that F-Secure Corporation and its subsidiaries will start change negotiations on possible redundancies in Finland and in other countries. The negotiations concern approximately 360 F-Secure employees globally. If the planned changes are carried out, they may lead to maximum of 60 redundancies, of which maximum of 37 are expected to be in Finland. In addition, approximately 45 new roles will become available if the planned changes are implemented.

The planned changes are estimated to generate annual cost savings of around EUR 4 million, and these will be reinvested back into the company to support growth and improve sales and service maturity. One-off costs related to the planned changes are expected to be recorded as items affecting comparability (IAC), and more information about these will be disclosed once the negotiations are concluded. In Finland, the change negotiations started on 22 October 2024 and will last approximately six weeks. All applicable processes will be conducted in accordance with local legislations in each country. More information can be found in the stock exchange release published on 17 October 2024.

# Financial calendar in 2025

In 2025, F-Secure Corporation will publish financial information as follows:

- Financial Statements Release 2024 on Thursday, 6 February 2025
- Annual Report 2024 on Thursday, 27 February 2025
- Interim Report for January–March 2025 on Tuesday, 29 April 2025
- Half-year Financial Report for January–June 2025 on Friday, 18 July 2025
- Interim Report for January–September 2025 on Tuesday, 28 October 2025

The Annual General Meeting 2025 is scheduled for Tuesday, April 1 2025. The Board of Directors will convene the meeting separately on a later date.

Helsinki, 24 October 2024

F-Secure Corporation Board of Directors



# Income Statement

EUR thousand	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	36,349	35,134	3.5 %	109,218	93,464	16.9 %	130,371
Cost of revenue <sup>1)</sup>	-4,960	-3,710	33.7 %	-15,300	-7,917	93.3 %	-11,814
<b>Gross margin<sup>1)</sup></b>	<b>31,390</b>	<b>31,424</b>	<b>-0.1 %</b>	<b>93,918</b>	<b>85,547</b>	<b>9.8 %</b>	<b>118,557</b>
Other operating income	158	239	-33.8 %	639	698	-8.5 %	830
Sales and marketing <sup>1)</sup>	-8,082	-9,090	-11.1 %	-25,880	-26,754	-3.3 %	-36,996
Research and development <sup>1)</sup>	-6,485	-7,071	-8.3 %	-20,091	-19,115	5.1 %	-27,496
Administration <sup>2)</sup>	-5,466	-5,514	-0.9 %	-16,884	-17,940	-5.9 %	-25,398
<b>EBIT</b>	<b>11,515</b>	<b>9,988</b>	<b>15.3 %</b>	<b>31,702</b>	<b>22,436</b>	<b>41.3 %</b>	<b>29,497</b>
Financial income	385	404	-4.6 %	1,144	6,674	-82.9 %	6,995
Financial expenses	-3,227	-3,231	-0.1 %	-10,156	-5,063	100.6 %	-8,815
<b>Profit before taxes</b>	<b>8,674</b>	<b>7,161</b>	<b>21.1 %</b>	<b>22,690</b>	<b>24,047</b>	<b>-5.6 %</b>	<b>27,677</b>
Income tax	-1,966	-1,754	12.1 %	-5,031	-4,893	2.8 %	-5,316
<b>Result for the period</b>	<b>6,708</b>	<b>5,408</b>	<b>24.0 %</b>	<b>17,659</b>	<b>19,154</b>	<b>-7.8 %</b>	<b>22,360</b>
<b>Other comprehensive income</b>							
Exchange difference on translation of foreign operations	-2,729	1,598	-270.8 %	-498	699	-171.2 %	-1,990
<b>Comprehensive income for the period</b>	<b>3,979</b>	<b>7,005</b>	<b>-43.2 %</b>	<b>17,161</b>	<b>19,853</b>	<b>-13.6 %</b>	<b>20,370</b>

1) 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.

2) Costs related to restructuring decrease administration expense by EUR 0.2 million in Q1-Q3/2024. Restructuring costs increase administration expense by EUR 1.8 million in 1-12/2023. Costs related to acquisition increase administration expense by EUR 6.2 million in 1-12/2023.

Earnings per share	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Earnings per share, basic and diluted, EUR	0.04	0.03	24.0 %	0.10	0.11	-7.8 %	0.13

# Statement of financial position

EUR thousand	30 Sep 2024	30 Sep 2023	31 Dec 2023	EUR thousand	30 Sep 2024	30 Sep 2023	31 Dec 2023
<b>Assets</b>				<b>Shareholders' equity and liabilities</b>			
Tangible assets	335	323	360	<b>Total Equity</b>	<b>38,784</b>	<b>32,414</b>	<b>33,086</b>
Right-of-use assets	1,398	1,419	1,257	Interest-bearing liabilities, non-current	146,307	180,956	165,963
Intangible assets	125,722	127,721	125,179	Deferred tax liabilities	2,627	1,989	2,064
Goodwill	88,069	88,453	88,361	Deferred revenue, non-current	6,478	5,999	5,837
Deferred tax assets	154	1,330	883	Other non-current liabilities	73	37	51
Interest-bearing receivables	-	3,752	3,658	<b>Total non-current liabilities</b>	<b>155,485</b>	<b>188,981</b>	<b>173,915</b>
Other long-term receivables	183	-	-	Interest-bearing liabilities, current	36,263	25,954	30,965
<b>Total non-current assets</b>	<b>215,861</b>	<b>222,999</b>	<b>219,698</b>	Trade and other payables	20,143	12,773	14,182
Inventories	27	33	35	Provisions	-	200	1,739
Accrued income	3,340	2,028	1,953	Income tax liabilities	722	886	1,592
Trade and other receivables	33,015	36,850	35,604	Deferred revenue, current	18,720	16,761	19,788
Interest-bearing receivables	3,590	-	-	<b>Total current liabilities</b>	<b>75,848</b>	<b>56,573</b>	<b>68,265</b>
Income tax receivables	748	649	2,108	<b>Total equity and liabilities</b>	<b>270,117</b>	<b>277,968</b>	<b>275,266</b>
Cash and cash equivalents	13,536	15,410	15,867				
<b>Total current assets</b>	<b>54,256</b>	<b>54,969</b>	<b>55,568</b>				
<b>Total assets</b>	<b>270,117</b>	<b>277,968</b>	<b>275,266</b>				

# Cash flow statement

EUR thousand	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
<b>Cash flow from operations</b>					
Result for the financial year	6,708	5,408	17,659	19,154	22,360
Adjustments	8,702	7,591	24,773	7,984	15,872
<b>Cash flow from operations before change in working capital</b>	<b>15,410</b>	<b>12,999</b>	<b>42,432</b>	<b>27,137</b>	<b>38,232</b>
Change in net working capital	-5,878	-2,124	-463	-6,991	-661
<b>Cash flow from operations before financial items and taxes</b>	<b>9,532</b>	<b>10,875</b>	<b>41,969</b>	<b>20,146</b>	<b>37,572</b>
Net financial items and taxes	-4,521	-4,869	-12,237	-3,198	-7,462
<b>Cash flow from operations</b>	<b>5,011</b>	<b>6,006</b>	<b>29,731</b>	<b>16,948</b>	<b>30,109</b>
<b>Cash flow from investments</b>					
Net Investments in tangible and intangible assets	-3,012	-2,307	-9,879	-6,519	-7,920
Acquisition, net of cash acquired	-	-	-132	-206,887	-207,764
Proceeds from sale of intangible and tangible assets	-	-	0	0	0
<b>Cash flow from investments</b>	<b>-3,012</b>	<b>-2,307</b>	<b>-10,012</b>	<b>-213,407</b>	<b>-215,684</b>
<b>Cash flow from financing activities</b>					
Repayments of lease liabilities	-296	-286	-861	-806	-1,070
Repayments of interest-bearing liabilities	-5,000	-	-20,000	-	-10,000
Increase in interest-bearing liabilities	-	-	5,000	202,000	202,000
Dividends paid	-	-	-6,114	-12,227	-12,227
<b>Cash flow from financing activities</b>	<b>-5,296</b>	<b>-286</b>	<b>-21,975</b>	<b>188,967</b>	<b>178,703</b>
<b>Change in cash</b>	<b>-3,297</b>	<b>3,413</b>	<b>-2,256</b>	<b>-7,492</b>	<b>-6,872</b>
Cash and cash equivalents at the beginning of the period	16,864	11,891	15,867	22,953	22,953
Effect of exchange rate changes on cash	-31	106	-75	-51	-214
Cash and cash equivalents at period end	13,536	15,410	13,536	15,410	15,867

# Statement of changes in shareholder's equity

EUR thousand	Share capital	Unrestricted equity reserve	Retained earnings	Translation difference	Total
Equity 31 December 2022	80	9,590	15,213	-79	24,804
Result of the financial year			19,154	699	19,853
<b>Total comprehensive income for the year</b>			<b>19,154</b>	<b>699</b>	<b>19,853</b>
Cost of share-based payments			-15		-15
Dividend			-12,227		-12,227
<b>Equity 30 September 2023</b>	<b>80</b>	<b>9,590</b>	<b>22,124</b>	<b>620</b>	<b>32,414</b>
Equity 31 December 2023	80	9,590	25,485	-2,070	33,086
Result of the period			17,659	-498	17,161
<b>Total comprehensive income for the period</b>			<b>17,659</b>	<b>-498</b>	<b>17,161</b>
Cost of share-based payments			765		765
Dividend			-12,227		-12,227
<b>Equity 30 September 2024</b>	<b>80</b>	<b>9,590</b>	<b>31,681</b>	<b>-2,568</b>	<b>38,784</b>

# Notes to the financial statements

## 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		
	30 Sep 2024	30 Sep 2023	31 Dec 2023	1-9/2024	1-9/2023	1-12/2023
USD	1.1196	1.0594	1.1050	1.0857	1.0824	1.0797
GBP	0.8354	0.8646	0.8691	0.8528	0.8713	0.8703
JPY	159.82	158.10	156.33	164.13	149.21	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)	30 Sep 2024	30 Sep 2023	31 Dec 2023
USD	-0.8/+1.0	-1.3/+1.6	-1.0/+1.2

## 2. Revenue

### Disaggregation of revenue

Revenue from external customers

Sales channels	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Partner channel	29,346	28,479	88,193	75,057	105,122
of which Lookout consumer business <sup>1)</sup>	6,398	6,050	19,220	8,167	14,769
Direct channel (E-commerce)	7,003	6,655	21,025	18,407	25,249
of which Lookout consumer business <sup>1)</sup>	1,389	1,067	4,149	1,418	2,662
<b>Total</b>	<b>36,349</b>	<b>35,134</b>	<b>109,218</b>	<b>93,464</b>	<b>130,371</b>

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

Fair valuation of deferred revenue for the third quarter had a negative impact on revenue EUR 0.2 million (EUR 1.4 million) and for January-September 2024 EUR 1.3 million (EUR 2.0 million).

Geographical information	7-9/2024	7-9/2023 <sup>1)</sup>	1-9/2024 <sup>1)</sup>	1-9/2023 <sup>1)</sup>	1-12/2023 <sup>1)</sup>
Nordic countries	10,509	10,069	31,292	29,937	39,989
Rest of Europe	11,892	12,311	36,065	36,412	49,221
North America	11,276	10,549	34,128	21,431	32,792
Rest of world	2,673	2,205	7,734	5,684	8,369
<b>Total</b>	<b>36,349</b>	<b>35,134</b>	<b>109,218</b>	<b>93,464</b>	<b>130,371</b>

<sup>1)</sup> F-Secure has adjusted the geographical split of revenues between Rest of Europe and North America. The adjustment did not have a material impact to the reported figures. Comparative periods have been adjusted accordingly.

### 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

Cash flow from the acquisition	
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.

#### 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 174 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

EUR thousand	30 Sep 2024	30 Sep 2023	31 Dec 2023
Book value at beginning of period	215,157	11,052	11,052
Acquisition	-	204,779	205,648
Additions	10,956	6,736	8,454
Disposals	-73	-34	-34
Depreciation and amortization	-9,907	-5,172	-8,195
Translation differences	-610	556	-1,767
Book value at end of period	215,524	217,917	215,157

EUR thousand	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Depreciation and amortization by function					
Sales and marketing	305	281	911	837	1,115
Research and development	946	579	2,633	1,662	2,339
Administration	2,180	1,988	6,372	2,658	4,745
Total depreciation and amortization	3,431	2,848	9,916	5,156	8,199

EUR thousand	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Amortization	3,120	2,578	9,006	4,352	7,123
Depreciation	310	269	910	804	1,076
Total depreciation and amortization	3,431	2,848	9,916	5,156	8,199

## 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.

EUR thousand	Carrying Value		Total
	Financial assets Amortized Cost	Financial liabilities Amortized Cost	
<b>30 Sep 2024</b>			
Cash and cash equivalents	13,536		13,536
Interest-bearing receivables	3,590		3,590
Trade receivables	24,057		24,057
Bank loans		175,792	175,792
Trade payables		3,310	3,310
Lease liabilities		1,413	1,413
Other interest-bearing liabilities		5,365	5,365
<b>30 Sep 2023</b>			
Cash and cash equivalents	15,410		15,410
Interest-bearing receivables	3,752		3,752
Trade receivables	30,394		30,394
Bank loans		200,200	200,200
Trade payables		2,565	2,565
Lease liabilities		1,430	1,430
Other interest-bearing liabilities		5,281	5,281
<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 and the first extension option was exercised in April 2024. 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 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. Therefore, these balances are now short-term and due for payment in the second quarter of 2025. The interest rate for the unpaid transaction price varies by country. F-Secure's payables totaled EUR 5.4 million and the receivables totaled EUR 3.6 million, presented in the table above as Other interest-bearing liabilities (non-current) and interest-bearing receivables, respectively.

As at 30 September 2024, F-Secure's lease liabilities relate to leases for office premises and cars. In the second quarter of 2024, F-Secure signed a new lease agreement for headquarter office premises. This will be recorded in the balance sheet as right-of-use asset and lease liability during summer 2025 when the lease term starts, but the lease commitment already exists following the agreement.

## Financial liabilities

<u>Contractual maturities of financial liabilities:</u>	<u>Amount due within 12 months</u>	<u>Amount due after 12 months</u>	<u>Total</u>	<u>Nominal value</u>
Bank loans	30,000	147,000	177,000	175,792
Lease liabilities	898	515	1,413	1,413
Other interest-bearing liabilities	5,365	-	5,365	5,365
<b>Total</b>	<b>36,263</b>	<b>147,515</b>	<b>183,779</b>	<b>182,571</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

EUR thousand	7-9/2024	4-6/2024	1-3/2024	10-12/2023	7-9/2023
Revenue	36,349	36,492	36,377	36,907	35,134
Cost of revenue <sup>1)</sup>	-4,960	-5,129	-5,211	-3,896	-3,710
<b>Gross margin<sup>1)</sup></b>	<b>31,390</b>	<b>31,363</b>	<b>31,166</b>	<b>33,010</b>	<b>31,424</b>
Other operating income	158	192	288	131	239
Sales and marketing <sup>1)</sup>	-8,082	-9,027	-8,771	-10,242	-9,090
Research and development <sup>1)</sup>	-6,485	-6,642	-6,965	-8,381	-7,071
Administration	-5,466	-5,683	-5,736	-7,458	-5,514
<b>EBIT</b>	<b>11,515</b>	<b>10,204</b>	<b>9,982</b>	<b>7,061</b>	<b>9,988</b>
Financial net	-2,841	-3,283	-2,888	-3,432	-2,827
<b>Profit before taxes</b>	<b>8,674</b>	<b>6,921</b>	<b>7,095</b>	<b>3,630</b>	<b>7,161</b>
Income taxes	-1,966	-1,501	-1,564	-423	-1,754
<b>Profit for the period</b>	<b>6,708</b>	<b>5,420</b>	<b>5,531</b>	<b>3,207</b>	<b>5,408</b>

1) 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	7-9/2024	4-6/2024	1-3/2024	10-12/2023	7-9/2023
Revenue	36,349	36,492	36,377	36,907	35,134
Revenue growth %	3.5 %	19.6%	30.8 %	30.6 %	25.8 %
Adjusted EBITDA	14,946	13,472	12,964	11,962	13,065
% of revenue	41.1 %	36.9%	35.6%	32.4%	37.2%
EBITA	14,636	13,214	12,858	9,832	12,567
% of revenue	40.3 %	36.2%	35.3%	26.6%	35.8%
Adjusted EBITA	14,636	13,160	12,677	11,691	12,795
% of revenue	40.3 %	36.1%	34.9%	31.7%	36.4%
EBIT	11,515	10,204	9,982	7,061	9,988
% of revenue	18.5 %	14.9%	15.2%	8.7%	15.4%
Profit for the period	6,708	5,420	5,531	3,207	5,408
% of revenue	18.5 %	14.9%	15.2%	8.7%	15.4%
Earnings per share, EUR <sup>1)</sup>	0.04	0.03	0.03	0.02	0.03
Earnings per share, excluding PPA, EUR <sup>1)</sup>	0.05	0.04	0.04	0.03	0.04
R&D costs	6,485	6,642	6,965	8,381	7,071
% of revenue	17.8 %	18.2%	19.1%	22.7%	20.1%
Capital expenditure, excl. acquisition	3,012	3,544	3,323	1,401	2,307
% of revenue	8.3 %	9.7%	9.1%	3.8%	6.6%
Capital expenditure	3,012	3,544	3,455	2,278	2,307
Deferred revenue	25,197	25,856	27,912	25,626	22,760
Operating cash flow	5,011	16,831	7,889	13,162	6,006
Net debt (+) / Net cash (-)	165,445	166,567	179,576	177,402	187,748
Net debt/Adjusted EBITDA	3.1	3.2 <sup>2)</sup>	3.5 <sup>2)</sup>	3.5 <sup>2)</sup>	3.6 <sup>2)</sup>
Equity ratio %	14.4 %	12.6%	10.0%	12.0%	11.7%
Shareholder's equity per share, EUR	0.22	0.20	0.16	0.19	0.19
P/E ratio	14.1	15.6	14.8	27.7	14.1
Gearing, %	435.8 %	493.5%	654.3%	547.2%	590.8%
Cash conversion, %	40.5 %	124.5%	63.3%	141.2%	66.1%
Personnel at the end of the period	530	519	497	524	516

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

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

## Alternative Performance Measures

In addition to EBIT, F-Secure uses Adjusted EBITA and Adjusted EBITDA as key performance indicators when measuring performance between periods. Adjusted EBITA and Adjusted EBITDA exclude items that affect comparability. Items affecting comparability are associated with acquisition and 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

EUR thousand	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
<b>Adjusted EBITDA</b>	<b>14,946</b>	<b>13,065</b>	<b>41,382</b>	<b>33,689</b>	<b>45,651</b>
Adjustments to EBITDA					
Costs related to acquisition	-	-229	-	-6,097	-6,150
Costs related to restructuring	-	-	235	-	-1,805
<b>EBITDA</b>	<b>14,946</b>	<b>12,836</b>	<b>41,618</b>	<b>27,592</b>	<b>37,696</b>
Depreciation and amortization	-3,431	-2,848	-9,916	-5,156	-8,199
<b>EBIT</b>	<b>11,515</b>	<b>9,988</b>	<b>31,702</b>	<b>22,436</b>	<b>29,497</b>
<b>Adjusted EBITA</b>	<b>14,636</b>	<b>12,795</b>	<b>40,473</b>	<b>32,884</b>	<b>44,575</b>
Adjustments to EBITA					
Costs related to acquisition	-	-229	-	-6,097	-6,150
Costs related to restructuring	-	-	235	-	-1,805
<b>EBITA</b>	<b>14,636</b>	<b>12,567</b>	<b>40,708</b>	<b>26,788</b>	<b>36,620</b>
Amortization	-1,154	-587	-3,156	-1,696	-2,465
PPA amortization	-1,966	-1,991	-5,850	-2,656	-4,658
<b>EBIT</b>	<b>11,515</b>	<b>9,988</b>	<b>31,702</b>	<b>22,436</b>	<b>29,497</b>

## Classification of adjusted costs in operating expenses

EUR thousand	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
<b>Operating expenses</b>					
Sales and marketing	-8,082	-9,090	-25,880	-26,754	-36,996
Research and development	-6,485	-7,071	-20,091	-19,115	-27,496
Administration	-5,466	-5,514	-16,884	-17,940	-25,398
<b>Total</b>	<b>-20,033</b>	<b>-21,675</b>	<b>-62,855</b>	<b>-63,810</b>	<b>-89,890</b>
<b>Depreciation and amortization by function</b>					
Sales and marketing	-305	-281	-911	-837	-1,115
Research and development	-946	-579	-2,633	-1,662	-2,339
Administration	-2,180	-1,988	-6,372	-2,658	-4,745
<b>Total</b>	<b>-3,431</b>	<b>-2,848</b>	<b>-9,916</b>	<b>-5,156</b>	<b>-8,199</b>
<b>Items affecting Comparability (IAC) by function</b>					
Administration	-5,466	-5,514	-16,884	-17,940	-25,398
Less: Costs related to acquisition	-	229	-	6,097	6,150
Less: Costs related to restructuring	-	-	-235	-	1,805
Less: PPA amortization	1,966	1,991	5,850	2,656	4,658
<b>Administration excluding IAC</b>	<b>-3,500</b>	<b>-3,294</b>	<b>-11,270</b>	<b>-9,188</b>	<b>-12,785</b>
<b>Operating expenses less depreciation, amortization and IAC</b>					
Sales and marketing	-7,777	-8,810	-24,968	-25,917	-35,881
Research and development	-5,539	-6,492	-17,459	-17,454	-25,157
Administration	-3,286	-3,297	-10,748	-9,186	-12,783
<b>Total</b>	<b>-16,602</b>	<b>-18,599</b>	<b>-53,175</b>	<b>-52,557</b>	<b>-73,821</b>

# Calculation of key figures

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





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