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Interim report
1 January – 30 September 2023

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Progressing on profitability in a challenging market

Highlights of July – September 2023 (“third quarter”)

- Annual Recurring Revenue (ARR)¹ for cloud products² increased by 13% to EUR 81.2 million (EUR 71.7 million)
- ARR decreased from previous quarter by 0.9%
- Net Revenue Retention for cloud products was 102%
- Revenue from cloud products increased by 14% to EUR 20.5 million (EUR 17.9 million)
- Revenue from on-premise products decreased by 12% to EUR 5.9 million (EUR 6.7 million)
- Revenue from cyber security consulting decreased by 5% to EUR 8.4 million (EUR 8.9 million)
- Adjusted EBITDA was EUR -2.3 million (EUR -4.0 million)
- Items affecting comparability (IAC) of EBITDA were EUR -0.2 million (EUR +1.0 million)
- Consulting-related goodwill was impaired by EUR 6.2 million in the third quarter
- WithSecure signed a new three-year EUR 20 million revolving credit facility with OP Corporate Bank

Highlights of January – September 2023

- Revenue from cloud products increased by 21% to EUR 60.7 million (EUR 50.0 million)
- Revenue from on-premise products decreased by 10% to EUR 18.4 million (EUR 20.5 million)
- Revenue from cyber security consulting decreased by 7% to EUR 25.7 million (EUR 27.7 million)
- Adjusted EBITDA was EUR -16.3 million (EUR -17.2 million – Estimated comparable EBITDA³)
- Items affecting comparability (IAC) of EBITDA were EUR -3.4 million (EUR -4.3 million). Of this, EUR -4.4 million related to restructuring activities of the first quarter, and EUR +1.4 million to valuation of earn-out from previously divested business

¹ Annual recurring revenue (ARR) of cloud products is calculated by multiplying monthly recurring revenue of last month of quarter by twelve. Monthly recurring revenue includes recognized revenue within the month excluding non-recurring revenues

² Cloud products are Elements, Cloud Protection for Salesforce and Managed Services

³ Estimated comparable EBITDA is used for previous periods to ensure comparability. For explanation, see Note 6 (Reconciliation of alternative performance measures)

WithSecure completed the separation of its Consumer security business into an independent company F-Secure through a partial demerger on 30 June 2022. In this report, WithSecure is presenting consumer security business until its demerger in 2022 as Discontinued operations under IFRS 5. Previous income statements are restated accordingly. For full disclosure of demerger-related presentation, please refer to Note 7 (Discontinued operations).

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

Outlook for 2023 (unchanged)

Annual recurring revenue (ARR) for cloud products will grow by 18 – 24% from the end of 2022. At the end of 2022, cloud ARR was EUR 80.2 million.

Revenue from cloud products will grow by 18 – 24% from previous year. Previous year revenue from cloud products was EUR 68.7 million.

Total revenue of the group will grow by 6 – 12% from previous year. Previous year revenue was EUR 134.7 million.

Adjusted EBITDA will improve from previous year. Previous year's Adjusted EBITDA (Estimated comparable EBITDA for two first quarters) was EUR -23.2 million. Adjusted EBITDA of fourth quarter of 2023 will be between EUR -4 million and EUR +1 million.

Medium-term financial targets (unchanged)

WithSecure medium-term financial targets:

- Growth Target: To double revenue organically by the end of 2025 (from year 2021 comparable revenue of EUR 122.8 million)
- Profitability Target: Adjusted EBITDA break-even by the end of 2023 and adjusted EBITDA margin of some 20% by 2025

WithSecure annual strategy process is ongoing. Medium-term financial targets will be reviewed as part of the process.

CEO Juhani Hintikka

In the third quarter of 2023, cyber security market continued to be impacted by the economic slowness and strong competition. WithSecure cloud ARR grew by 13% from the previous year. Cloud revenue grew by 14% and was EUR 20.5 million (EUR 17.9 million). The growth rates are not satisfactory in comparison with our overall targets.

Our efforts to reach profitability are progressing. We reported an EBITDA loss of EUR –2.3M (EUR - 4.0 million) in the third quarter. The operating expenses compared to the second quarter of 2023 have declined by approximately EUR 4 million because of our first half restructuring activities. Becoming EBITDA positive continues to be a high priority for WithSecure.

Despite the overall headwinds, revenue grew in all main cloud products. Main drivers of growth were EDR (Endpoint detection and response), as well as Collaboration Protection, protecting Microsoft users from potential malicious content from entering through downloaded external content. New products introduced in the second quarter, in our main marketing event Sphere, reached their General Availability in early October, and they are showing early positive signs.

In MDR (Managed detection and response), the market continues to be very competitive. Our shift into mid-market customer segments progressed well in the third quarter, especially in the DACH region.

Cloud Protection for Salesforce content protection revenue and ARR development was below our expectations, especially in the third quarter. We continue to believe that there is a good market opportunity for this product in the longer term, but the sales are currently impacted by the customers' strong cost control.

Despite the disappointing growth rates in the third quarter, cloud revenue year-on-year growth continued in all our main markets. We believe that focusing on the right market sectors and complementing the high-quality products with a selection of co-security services offered through a strong network of partners will differentiate WithSecure from the competitors' offering.

In cyber security consulting, revenue declined by 5% from last year and was EUR 8.4 million (EUR 8.9 million). Order backlog improved in the third quarter. Due to the lowered revenue estimates, as well as the impact of increasing interest rates, we recorded an impairment of the consulting-related goodwill of EUR 6.2 million in the third quarter.



Financial performance

(mEUR)	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue	34.8	33.5	4 %	104.8	98.3	7 %	134.7
Cloud-based security products	20.5	17.9	14 %	60.7	50.0	21 %	68.7
On-premise security products	5.9	6.7	-12 %	18.4	20.5	-10 %	27.2
Cyber security consulting	8.4	8.9	-5 %	25.7	27.7	-7 %	38.8
Cost of revenue	-10.6	-11.6	9 %	-32.2	-34.4	6 %	-47.0
Gross Margin	24.2	21.9	10 %	72.6	63.9	14 %	87.7
of revenue, %	69.5 %	65.3 %		69.3 %	65.0 %		65.1 %
Other operating income ¹⁾	0.2	0.9	-76 %	1.0	1.8	-43 %	2.3
Operating expenses ¹⁾	-26.6	-26.8	0 %	-90.0	-86.4	4 %	-116.7
Sales & Marketing	-15.2	-18.6	19 %	-52.4	-57.9	10 %	-79.1
Research & Development	-8.2	-5.9	38 %	-27.6	-21.8	27 %	-28.4
Administration	-3.3	-2.3	46 %	-10.0	-6.6	51 %	-9.2
Adjusted EBITDA ²⁾	-2.3	-4.0	44 %	-16.3	-20.6	21 %	-26.7
of revenue, %	-6.5 %	-12.0 %		-15.6 %	-21.0 %		-19.8 %
Items affecting comparability (IAC)							
Other items	-0.1			-0.4			
Restructuring	-0.1			-4.4			
Divestments		0.4	100 %	1.4	-2.8	-150 %	-1.5
Demerger		0.7	100 %		-1.5	100 %	-1.8
EBITDA	-2.5	-3.0	17 %	-19.7	-24.9	21 %	-29.9
of revenue, %	-7.1 %	-8.9 %		-18.8 %	-25.3 %		-22.2 %
Depreciation & amortization, excluding PPA ³⁾	-2.5	-2.5	0 %	-7.6	-7.4	3 %	-10.1
Impairment	-6.2			-6.2			
PPA amortization	-0.6	-0.6	5 %	-1.8	-1.8	3 %	-2.5
EBIT	-11.8	-6.1	93 %	-35.3	-34.2	3 %	-42.6
of revenue, %	-33.8 %	-18.2 %		-33.7 %	-34.8 %		-31.6 %
Estimated comparable EBITDA	-2.3	-4.0	44 %	-16.3	-17.2	5 %	-23.2
of revenue, %	-6.5 %	-12.0 %		-15.6 %	-17.5 %		-17.3 %
Adjusted EBIT ²⁾	-4.8	-6.5	27 %	-23.9	-28.1	15 %	-36.8
of revenue, %	-13.7 %	-19.4 %		-22.8 %	-28.6 %		-27.3 %
Result for the period (Discontinued operations)					468.5	100 %	468.5

(mEUR)	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Performance indicators							
Earnings per share, (EUR) (continuing operations) ⁴⁾	-0.06	-0.03	-111 %	-0.16	-0.17	7 %	-0.22
Deferred revenue (continuing operations)				65.7	67.7	-3 %	68.6
Cash flow from operations before financial items and taxes	-9.0	-11.8	24 %	-22.5	-10.7	-111 %	-14.1
Cash and cash equivalents				30.0	75.1	-60 %	55.1
ROI, %	-33.3 %	-15.5 %	-115 %	-30.9 %	-31.3 %	1 %	-30.5 %
Equity ratio, %				79.1 %	79.7 %	-1 %	79.0 %
Gearing, %				-18.3 %	-41.9 %	56 %	-39.9 %
Personnel, end of period				1,147	1,280	-10 %	1,295

¹⁾ Excluding Items Affecting Comparability (IAC) and depreciation and amortization. Q3 2022 onwards excludes also costs of services provided to F-Secure under TSA and equivalent income charged for TSA services.

²⁾ Adjustments are material items outside the normal course of business associated with acquisitions, integration, restructuring, gains or losses from sales of businesses and other items affecting comparability. For reconciliation and a breakdown of adjusted costs, see Note 6 (Reconciliation of alternative performance measures)

³⁾ Amortization of intangible assets from business combinations (PPA, purchase price allocation, related amortizations).

⁴⁾ Based on the weighted average number of outstanding shares during the period 175,499,660 (1-9/2023). Earnings per share has been recalculated for comparative periods using average weighted share amount after share issues.

Market overview

Digital services are an essential component of society that must always work. Disruptions of the digital services can cause serious damage to society, the well-being of its members, and business operations. The war in Ukraine caused some exceptional consequences to the cyber security landscape, such as highly visible governmental activities, as well as organized civilian response. New situations can lead to uncontrolled cyber security threats that can be difficult to predict. In the new era of greater uncertainty, cyber resilience of organizations has become more important than ever. While advanced cyber-attacks on large enterprises continue, criminals are also targeting smaller businesses and supply chains by taking advantage of vulnerabilities in popular software as well as compromised credentials. Generative Artificial Intelligence makes ransomware and phishing schemes easier to deploy. Apart from activities carried out by criminals, governments can also use vulnerabilities and malware for surveillance purposes. With the increasingly complex IT environments and new ways of working, such as remote work and bring-your-own-device, the attacks are evolving towards difficult-to-detect fileless techniques and identity-based attacks, rather than malware deployment. Attacks against organizations can go undetected for months, and widespread security skills shortage is holding back organizations' readiness to detect and respond to cyber-attacks.

These trends are expected to continue to drive an increasing demand for detection and response products and services. As part of improved cyber resilience, threat exposure management is becoming more important than ever to proactively reduce the digital attack surface. As organizations are shifting to cloud, they seek managed security services and cloud-based delivery models to help them protect hybrid workforce and increased use of cloud services. It is also becoming increasingly important that the selected cyber security solutions consolidate point solutions into security platforms, integrate with the existing solutions, and ensure visibility across entire IT and cloud environments. Organizations are increasingly turning into outsourcing of security

capabilities to address skills and resource shortages, while stricter position on data protection, particularly in Europe, is driving the demand of alternatives to globally delivered managed security services. This will increase the need for proven services from established cyber security vendors, who can respect the data restrictions of a particular region.

July – September 2023 (3rd quarter)

Revenue

WithSecure revenue in the third quarter increased by 4% to EUR 34.8 million (EUR 33.5 million).

Cloud products

Revenue from cloud products (Elements, Managed services, Cloud Protection for Salesforce) grew by 14% to EUR 20.5 million (EUR 17.9 million).

Annual Recurring Revenue (ARR) for cloud products was EUR 81.2 million. The ARR grew by 13% year-on-year.

Elements is a modular platform, with currently 5 modules that the customer can select. The largest driver of growth is the Endpoint Detection and Response (EDR) module that is typically acquired by the customer to complement the Endpoint Protection (EPP) product. Also, other modules (Vulnerability Management and Collaboration protection for Microsoft 365) are contributing to the revenue growth. The latest addition to the platform is the Cloud Security Posture Management (CSPM) that provides automated identification and remediation of risks related to cloud infrastructures.

Cloud revenue also includes Managed Services revenue, particularly the Countercept MDR (Managed Detection and Response), as well as revenue for Cloud Protection for Salesforce.

Cloud revenue growth rate is impacted by the economic slowness, particularly in Europe, as well as the strong competition in the cyber security market. Especially in Cloud Protection for Salesforce, the third quarter ARR and revenue fell behind expectations, mostly because of customers' cost control that delayed their spending. MDR market continues to be very competitive. WithSecure is shifting focus from the enterprise size customers to mid-market companies, which generates further synergies with the product portfolio. The new sales, especially in the DACH region, have progressed well in the third quarter.

Despite the low growth rates, cloud revenue grew year-on-year in all products, and all main markets of WithSecure.

On-premise products

Revenue from on-premise product WithSecure Business Suite declined by 12% to EUR 5.9 million (EUR 6.7 million).

Decrease of on-premise revenue is part of WithSecure's strategic transition to cloud-based environments. The customers are increasingly switching to cloud-based products, leading to a decline in the on-premise revenue over time.

Cyber security consulting

Revenue from cyber security consulting declined by 5% to EUR 8.4 million (EUR 8.9 million).

After a slow beginning of 2023, the spending of the finance sector customers is returning to the earlier levels, and the order backlog of consulting has improved.

Gross margin

WithSecure gross margin improved to EUR 24.2 million (EUR 21.9 million) and was 69.5% of revenue (65.3%). The improvement relates to the increasing share of software revenue, as well as good results of hosting cost optimization through development work. Other factors, such as USD-based hosting cost can cause variance in the Gross margin.

Operating expenses

Operating expenses (excluding depreciation, amortization and impairment and items impacting comparability) were EUR 26.6 million (EUR 26.8 million).

Comparative figures of the previous year are impacted by the work volumes related to F-Secure demerger, but a comparison to the second quarter of 2023 shows the impacts of first half restructuring on the operating expenses.

Depreciation and amortization were EUR 2.5 million (EUR 2.5 million), amortization of PPA was EUR 0.6 million (EUR 0.6 million) and impairment of goodwill was EUR 6.2 million (EUR 0.0 million). For goodwill impairment, see Note 4 (Intangible and tangible assets).

Profitability

Adjusted EBITDA was EUR -2.3 million (EUR -4.0 million).

Items affecting comparability (IAC) of EBITDA were EUR -0.2 million (EUR +1.0 million).

EBITDA was EUR -2.5 million (EUR -3.0 million).

Cash flow

Cash flow from operating activities before financial items and taxes was EUR -9.0 million (EUR -11.8 million). Apart from the operative result for the period, cash flow was driven by some unusually high payments to key vendors, delayed from regular schedule. Also, some severance payments related to the restructuring were made in the third quarter. Cash flow from operating activities was -9.7 million (EUR -13.1 million).

Cash flow from investments EUR 12.3 million includes returned investments in short-term corporate commercial papers (EUR 12.9 million).

January – September 2023

Revenue

WithSecure revenue in January – September increased by 7% to EUR 104.8 million (EUR 98.3 million).

Cloud products

Revenue from cloud products (Elements, Managed services, Cloud Protection for Salesforce) grew by 21% to EUR 60.7 million (EUR 50.0 million).

On-premise products

Revenue from on-premise product WithSecure Business Suite declined by 10% to EUR 18.4 million (EUR 20.5 million).

Cyber security consulting

Revenue from cyber security consulting declined by 7% to EUR 25.7 million (EUR 27.7 million).

Gross margin

WithSecure gross margin improved to EUR 72.6 million (EUR 63.9 million) and was 69.3% of revenue (65.0%). The improvement relates to the increasing share of software revenue, as well as good results of hosting cost optimization through development work. Other factors, such as USD-based hosting cost can cause variance in the Gross margin.

Operating expenses

Operating expenses (excluding depreciation, amortization and impairment and items impacting comparability) were EUR 90.0 million (EUR 86.4 million). The increase is caused by the growth of personnel expenses, especially one-off salary payments in the second quarter (impact approximately EUR 1.5 million) and salary increases. Sales and marketing expense includes approximately EUR 1.1 million of expenses for the SPHERE '23 event and related activities. Also, the comparative period operative activity level is slightly lower than usual, due to demerger preparations.

Depreciation and amortization was EUR 7.6 million (EUR 7.4 million), amortization of PPA was EUR 1.8 million (EUR 1.8 million) and impairment was EUR 6.2 million (EUR 0.0 million). For goodwill impairment, see Note 4 (Intangible and tangible assets).

Profitability

Adjusted EBITDA was EUR -16.3 million (EUR -17.2 million of Estimated comparable EBITDA³).

Items affecting comparability (IAC) of EBITDA were EUR -3.4 million (EUR -4.3 million). Of this, EUR -4.4 million related to restructuring activities of the first quarter, and EUR +1.4 million to valuation of earn-out from previously divested business.

EBITDA was EUR -19.7 million (EUR -24.9 million). Comparability of previous year's figure is impacted by the operating expense related to F-Secure operations. For full disclosure of comparable profitability figures, refer to Note 6 (Reconciliation of alternative performance measures).

Cash flow

Cash flow from operating activities before financial items and taxes was EUR -22.5 million (EUR -10.7 million including discontinued operations). Cash flow was driven by negative operative result for the period and payments related to share-based and short-term incentive programs and restructuring. Cash flow from operating activities was -24.7 million (EUR -18.4 million including discontinued operations).

Cash flow from investments EUR 4.8 million includes Group's short-term investments in corporate commercial papers (EUR 8.1 million).

Discontinued operations (in 2022)

Result of the discontinued operations of 2022 includes the revenue and expenses directly derived from the Consumer security (F-Secure) business, demerged on 30 June 2022. For full disclosure of demerger-related presentation, please refer to Note 7 (Discontinued operations).

Financing, capital structure and capital expenses

(mEUR)	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Cash and cash equivalents				30.0	75.1	-60 %	55.1
Financial assets at amortized cost				5.9			14.0
Lease liabilities, non-current				5.8	6.1	-4 %	4.8
Other loans, non-current				3.6	3.7	-1 %	3.6
Lease liabilities, current				5.6	4.5	24 %	4.8
Capital expenditure, excl. lease assets	1.5	0.8	100 %	4.9	3.1	61 %	4.8
Capitalized development expenses	0.7	0.3	151 %	2.4	2.8	-13 %	2.4
ROI, %	-33.3 %	-15.5 %	-115 %	-30.9 %	-31.3 %	1 %	-30.5 %
Equity ratio, %				79.1 %	79.7 %	-1 %	79.0 %
Gearing, %				-18.3 %	-41.9 %	56 %	-39.9 %

Liquidity remained at a solid level, but the operative loss and annual payments for incentives and restructuring expenses have impacted the cash flow. At the end of the quarter, the company had liquid assets in total of EUR 35.9 million (EUR 75.1 million). Liquid assets include investments in short term corporate commercial papers. Cash and cash equivalents include cash in bank accounts and short-term investments in money market instruments with maturity of less than three months. Corporate commercial papers are presented as financial assets at amortized cost.

In September 2023, the company signed a new committed EUR 20 million revolving credit facility (RCF) with OP Corporate Bank. The facility will mature in three years from its signing. The new facility is subject to conventional covenants related to ratio of net debt to EBITDA and equity ratio. The facility diversifies WithSecure financing base and secures reaching the growth strategy goals.

Organization and leadership

Personnel

At the end of the quarter, WithSecure had 1,147 employees, which shows a net decrease of 48 employees (4%) since the previous quarter-end (1,195 on Q2 2023), and a net decrease of 133 employees (11%) compared to the end of September 2022 (1,280). The change during third quarter of 2023 is partly due to restructuring and partly due to normal attrition.

Leadership team

At the end of the quarter, the composition of the Global Leadership Team was the following:

Juhani Hintikka (President and CEO), Christine Bejerasco (Chief Information Security Officer), Charlotte Guillou (Chief People Officer), Tom Jansson (Chief Financial Officer), Antti Koskela (Chief

Product Officer), Tim Orchard (Chief Technology Officer), Scott Reininga (EVP, Solutions), Tiina Sarhimaa (Chief Legal Officer) and Ari Vanttinen (Chief Marketing Officer).

In July 2023, Chief Customer Officer Juha Kivikoski announced that he will leave the company. His successor has not yet been appointed. CEO Juhani Hintikka assumes the CCO role in interim.

Shares, Shareholders' Equity, Own Shares

In the third quarter, 13.9 million (15.0 million) of WithSecure shares were traded on Nasdaq Helsinki. The highest trading price was EUR 1.24 (2.64), and the lowest price was EUR 0.96 (1.49). The volume weighted average price of WithSecure shares in the third quarter of 2023 was EUR 1.07 (1.85).

The share's closing price on the last trading day of the quarter, 30 September 2023, was EUR 1.03 (1.60). Based on that closing price, the market value of the company's shares, excluding the treasury shares held by the company, was EUR 181 million (EUR 280 million).

The company has market-based long-term share-based incentive programs for key employees. Information about the programs is disclosed in Note 3 (Share-based payments) and Annual Report of 2022.

Annual General Meeting

The Annual General Meeting (AGM) of WithSecure Corporation was held on 21 March 2023. The meeting confirmed the financial statements for the financial year 2022 and reviewed the remuneration report for governing bodies. The members of the Board and the President and CEO were discharged from liability.

The meeting approved the proposal of the Board of Directors that no dividend will be paid for the financial year 2022 due to the loss-making net result of the year. The company will focus on funding its growth and developing the business.

The AGM decided that the annual remuneration of the Board of Directors will remain unchanged: EUR 80,000 for the Chair of the Board of Directors, EUR 48,000 for the Committee Chairs, EUR 38,000 for the members of the Board of Directors, and EUR 12,667 for the member of the Board of Directors employed by the Company. Approximately 40% of the remuneration will be paid as shares in the Company.

The AGM decided that the number of Board members shall be seven. The following current Board members were re-elected: Risto Siilasmaa, Keith Bannister, Päivi Rekonen, Tuomas Syrjänen and Kirsi Sormunen. Ciaran Martin and Camilla Perselli, who belongs to the personnel of WithSecure Corporation, were elected as new members of the Board of Directors.

The Board elected Risto Siilasmaa as the Chair of the Board. Tuomas Syrjänen was nominated as the Chair of the Personnel Committee and Risto Siilasmaa and Päivi Rekonen as members of the Personnel Committee. Kirsi Sormunen was nominated as the Chair of the Audit Committee and Keith Bannister, Ciaran Martin and Camilla Perselli were nominated as members of the Audit Committee.

Audit firm PricewaterhouseCoopers Oy was re-elected as Auditor of the Company. Mr. Jukka Karinen, APA, acts as the responsible auditor.

The AGM authorised the Board of Directors to decide upon the repurchase of a maximum of 17,459,800 of the Company's own shares in total. The maximum amount equals to approximately 10% of all the shares in the Company, in one or several tranches with the Company's unrestricted equity. The authorization is valid until the conclusion of the next Annual General Meeting, in any case no later than until 30 June 2024.

The AGM authorised the Board of Directors to decide on the issuance of a maximum of 17,459,800 shares in total through a share issue as well as by issuing options and other special rights entitling to shares pursuant to chapter 10, section 1 of the Companies Act in one or several tranches. The maximum number of shares corresponds to 10% of all shares in the Company. The authorisation concerns both the issuance of new shares and the transfer of treasury shares held by the Company. The authorisation is valid until the conclusion of the next Annual General Meeting, in any case until no later than 30 June 2024.

The AGM decided to change Article 10 of the Company's Articles of Association concerning the Annual General Meeting be amended to allow for the General Meeting to be held completely without a meeting venue as a remote meeting.

Full disclosure of the AGM resolutions, as well as the organizing meeting of the Board of Directors held on the same day, has been provided in the Stock Exchange release of 21 March 2023.

Risks and uncertainties

WithSecure operations are subject to risks and uncertainties that can impact on the company's sales, profitability, financial position, market share, reputation, share price or the achievement of its short- and long-term objectives. The matters described here should not be considered as an exhaustive list.

The objective of WithSecure risk management is to identify various risks that could have an impact on the business, and to implement appropriate measures to mitigate the risks. In assessing risks, WithSecure considers both the likelihood and the potential impact of each risk, as well as the resources required to manage and mitigate the risk. Ensuring business continuity in any situations of risks materializing is an essential part of risk management. WithSecure risk management principles and process are described in the Corporate Governance Statement of 2022.

Risks related to cyber security market

Market consolidation

The cyber security market is scattered to many providers of software and services. Also, the large market participants are investing more in the development of embedded security and winning market share. Further consolidation to larger units is considered as a likely development. WithSecure must succeed in finding the right acquisition targets, as well as in integrating the acquired companies into its operations. As one of the smaller players in the market, the company must always keep itself relevant to the customers, by ensuring both up to date technology and good quality, timely services.

Geopolitical risks

WithSecure operates in different countries and is therefore exposed to the country risks of each location. Local regulations are exposing the company to risks, such as unfavorable tax matters or

export controls. Changes in regulations or their application, applicable to current or new technologies or services, may adversely affect WithSecure's business operations.

Ukraine war

The war in Ukraine has significantly increased the uncertainty in the world and the risk of unexpected disruptions of the world economy and security stability. Any such events would also impact the WithSecure business. The war has increased the awareness of the importance of cyber security, especially for companies, and it will continue impacting the corporate cyber security market.

For corporate responsibility reasons, WithSecure is not conducting business with any Russian or Belarussian parties, even in cases where it would be permitted by the export control regulations.

Environmental risks

As part of the sustainability materiality analysis, WithSecure has assessed the impact of the environmental risks, especially climate change, on its business. The company is a provider of software and services, and as such not significantly impacted by the environmental risks. Business continuity planning covers scenarios related to unavailability of resources due to natural disasters or other hazards.

Risks related to WithSecure operations and products

Attracting and retaining talent

The unavailability of skilled personnel may result in inability to provide consulting or other services to customers, which could have a direct impact on the company revenue. Competition for skilled personnel is increasing and there is structural undersupply of talent in the cyber security industry. WithSecure is continuously developing and adopting new ways of recruitment, building its own talent and knowledge pools, and investing in training and development of personnel.

Product risks

WithSecure operates in a highly competitive market. Cybercrime is growing fast and becoming more innovative and professional. Large vendors make significant investments in their development and marketing activities, while new vendors are emerging in the market, and the operating system manufacturers are increasing their focus on built-in security features. WithSecure must succeed in maintaining in-depth understanding of cyber security threat landscape, following the hacker techniques and technologies, as well as continuing to innovate in defensive technologies.

Cyber security incident

Cyber security attacks threaten the confidentiality, integrity, and availability of WithSecure products and services, and their mitigation is considered as a high priority in all parts of the company. WithSecure builds cyber resilience by continuously improving its capability to identify, protect, detect, and respond to relevant threats.

Intellectual property rights (IPR)

WithSecure protects its technologies and innovations through copyrights, patents, trademarks, and technology partnerships. While WithSecure uses all available protection mechanisms, the businesses are exposed to risks relating intellectual property claims, particularly in the US markets.

Financial risks

Inflation and interest rates

Rising inflation increases the risk for negative development of the cost structure. This is monitored very closely, and inflation will also most likely require mitigation actions to retain the workforce in the company. Increasing interest rates could limit the possibilities of external funding in the future.

Liquidity risk

After the demerger of cash-positive consumer business, WithSecure must focus on accurate cash planning and prompt collections to ensure liquidity of all group companies and to avoid the needs of short-term financing.

Currency fluctuations

The increasing volume of operations outside the Euro zone in different currencies exposes WithSecure to an increased risk related to currency fluctuations. In order to minimize the impact of the fluctuation of the exchange rates, the Group can use forward currency contracts to eliminate the currency exposure of the estimated cash flow of these currencies.

Events after period-end

No material changes regarding the company's business or financial position have taken place after the end of the quarter.

Financial calendar

WithSecure will publish its financial information release dates of 2024 later in the fourth quarter.

WithSecure observes at least a three-week (21 days) silent period prior to publication of financial reports, during which it refrains from engaging in discussions with capital market representatives or the media regarding WithSecure's financial position or the factors affecting it.

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Key ratios and other key figures

PROFITABILITY	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Revenue	34,766	33,508	104,837	98,318	134,700
Cloud-based security products	20,480	17,938	60,678	50,026	68,711
On-premise security products	5,878	6,677	18,424	20,545	27,152
Cyber security consulting	8,408	8,893	25,736	27,747	38,837
Gross margin	24,178	21,893	72,601	63,924	87,728
Gross margin, % of revenue	69.5%	65.3 %	69.3%	65.0 %	65.1 %
Operating expenses	-37,613	-33,621	-115,816	-104,695	-142,605
Operating expenses for adjusted EBITDA ¹⁾	-26,648	-26,762	-89,950	-86,389	-116,709
Other income, adjusted ²⁾	205	852	1,027	1,796	2,345
Adjusted EBITDA	-2,266	-4,016	-16,322	-20,639	-26,672
Adjusted EBITDA, % of revenue	-6.5%	-12.0 %	-15.6 %	-21.0 %	-19.8 %
EBITDA	-2,470	-2,978	-19,707	-24,891	-29,946
EBITDA, % of revenue	-7.1%	-8.9 %	-18.8%	-25.3 %	-22.2 %
Adjusted EBIT	-4,773	-6,516	-23,901	-28,102	-36,761
Adjusted EBIT, % of revenue	-13.7%	-19.4 %	-22.8%	-28.6 %	-27.3 %
EBIT	-11,761	-6,091	-35,280	-34,190	-42,552
EBIT, % of revenue	-33.8%	-18.2 %	-33.7%	-34.8 %	-31.6 %
Estimated comparable EBITDA ³⁾	-2,266	-4,016	-16,322	-17,246	-23,248
Estimated comparable EBITDA, % of revenue	-6.5%	-12.0 %	-15.6%	-17.5 %	-17.3 %
ROI, % ⁴⁾	-33.3%	-15.5 %	-30.9%	-31.3 %	-30.5%
ROE, % ⁴⁾	-34.8 %	-13.1 %	-29.7 %	-33.3 %	-32.5%
Discontinued operations					
Profit after taxes of the operations transferred to F-Secure				13,574	13,574
Fair value gain recognised from valuation of discontinued operations' net assets				450,499	450,499
Demerger expenses, net of taxes				3,060	3,060
Translation difference				1,366	1,393
Result for the period				468,498	468,526
CAPITAL STRUCTURE					
Equity ratio, %			79.1%	79.7 %	79.0%
Gearing, %			-18.3%	-41.9 %	-39.9%
Interest bearing liabilities			15,076	13,675	13,208
Cash and cash equivalents			30,026	75,086	55,129
SHARE RELATED					
Earnings per share, basic and diluted ⁵⁾	-0.06	-0.03	-0.16	-0.17	-0.22
Shareholders' equity per share, EUR			0.65	0.84	0.80

OTHER					
Capital expenditure, excl. lease assets	1,514	758	4,927	3,057	4,845
Capitalized development expenses	750	299	2,428	2,790	2,439
Depreciation, amortization and impairment excl. PPA amortization	-8,706	-2,500	-13,778	-7,393	-10,091
Depreciation, amortization and impairment	-9,291	-3,113	-15,573	-9,229	-12,606
Personnel, average ⁴⁾	1,166	1,268	1,222	1,479	1,438
Personnel, period end			1,147	1,280	1,295

¹⁾ From Q3 2022 onwards excludes also costs of services provided to F-Secure under Transitional Services Agreement (TSA).

²⁾ Fees charged from F-Secure equivalent to costs under TSA are adjusted from Other income in calculating Alternative Performance Measures. In addition, changes to fair value of deferred considerations from divestments are treated as adjustments.

³⁾ For periods after the demerger date (30 June 2022), Estimated comparable EBITDA is equivalent to Adjusted EBITDA.

⁴⁾ Comparative information of January to September 2022 is still affected by periods of combined operations

⁵⁾ Earnings per share has been recalculated for comparative periods using average weighted share amount after share issues.

INTERIM REPORT Q3 2023 TABLE SECTION

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting principles are the same as in the Annual Report 2022. All figures in the following tables are EUR thousands unless otherwise stated. This interim report release is unaudited.

Income statement

	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue	34,766	33,508	4 %	104,837	98,319	7 %	134,700
Cost of revenue	-10,588	-11,616	9 %	-32,237	-34,395	6 %	-46,972
Gross margin	24,178	21,893	10 %	72,601	63,924	14 %	87,728
Other operating income ^{1) 4)}	1,674	5,638	-70 %	7,935	6,581	21 %	12,325
Sales and marketing ¹⁾	-16,165	-19,642	18 %	-55,366	-60,847	9 %	-83,118
Research and development ¹⁾	-10,776	-9,898	9 %	-35,916	-28,454	26 %	-39,143
Administration ^{1) 5)}	-10,672	-4,081	162 %	-24,534	-15,394	59 %	-20,344
EBIT	-11,761	-6,091	93 %	-35,280	-34,190	3 %	-42,552
Financial net	62	-331	-119 %	500	-794	-163 %	-1,619
Result before taxes	-11,700	-6,422	82 %	-34,780	-34,984	1 %	-44,171
Income taxes	1,325	1,512	-12 %	6,467	4,660	39 %	5,961
Result for the period, continuing operations	-10,374	-4,910	111 %	-28,314	-30,325	7 %	-38,210
Result for the period, discontinued operations²⁾					468,526	100 %	468,526
Result for the period, group total	-10,374	-4,910	111 %	-28,314	438,201	106 %	430,316
Other comprehensive income							
Exchange differences on translating foreign operations, continuing operations	-799	-2,277	65 %	964	-1,586	-161 %	-1,066
Exchange differences on translating foreign operations, discontinued operations					-934	100 %	-934
Total other comprehensive income, continuing operations	-11,174	-7,188	55 %	-27,350	-31,910	14 %	-39,276
Total other comprehensive income, discontinued operations					467,592	100 %	467,592
Total other comprehensive income, group (parent company owners)	-11,174	-7,188	55 %	-27,350	435,682	106 %	428,316

Earnings per share ³⁾	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Earnings per share, basic and diluted, EUR, combined operations	-0.06	-0.03	-111 %	-0.16	2.50	-106 %	2.67
Earnings per share, basic and diluted, EUR, continuing operations	-0.06	-0.03	-111 %	-0.16	-0.17	7 %	-0.22
Earnings per share, basic and diluted, EUR, discontinued operations					2.67	100 %	2.45

¹⁾ From Q3 2022 onwards Other operating income includes fees invoiced from F-Secure under Transitional Services Agreement (TSA, EUR 1.5 million in Q3). Costs related to services provided under TSA are included in operating expenses for Research and Development and Administration (EUR 1.5 million in Q3).

²⁾ Discontinued operations' result includes also the distribution gain, demerger expenses and cumulative translation difference related to disposed business.

³⁾ Earnings per share has been recalculated for comparative periods using average weighted share amount after share issues.

⁴⁾ Other operating income includes impact of revised deferred consideration from divestment of UK public sector consulting business in 2021 of EUR 1,4 million for 1-9/2023.

⁵⁾ Includes consulting goodwill impairment (6.2 million) in Q3 2023, see further details in note 4 (Intangible and Tangible Assets).

Statement of financial position

Assets	30 Sep 2023	30 Sep 2022	31 Dec 2022
Tangible assets	13,867	10,050	10,749
Intangible assets	21,564	24,471	23,519
Goodwill	78,345	83,261	82,998
Deferred tax assets	12,573	5,358	6,767
Interest bearing receivables, non-current ¹⁾	6,806	6,568	7,865
Other receivables	1,829	2,744	1,271
Total non-current assets	134,984	132,453	133,169
Interest bearing receivables, current ¹⁾	2,268	960	2,220
Accrued income	5,809	6,226	5,497
Trade and other receivables	29,967	31,950	34,875
Income tax receivables	790	3,003	932
Financial asset at fair value through profit and loss	26	26	26
Financial assets at amortized cost	5,900		13,977
Cash and cash equivalents	30,026	75,059	55,129
Total current assets	74,786	117,225	112,658
Total assets	209,770	249,678	245,827

Shareholders' equity and liabilities	30 Sep 2023	30 Sep 2022	31 Dec 2022
Equity	113,837	146,452	140,089
Interest bearing liabilities, non-current	9,476	8,843	8,369
Deferred tax liability		2,245	1,623
Deferred revenue, non-current	21,623	21,511	22,153
Other non-current liabilities	371	292	317
Total non-current liabilities	31,470	32,891	32,462
Interest bearing liabilities, current	5,600	4,832	4,839
Trade and other payables	13,730	19,394	19,868
Provisions ²⁾	312		
Income tax liabilities	754	1,636	2,126
Deferred revenue, current	44,071	44,476	46,446
Total current liabilities	64,466	70,338	73,279
Total liabilities and equity	209,770	249,678	245,827

¹⁾ Interest bearing receivables include receivables related to premises subleased to F-Secure, receivables related to asset transfers in Group subsidiaries in relation to demerger and receivables from divestments.

²⁾ Provision related to restructuring in Q1 2023.

Cash flow statement

Cash flow statement includes both continuing and discontinued operations for periods before Q3 2022.

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Cash flow from operations					
Result for the period	-10,374	-4,910	-28,314	438,201	430,316
Adjustments	8,541	1,623	13,015	-435,960	-433,293
Depreciation and amortization	9,291	3,113	15,573	9,758	13,025
Non-cash adjustments related to demerger				-451,834	-447,828
Restructuring provision	-81		4,184		
Financial items and taxes	-1,387	-1,642	-6,966	1,126	1,562
Other adjustments	718	152	224	4,990	-52
Cash flow from operations before change in working capital	-1,833	-3,287	-15,298	2,241	-2,977
Change in net working capital	-6,698	-8,534	-3,341	-12,925	-11,171
Change in provisions	-462		-3,873		
Cash flow from operating activities before financial items and taxes	-8,993	-11,821	-22,512	-10,695	-14,148
Net financial items and taxes	-669	-1,258	-2,231	-7,661	-6,096
Cash flows from operating activities	-9,663	-13,079	-24,743	-18,356	-20,244
Cash flow from investments					
Net investments in tangible and intangible assets	-1,497	-467	-4,911	-2,917	-4,770
Divestments of businesses, net of cash	888	410	1,585	-736	-734
Net cash flow from investments into financial instruments ¹⁾	12,925		8,077		-13,979
Cash flow from investments	12,315	-57	4,751	-3,653	-19,483
Cash flow from financing activities					
Increase in share capital				75,988	75,988
Repayments of interest-bearing liabilities				-19,000	-19,000
Repayments of lease liabilities	-1,345	-1,101	-4,376	-4,010	-5,989
Cash flow from financing activities	-1,345	-1,101	-4,376	52,978	50,999
Change in cash	1,308	-14,237	-24,368	30,969	11,273
Cash and cash equivalents at the beginning of the period	28,776	92,235	55,129	52,940	52,940
Effect of exchange rate changes on cash	-56	108	-734	105	-129
Demerger effect in cash ²⁾		-3,046		-8,955	-8,955
Cash and cash equivalents at period end ¹⁾	30,026	75,059	30,026	75,059	55,129

¹⁾ Investments into financial instruments are Group's investments in financial assets measured at amortized cost, such as corporate commercial papers. Investments in short term money market instruments with maturity less than three months are presented as *Cash and cash equivalents*.

²⁾ Demerger effect in cash includes cash transferred to F-Secure from parent company and cash held by F-Secure subsidiaries.

Statement of changes in shareholders' equity

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2021	1,551	165	6,789	-849	87,831	-124	95,363
Total comprehensive income for the year, continuing operations					-30,325	-1,586	-31,910
Total comprehensive income for the year, discontinued operations					468,526	-934	467,592
Share issue			75,988				75,988
Dividend					20		20
Reduction of share capital and share premium reserve	-1,471	-165			1,636		
Cost of share-based payments			835	694	886		2,416
Assets transferred in the demerger at fair value					-463,020		-463,020
Equity 30 Sep 2022	80		83,612	-155	65,557	-2,643	146,452

	Share capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2022	80	83,638	-155	58,649	-2,124	140,089
Total comprehensive income for the year				-28,314	964	-27,350
Cost of share-based payments				1,098		1,098
Equity 30 Sep 2023	80	83,638	-155	31,432	-1,160	113,837

NOTES

1 Significant exchange rates and sensitivity to exchange rate changes

One Euro is	Average rates					End rates		
	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022	30 Sep 2023	30 Sep 2022	31 Dec 2022
USD	1.0919	1.0195	1.0621	1.0934	1.1069	1.0594	0.9748	1.0666
GBP	0.8577	0.8528	0.8713	0.8447	0.8509	0.8646	0.8830	0.8869
JPY	157.46	138.89	147.96	133.7658	26.13	158.10	141.0100	140.66

Effect of changes in exchange rates on profit before taxes

+/-10 % FX rate change, mEUR	1-9/2023	1-9/2022	1-12/2022
USD	+0,1/-0,2	+0,2/-0,2	+0,3/-0,3
GBP	-0,3/+0,3	-0,3/+0,4	-0,4/+0,5
JPY	+0,1/-0,2	-0,3/+0,4	-0,3/+0,4

Group has forward contracts to hedge internal loan receivable in USD. As of 30 September 2023, the nominal value of the forward contracts was EUR 7 million and the market value was EUR -159 thousand.

2 Segment information

The Group has only one segment (security).

Disaggregation of revenue

By sales channels	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Cloud-based security products	20,480	17,938	60,678	50,026	68,711
On-premise security products	5,878	6,677	18,424	20,545	27,152
Cyber security consulting	8,408	8,893	25,736	27,747	38,837
Total revenue	34,766	33,508	104,837	98,318	134,700

By geographical area	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Nordic countries	8,776	9,639	29,322	29,993	40,985
Rest of Europe	17,129	15,461	49,600	43,655	60,383
North America	3,645	3,131	9,655	8,537	11,664
Rest of the world	5,215	5,277	16,260	16,133	21,668
Total revenue	34,766	33,508	104,837	98,318	134,700

3 Share-based payments

In December 2022, WithSecure's Board of Directors decided on a new Performance Share Plan for years 2023-2025 within a share-based long-term incentive scheme first announced in February 2020. The plan is offered to the management and selected key employees. The performance criteria for the new plan is WithSecure's total shareholder return (TSR). The aggregate maximum number of shares to be paid based on the plan is approximately 4,700,000 shares. Expected total cost of the program is EUR 3.3 million, and the rewards have been granted to approximately 110 employees.

In December 2022, WithSecure's Board of Directors also decided on a new Restricted Share Plan for years 2023-2025 within a restricted share plan scheme first announced in September 2020. The plan is offered to selected key employees. The aggregate maximum number of shares to be paid based on the plan is approximately 1,100,000 shares.

In September 2023, WithSecure's Board of Directors has decided to launch a new Plan period 2024-2026 within the ESSP for the employees of WithSecure Corporation and its subsidiaries, first announced in August 2022. The employees will have an opportunity to save a proportion of their salaries and invest those savings in WithSecure shares. The savings will be used for acquiring WithSecure shares quarterly after the publication of the respective interim reports. As a reward for the commitment, WithSecure grants the participating employees a gross award of one matching share for every two shares acquired with their savings. The maximum number of matching shares (gross number before taxes) for the plan period is approximately 1,000,000 shares.

4 Intangible and tangible assets

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Book value at the beginning of the financial year	117,266	130,885	130,889
Business combinations and divestments		-562	-562
Additions	12,649	8,965	11,542
Disposals	-2,342	-2,846	-2,183
Depreciation and amortization	-9,375	-9,299	-12,606
Impairment	-6,198		
Translation differences	1,775	-2,217	-2,670
Demerger effect ¹⁾		-7,143	-7,143
Book value at the end of the period	113,776	117,783	117,266

¹⁾Demerger effect in Q2 2022 includes all WithSecure's Consumer business related tangible and intangible assets which were transferred to F-Secure on June 30, 2022.

Intangible assets include goodwill resulting from acquisitions of nSense (Denmark) in 2015, Inverse Path (Italy) in 2017, Digital Assurance (UK) in 2017, and MWR Infosecurity (UK) in 2018.

For impairment testing, goodwill is allocated to two cash generating units (CGU's). The carrying amount of goodwill is allocated to the CGUs as follows:

	30 Sep 2023	31 Dec 2022
Consulting	49,129	54,779
MDR	29,215	28,219
Total	78,345	82,998

After lowering its revenue estimates, WithSecure tested the goodwill valuation already in the third quarter, deviating from the regular annual testing cycle. Future cash flows for the value in use calculation are based on preliminary long-range forecast of the company for the next five years. Cash flows beyond forecast period have been extrapolated using a steady 2% per annum growth rate for both CGU's. Discount rates applied in the testing were 12.3% (9.9% in 2022) for consulting and 16.1% (15.6%) for MDR, before taxes. Due to the lower revenue forecast, as well as the impact of increasing interest rates, the carrying value of consulting-related goodwill was higher than its recoverable value, based on a value in use calculation using future cashflows. WithSecure recorded an impairment of the consulting-related goodwill of EUR 6.2 million.

WithSecure will perform an update testing during the fourth quarter and report sensitivity analysis as part of its financial statements.

Goodwill	30 Sep 2023	30 Sep 2022	31 Dec 2022
Book value at the beginning of the financial year	82,998	85,143	85,143
Impairment	-6,198		
Translation differences	1,545	-1,882	-2,145
Book value at the end of the period	78,345	83,261	82,998

5 Fair value measurement of financial assets and liabilities

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1: Fair values of financial instruments are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Financial instruments are not subject to trading in active and liquid markets. The fair values of financial instruments can be determined based on quoted market prices and deduced valuation.

Level 3: Measurement of financial instruments is not based on verifiable market information, and information on other circumstances affecting the value of the instruments is not available or verifiable.

	Carrying value		Financial liabilities	TOTAL	Fair value			TOTAL
	Financial assets	Amortised cost			Amortised cost	Hierarchy level	1	
	FVTPL							
Cash and cash equivalents		30,026		30,026				
Financial assets	26	5,900		5,926	5,900	26		5,926
Interest bearing receivables		9,074		9,074			9,074	9,074
Other loans			3,649	3,649			3,649	3,649
Trade receivables		21,557		21,557				
Trade and other payables			1,771	1,771				

Contractual maturities of financial liabilities	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total contractual cash flows	Carrying amount
Lease liabilities	5,563	2,368	1,465	1,266	765	11,427	11,427
Other loans		3,649				3,649	3,649
Total financial liabilities	5,563	6,017	1,465	1,266	765	15,076	15,076

On 30 September EUR 13.0 million of Group cash assets were invested in short term deposits for maturity of maximum 3 months. These deposits are included in the balance for Cash and cash equivalents, and their fair value is equivalent to their carrying value. Group's investments in corporate commercial papers are presented as financial assets at amortized cost, and their fair value is equivalent to their carrying value.

Interest bearing receivables include receivables related to premises subleased to F-Secure and receivables related to asset transfers in Group subsidiaries in relation to demerger.

Other loans are liabilities related to asset transfers in Group subsidiaries in relation to the demerger.

6 Reconciliation of alternative performance measures

WithSecure has included certain non-IFRS based alternative performance measures (APM) in financial reporting. Alternative performance measures are provided to reflect the underlying business performance, and to exclude certain non-operational or non-cash valuation items affecting comparability (IAC). The aim is to improve comparability, and alternative performance measures should not be regarded as substitutes for IFRS based measures. Alternative performance measures include EBITDA, adjusted EBITDA and adjusted EBIT. Estimated comparable EBITDA was introduced as additional APM in first half of 2022 to improve comparability during period when Consumer business financials were presented as discontinued operations. Presentation of WithSecure and F-Secure in accordance with IFRS5 did not reflect profitability of neither continuing nor discontinued business on a stand-alone basis prior to the demerger. From Q3 2022 onwards Adjusted EBITDA is equivalent to Estimated comparable EBITDA.

Depreciations, amortization and impairments are excluded from EBITDA. Adjusted EBITDA and adjusted EBIT exclude also IACs which are material items outside the normal course of business. These items are associated with acquisitions, integration costs, gains and losses from the sale of businesses and other items affecting comparability. During the Transitional Services Agreement (TSA) Group's operating expenses include costs of services provided to F-Secure. These costs together with income equivalent to the costs are excluded from APMs. Net impact on APMs from TSA related items is zero. Estimated comparable EBITDA in first and third quarter of 2022 excluded also costs related to research and development provided by WithSecure to F-Secure and cost of premises held by WithSecure but sub-leased to F-Secure.

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Estimated comparable EBITDA	-2,266	-4,016	-16,322	-17,246	-23,248
Adjustments to adjusted EBITDA					
Research and development				-2,549	-2,558
Facilities held by WithSecure				-844	-865
Adjusted EBITDA	-2,266	-4,016	-16,322	-20,639	-26,672
Adjustments to EBITDA					
Other items	-107		-395		
Restructuring	-98		-4,362		
Divestments		385	1,372	-2,755	-1,480
Demerger		653		-1,497	-1,796
Income for costs under TSA	1,469	4,400	5,535	4,400	8,708
Costs of services under TSA	-1,469	-4,400	-5,535	-4,400	-8,708
EBITDA	-2,470	-2,978	-19,707	-24,891	-29,946
Depreciation, amortization and impairment losses	-9,291	-3,113	-15,573	-9,299	-12,606
EBIT	-11,761	-6,091	-35,280	-34,190	-42,552

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Adjusted EBIT	-4,773	-6,516	-23,901	-28,102	-36,761
Adjustments to EBIT					
PPA amortization	-585	-613	-1,795	-1,846	-2,515
Impairment	-6,198		-6,198		
Other items	-107		-395		
Restructuring	-98		-4,362		
Divestments		385	1,372	-2,755	-1,480
Demerger		653		-1,497	-1,796
Income for costs under TSA	1,469	4,400	5,535	4,400	8,708
Costs of services under TSA	-1,469	-4,400	-5,535	-4,400	-8,708
EBIT	-11,761	-6,091	-35,280	-34,190	-42,552

Classification of adjusted costs in operating expenses

From Q3 2022 onwards, operating expenses for alternative performance measures exclude also costs of services provided to F-Secure under Transitional Services Agreement.

	Operating Expenses	Costs under TSA	Restructuring	Other items	Expenses for adjusted EBIT	Depreciation	Impairment	PPA amortization	Operating Expenses for Adjusted EBITDA
	Q3 2023								Q3 2023
Sales and marketing	-16,165				-16,165	979			-15,186
Research and development	-10,776	1,297			-9,479	1,312			-8,167
Administration	-10,672	172	98	107	-10,295	217	6,198	585	-3,295
Operating expenses	-37,613	1,469	98	107	-35,938	2,508	6,198	585	-26,648

	Operating Expenses	Costs under TSA	Restructuring	Other items	Expenses for adjusted EBIT	Depreciation	Impairment	PPA amortization	Operating Expenses for Adjusted EBITDA
	1-9/2023								1-9/2023
Sales and marketing	-55,366				-55,366	2,995			-52,371
Research and development	-35,916	4,361			-31,555	3,991			-27,564
Administration	-24,534	1,174	4,362	395	-18,602	594	6,198	1,795	-10,015
Operating expenses	-115,816	5,535	4,362	395	-105,523	7,579	6,198	1,795	-89,950

Classification of adjusted income in other operating income

	Other operating income	Income for costs under TSA	Divestments	Other income for adjusted EBITDA
Other operating income, 7-9/2023	1,674	-1,469		205
Other operating income, 1-9/2023	7,935	-5,535	-1,372	1,027

7 Discontinued operations

On 17 February 2022 WithSecure announced a plan to pursue towards the separation of the company's consumer security business through a partial demerger. The demerger was completed on June 30, 2022. Starting from the first quarter of 2022, WithSecure has applied the requirements of IFRS5 Non-current Assets Held for Sale and Discontinued Operations in classifying, presenting and accounting for the demerger financial reporting. Result from discontinued operations is reported separately from continuing operations' income and expenses in the consolidated income statement.

Comparative periods have been restated accordingly. At the completion of the demerger on June 30, the assets and liabilities related to the discontinued operations were distributed to F-Secure.

On June 30, the demerger was accounted for as a disposal to owners in accordance with IFRIC 17 Distributions of non-cash assets to owners. A distribution gain was calculated based on the difference of the fair value of consumer security business and the book value of the distributed assets and liabilities in consolidated statement of financial position. The distribution gain was recorded in the discontinued operations' profit for the period. The fair value of the consumer security business (EUR 463.0 million) was determined by multiplying the average share price of F-Secure on the first trading day, July 1, (EUR 2,653) by the number of F-Secure shares given as demerger consideration (174,526,944). Book value of the distributed asset and liabilities was EUR 12.5 million resulting in distribution gain of EUR 450.5 million in second quarter.

Demerger-related costs (EUR 3.9 million) were presented under discontinued operations. According to the demerger plan, WithSecure recharged majority of the demerger related costs from F-Secure. The recharge was recognized on the demerger date and reduced the total amount of demerger costs in discontinued operations by EUR 3.8 million. In addition, cumulative translation difference of EUR 1.4 million related to discontinued operations was recognized as income at completion of the demerger in second quarter.

Following information includes discontinued operations' income statement, statement of financial position and cash flow. Statement of financial position represents assets and liabilities related to Consumer security business right before the demerger on 30 June 2022. Income statement for discontinued operations includes revenue and operating expenses which directly derived from Consumer security business and discontinued for continuing business after the demerger. Certain costs related to supporting F-Secure during transition period and costs of premises sub-leased to F-Secure after demerger are not included in Discontinued operations.

Income statement for discontinued operations

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Revenue				54,828	54,828
Cost of revenue				-4,360	-4,360
Gross margin				50,468	50,468
Other operating income				348	348
Sales and marketing				-14,637	-14,637
Research and development				-7,903	-7,903
Administration				-9,503	-9,503
EBIT				18,774	18,774
Financial net				201	201
Result before taxes				18,975	18,975
Income taxes				-5,402	-5,402
Profit after taxes of the operations transferred to F-Secure				13,574	13,574
Fair value gain recognized from valuation of discontinued operations' net assets				450,499	450,499
Demerger expenses				3,762	3,762
Taxes related to demerger expenses				-702	-702
Translation difference				1,393	1,393
Result for the period				468,526	468,526

Statement of financial position for discontinued operations

Assets	30 Jun 2022
Tangible assets	900
Intangible assets	6,244
Deferred tax assets	102
Other long-term receivables	87
Total non-current assets	7,332
Inventories	44
Accrued income	2,090
Trade and other receivables	19,032
Cash and bank accounts	12,716
Total non-current assets	33,882
Total assets	41,214

Liabilities	30 Jun 2022
Deferred tax liability	314
Deferred revenue, non-current	3,310
Other non-current liabilities	75
Total non-current liabilities	3,699
Current interest-bearing liabilities	56
Trade and other payables	4,912
Deferred revenue, current	17,303
Income tax liabilities	878
Total current liabilities	23,148
Total liabilities	26,847

Cash flows for discontinued operations

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net cash flow from operating activities				18,300	18,300
Net cash flow from investing activities				-600	-600
Net cash flow from financing activities				0	0

Calculation & definition of key figures

Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets - deferred revenue}}$
ROI, %	$\frac{\text{Result before taxes + financial expenses (annualized)}}{\text{Total assets - non-interest bearing liabilities (average)}}$
ROE, %	$\frac{\text{Result for the period (annualized)}}{\text{Total equity (average)}}$
Gearing, %	$\frac{\text{Interest bearing liabilities - cash and cash equivalents and liquid financial assets}}{\text{Total equity}}$
Earnings per share, EUR	$\frac{\text{Profit attributable to equity holders of the company}}{\text{Weighted average number of outstanding shares}}$
Shareholders' equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$
Operating Expenses	Sales and marketing, research and development, and administration costs
EBITDA	EBIT + Depreciation, amortization and impairment
Adjusted EBITDA	EBITDA +/- items affecting comparability
Adjusted EBIT	EBIT +/- items affecting comparability
Annual Recurring Revenue (ARR)	Monthly Recurring Revenue of last month of the quarter x 12
Monthly Recurring Revenue (MRR)	Recognized revenue within the month excluding non-recurring revenues
Net Revenue Retention (NRR)	100 % x (MRR of last month of the quarter/MRR of same month last year for the same customers). NRR includes expansion revenue, downgrades and customer churn.



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