

WITH[®]
secure



Interim report

1 January – 30 September 2024



Elements software continues growth, profitability maintained despite challenges in services

Interim Report 1 January – 30 September 2024

Highlights of July – September 2024 (“third quarter”)

- Annual Recurring Revenue (ARR)¹ for Elements Cloud products and services² increased by 11% to EUR 81.8 million (EUR 73.8 million)
- Elements Cloud ARR decrease from previous quarter was 1%
- Net Revenue Retention for Elements Cloud was 104 %
- Revenue for Elements Cloud increased by 9% to EUR 20.7 million (EUR 19.0 million)
- ARR for Cloud Protection for Salesforce increased by 38% to EUR 10.2 million (EUR 7.4 million)
- CPSF Revenue increased by 20% to EUR 2.4 million (EUR 2.0 million)
- Cyber security consulting revenue declined by 1% to EUR 7.5 million (EUR 7.7 million)
- Adjusted EBITDA for WithSecure was EUR 1.9 million (EUR -2.3 million)
- Items affecting comparability (IAC) of EBITDA were EUR -0.4 million (EUR -0.2 million).
- Consulting-related goodwill was impaired by EUR 15.5 million in the third quarter

Highlights of January – September 2024

- Revenue for Elements Cloud products and services increased by 10% to EUR 61.8 million (EUR 56.4 million)
- CPSF revenue increased by 5% to EUR 6.6 million (EUR 6.3 million)
- Cyber security consulting revenue increased by 2% to EUR 23.6 million (EUR 23.2 million)
- Adjusted EBITDA for WithSecure was EUR 0.7 million (EUR -16.3 million)
- Items affecting comparability (IAC) of EBITDA were EUR -0.9 million (EUR -3.4 million).

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 revenue

² Elements Cloud includes Elements Cloud portfolio software and services as well as the managed services

Outlook for 2024

Outlook for 2024 (updated on 11 October 2024)

Annual recurring revenue (ARR) for Elements Cloud products and services will grow by 6–14 % from the end of 2023. At the end of 2023, Elements Cloud ARR was EUR 78.4 million.

Revenue from Elements Cloud products and services will grow by 8–12 % from previous year. Previous year revenue from Elements Cloud was EUR 76.1 million.

Total revenue of the group will grow by 2– 5 % from previous year. Previous year revenue of the group was EUR 142.8 million.

Adjusted EBITDA of full year 2024 will be positive.

Outlook for 2024 (previous)

Annual recurring revenue (ARR) for Elements Cloud products and services will grow by 10–20 % from the end of 2023. At the end of 2023, Elements Cloud ARR was EUR 78.4 million.

Revenue from Elements Cloud products and services will grow by 10–16 % from previous year. Previous year revenue from Elements Cloud was EUR 76.1 million.

Total revenue of the group will grow by 6–12 % from previous year. Previous year revenue of the group was EUR 142.8 million.

Adjusted EBITDA of full year 2024 will be positive.

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.

CEO Antti Koskela



In the third quarter of 2024, WithSecure ARR for Elements Cloud products and services grew by 11 % to EUR 81.8 million (EUR 73.8 million). Elements Cloud revenue grew by 9 % to EUR 20.7 million (EUR 19.0 million). Despite the slightly disappointing revenue growth, profitability of both Elements Company segment and WithSecure Group was positive at the Adjusted EBITDA level. Cloud

Protection for Salesforce business returned to the growth track, with ARR growth of 38 %.

In the Elements Company, Elements software continued to perform with good year-on-year growth. In the DACH (Germany, Austria, Switzerland) region, the revenue growth slowed down slightly, mostly due to the weakness of the German economy. In other European regions and Japan, the revenue and ARR growth continued. In Managed services, some large customers churned during third quarter. This development was affected by our increasing focus on selling managed services to mid-market customers through the Elements platform. However, despite the increase in the number of customers, revenue did not fully compensate for the churned accounts. Of the geographic regions, mostly the UK and the US have been impacted by the Managed services development.

Exposure Management, introduced in SPHERE'24 reached General Availability during the third quarter. The customer demand for the newest module of Elements has remained high. Also, our AI assistant Luminen became available for all Elements customers in the third quarter.

Elements Company Adjusted EBITDA was EUR 2.0 million (EUR -0.5 million), as a result of the cost savings of 2023 and continuous efficiency measures.

In Cloud Protection for Salesforce (CPSF), focused efforts on improving sales efficiency resulted in breaking through the 10 million ARR threshold. ARR grew by 38 % to EUR 10.2 million (EUR 7.4 million). Revenue grew by 20 % to EUR 2.4 million

(EUR 2.0 million). We continue to develop CPSF as an independent business in WithSecure. Profitability of the CPSF is moving towards break-even with the improving revenue.

Cyber security consulting revenue was slightly below previous year's level and was EUR 7.5 million (EUR 7.7 million). In some key accounts, we saw financial constraints in the third quarter. In the long term, we continue to see solid demand for cyber security consulting service. As announced on 31 October 2023, the Cyber security consulting business is under strategic review. We are in active discussions regarding divestment of the business, but no decision has been taken so far.

Due to the gaps between actual and expected revenue, we lowered the financial outlook for 2024. For the changes in consulting revenue estimates and increased equity market risk, we recorded an impairment of the consulting-related goodwill of EUR 15.5 million in the third quarter.

At the end of September, WithSecure's headquarters moved to the new premises in Wood City, Helsinki. This is part of our plan of creating dynamic and collaborative workplaces, to welcome our employees and visitors and to foster well-being and creativity.

Financial performance

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	36.1	34.8	4%	109.2	104.8	4%	142.8
Gross Margin	26.2	24.2	9%	78.4	72.6	8%	100.2
<i>% of revenue</i>	72.6 %	69.5 %		71.8 %	69.3 %		70.2 %
Other operating income ¹	0.7	0.2	227%	1.6	1.0	53%	1.4
Operating expenses ¹	-25.0	-26.6	6%	-79.2	-90.0	12%	-117.7
Sales & Marketing	-13.7	-15.2	10%	-42.9	-52.4	18%	-68.1
Research & Development	-8.4	-8.2	3%	-26.5	-27.6	4%	-36.3
Administration	-3.0	-3.3	10%	-9.8	-10.0	2%	-13.3
Adjusted EBITDA²	1.9	-2.3	182%	0.7	-16.3	-104%	-16.1
<i>% of revenue</i>	5.2 %	-6.5 %		0.7 %	-15.6 %		-11.3 %
Items affecting comparability (IAC)							
Other items	-0.6	-0.1	-468%	-1.6	-0.4	-301%	-1.4
Restructuring	-0.4	-0.1	-303%	-0.4	-4.4	90%	-8.9
Divestments	0.6			1.2	1.4	-15%	1.4
EBITDA	1.5	-2.5	-160%	-0.1	-19.7	99%	-25.1
<i>% of revenue</i>	4.1 %	-7.1 %		-0.1 %	-18.8 %		-17.6 %
Depreciation & amortization, excluding PPA ³	-2.6	-2.5	-5%	-7.4	-7.6	2%	-10.2

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Impairment	-15.5	-6.2	-150%	-15.5	-6.2	-150%	-6.2
PPA amortization	-0.5	-0.6	15%	-1.7	-1.8	4%	-2.4
EBIT	-17.2	-11.8	46%	-24.8	-35.3	30%	-43.9
<i>% of revenue</i>	-47.5 %	-33.8 %		-22.7 %	-33.7 %		-30.7 %
Adjusted EBIT²	-0.8	-4.8	84%	-6.7	-23.9	72%	-26.3
<i>% of revenue</i>	-2.1 %	-13.7 %		-6.1 %	-22.8 %		-18.4 %

¹ Excluding Items Affecting Comparability (IAC) and depreciation and amortization. In 2023 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).

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Earnings per share, (EUR) ¹	-0.10	-0.06	-69%	-0.13	-0.16	18%	-0.23
Deferred revenue				65.7	65.7	0%	66.9
Cash flow from operations before financial items and taxes	-0.6	-9.0	94%	-5.7	-22.5	75%	-19.9
Cash and cash equivalents				21.6	30.0	-28%	36.6
ROI, %	-60.8 %	-33.3 %	-82%	-27.1 %	-30.9 %	12%	-30.5 %
Equity ratio, %				66.6 %	79.1 %	-16%	73.3 %
Gearing, %				4.0 %	-18.3 %	-122%	-22.2 %
Personnel, end of period				983	1,147	-14%	1,087

¹ Based on the weighted average number of outstanding shares during the period 175,976,169 (1-9/2024).

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

WithSecure Group

July - September 2024

Revenue

Revenue of WithSecure Group increased by 4% to EUR 36.1 million (EUR 34.8). Further analysis on revenue is disclosed in the segments section of this report.

Operating expenses

Operating expenses (excluding depreciation, amortization and impairment and items impacting comparability) were EUR -25.0 million (EUR -26.6 million). The reduction of operating expenses results from cost savings in 2023, as well as continuous efficiency efforts. Depreciation and amortization were EUR -2.6 million (EUR -2.5 million), amortization of PPA was EUR -0.5 million (EUR -0.6 million) and impairment of goodwill was EUR -15.5 million (EUR -6.2 million). For goodwill impairment see Note 4 (intangible and tangible assets).

Profitability

Adjusted EBITDA of the group was EUR 1.9 million (EUR -2.3 million). Items affecting comparability (IAC) of EBITDA were EUR -0.4 million (EUR -0.2 million). Of this, approximately EUR -0.1 million relates to strategy projects, EUR -0.4 million to restructuring, EUR -0.5 to restructuring costs related to HQ relocation, EUR +0.4 million to divestments and EUR +0.2 million to valuation of earn-out from previously divested business.

Cash flow

Cash flow from operating activities before financial items and taxes was EUR -0.6 million (EUR -9.0 million). Cash flow was driven by negative operative result and seasonal changes in personnel related liabilities affecting net working capital. Cash flow from operating activities was EUR -1.5 million (EUR -9.7 million).

Cash flow from investments EUR -1.1 million (EUR 12.3 million) is related to divestments and investments in intangible and tangible assets. Cash flows from divestments are partly related to earn-outs of previously divested businesses and partly related to selling open source data collection product and business. Investments in intangible and tangible assets are mostly related to new office

premises in several locations and ongoing IT projects. Comparative period includes also returned investments in corporate commercial papers and short-term deposits.

January - September 2024

Revenue

Revenue of WithSecure Group increased by 4% to EUR 109.2 million (EUR 104.8 million). Further analysis on revenue is disclosed in the segments section of this report.

Operating expenses

Operating expenses (excluding depreciation, amortization and impairment and items impacting comparability) were EUR -79.2 million (EUR -90.0 million). The reduction of operating expenses results from cost savings in 2023, as well as continuous efficiency efforts. Depreciation and amortization were EUR -7.4 million (EUR -7.6 million), amortization of PPA was EUR -1.7 million (EUR -1.8 million) and impairment of goodwill was EUR -15.5 million (EUR -6.2 million). For goodwill impairment see Note 4 (intangible and tangible assets).

Profitability

Adjusted EBITDA of the group was EUR 0.7 million (EUR -16.3 million). Items affecting comparability (IAC) of EBITDA were EUR -0.9 million (EUR -3.4 million). Of this, approximately EUR -1.1 million relates to strategy projects, EUR -0.4 million to restructurings, EUR -0.5 to restructuring costs related to HQ relocation, EUR +0.4 million to divestments and +0.7 million to valuation of earn-out from previously divested business.

Cash flow

Cash flow from operating activities before financial items and taxes was EUR -5.7 million (EUR -22.5 million). Cash flow was driven by negative operative result, affected by SHPERE 24 event related costs and some cumulative adjustments of personnel expenses recognized in the second quarter, and by

restructuring related payments of EUR 2.9 million. Cash flow from operating activities was -7.0 million (EUR -24.7 million).

Cash flow from investments EUR -3.1 million (EUR 4.8 million) is related to divestments and investments in intangible and tangible assets. Cash flow from divestments are partly related to earn-outs of previously divested businesses and partly related to selling open source data collection product and business. Investments in intangible and tangible assets are mostly related to new office premises in several locations and ongoing IT projects. Comparison period includes also investments in corporate commercial papers and short-term deposits.

Elements Company

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	26.2	25.1	4%	79.0	75.4	5%	101.1
Elements Cloud	20.7	19.0	9%	61.8	56.4	10%	76.1
On-premise	5.3	5.9	-11%	16.4	18.4	-11%	24.4
Other	0.2	0.2	18%	0.7	0.5	36%	0.7
Gross margin	20.9	19.8	6%	62.9	59.1	6%	79.6
% of revenue	79.8%	78.8%	1%	79.6%	78.4%	2%	78.7%
Adjusted EBITDA	2.0	-0.5	475%	2.5	-9.9	125%	-10.9
% of revenue	7.6%	-2.1%	459%	3.1%	-13.1%	124%	-10.8%
Cloud Annual Recurring Revenue (ARR)	81.8	73.8	11%	81.8	73.8	11%	78.4

Elements Company segment includes Elements Cloud products and services, Managed services (including Countercept Managed Detection and Response, MDR), On-premise products, and Other products.

Elements is a modular platform, with modules that the customer can select according to their needs. 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. Other modules are Vulnerability Management, Collaboration protection for Microsoft 365 and Cloud Security Posture Management (CSPM). WithSecure Exposure Management was launched in May 2024. It is a continuous proactive solution to predict and prevent breaches against the company's assets and business operations.

On-premise products revenue includes WithSecure Business Suite endpoint protection software, as well as some other legacy products.

Other products revenue includes minor products combining software and service work, as well as speaker fees and other occasional revenue streams.

July - September 2024

Revenue and ARR

Elements Company revenue increased by 4% to EUR 26.2 million (EUR 25.1 million). The change is a result of growing Elements Cloud revenue and declining On-premise revenue.

Elements Cloud revenue increased by 9% to EUR 20.7 million (EUR 19.0 million).

Elements Cloud Annual Recurring Revenue (ARR) increased by 11% to EUR 81.8 million (EUR 73.8 million).

Elements Cloud NRR was 104%.

Elements software continued to perform with good year-on-year growth. In the DACH (Germany, Austria, Switzerland) region, the revenue growth slowed down slightly, mostly due to the weakness of the German economy. In other European regions and Japan, the revenue and ARR growth continued. In Managed services, some large customers churned during third quarter. This development was affected by our increasing focus on selling managed services to mid-market customers through the Elements platform. However, despite the increase in the number of customers, revenue did not fully compensate for the churned accounts. Of the geographic regions, mostly UK and US have been impacted by the Managed services development.

On-premise revenue declined by 11% to EUR 5.3 million (EUR 5.9 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.

Other revenue was EUR 0.2 million (EUR 0.2 million).

In June 2024, WithSecure signed an agreement of the divestment of an open source data collection product and business to Patria. Business was transferred to Patria Plc. on 1 October 2024. Impact of the transaction on Elements Company Other revenue is not significant.

Profitability

Elements Company gross margin was 79.8% (78.8%) of revenue. The improvement in gross margin is driven by increasing share of software, as well as continuous optimization of data processing expenses. Other variants, such as fluctuation of currencies, can cause variations of gross margin.

Elements Company adjusted EBITDA was EUR 2.0 million (EUR -0.5 million). The improvement from previous year is largely resulting from cost savings and other efficiency measures carried out during 2023 by WithSecure.

January - September 2024

Revenue

Elements Company revenue increased by 5% to EUR 79.0 million (EUR 75.4 million). The change is a result of growing Elements Cloud revenue and declining On-premise revenue.

Elements Cloud revenue increased by 10% to EUR 61.8 million (EUR 56.4 million).

On-premise revenue declined by 11% to EUR 16.4 million (EUR 18.4 million).

Profitability

Elements Company gross margin was 79.6% (78.4%) of revenue. The improvement in gross margin is driven by increasing share of software, as well as continuous optimization of data processing expenses. Other variants, such as fluctuation of currencies, can cause variations of gross margin.

Elements Company adjusted EBITDA was EUR 2.5 million (EUR -9.9 million). The improvement from previous year is largely resulting from cost savings and other efficiency measures carried out during 2023 by WithSecure.

Cloud Protection for Salesforce ("CPSF")

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	2.4	2.0	20%	6.6	6.3	5%	8.3
Gross margin	2.0	1.3	50%	5.5	4.7	18%	6.1
% of revenue	83.7%	67.0%	25%	83.0%	74.4%	12%	73.9%
Adjusted EBITDA	-0.1	-1.3	94%	-0.9	-3.9	77%	-4.6
% of revenue	-3.4%	-66.7%	95%	-13.5%	-62.3%	78%	-55.8%
Annual Recurring Revenue (ARR)	10.2	7.4	38%	10.2	7.4	38%	8.4

Cloud Protection for Salesforce (CPSF) segment includes revenue from the CPSF product. It is a software product, ensuring scanning of external content for potential malware, before it is loaded into Salesforce. Customers are primarily enterprise-sized companies, with extensive use of Salesforce platforms. Sales of the product mostly take place directly from WithSecure to the end customers

July - September 2024

Revenue and ARR

CPSF revenue increased by 20% and was EUR 2.4 million (EUR 2.0 million).

Annual Recurring Revenue (ARR) increased by 38% and was EUR 10.2 million (EUR 7.4 million). Focused efforts on improving sales efficiency resulted in the CPSF business breaking through the 10 million ARR threshold.

CPSF NRR was 108%.

Profitability

Adjusted EBITDA of CPSF was EUR -0.1 million (EUR -1.3 million). The improvement from previous year is largely resulting from cost savings and other efficiency measures carried out during 2023 by WithSecure.

January - September 2024

Revenue

CPSF revenue increased by 5% and was EUR 6.6 million (EUR 6.3 million).

Profitability

Adjusted EBITDA of CPSF was EUR -0.9 million (EUR -3.9 million). The improvement from previous year is largely resulting from cost savings and other efficiency measures carried out during 2023 by WithSecure.

Cyber security consulting ("Consulting")

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	7.5	7.7	-1%	23.6	23.2	2%	33.4
Gross margin	3.3	3.0	9%	10.0	8.9	13%	14.4
% of revenue	43.8%	39.8%	10%	42.3%	38.2%	11%	43.3%
Adjusted EBITDA	0.0	-0.4	88%	-0.9	-2.5	66%	-0.6
% of revenue	-0.6%	-5.1%	88%	-3.6%	-10.9%	67%	-1.8%

Cyber security consulting segment includes revenue from large, enterprise-size customers. The offering is related to offensive security services and building the customer's cyber resilience.

July - September 2024

Revenue

Cyber security consulting revenue declined by 1% to EUR 7.5 million (EUR 7.7 million).

In some key accounts, financial constraints were encountered in the third quarter. In the long term, demand for cyber security consulting services is expected to remain solid. As announced on 31 October 2023, the Cyber security consulting business is under strategic review. WithSecure is in active discussions regarding divestment of the business, but no decision has been taken so far.

Profitability

Adjusted EBITDA was EUR 0.0 million (EUR -0.4 million). Cost savings and other efficiency measures carried out during 2023 by WithSecure drive the improvement of profitability from previous year.

January - September 2024

Revenue

Cyber security consulting revenue increased by 2% to EUR 23.6 million (EUR 23.2 million).

Profitability

Adjusted EBITDA was EUR -0.9 million (EUR -2.5 million). Cost savings and other efficiency measures carried out during 2023 by WithSecure drive the improvement of profitability from previous year.

Financing, capital structure and capital expenses

(mEUR)	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Cash and cash equivalents				21.6	30.0	-28%	36.6
Financial assets at amortized cost					5.9	-100%	
Lease liabilities, non-current				19.3	5.8	233%	4.8
Other loans, non-current					3.6	-100%	3.6
Lease liabilities, current				2.0	5.6	-63%	5.4
Other loans, current				3.6			
Capital expenditure, excl. lease assets	2.4	1.5	57%	5.4	4.9	10%	5.2
Capitalized development expenses	0.5	0.7	-36%	1.2	2.4	-49%	3.0
ROI, %	-60.8 %	-33.3 %	-82%	-27.1 %	-30.9 %	12%	-30.5 %
Equity ratio, %				66.6 %	79.1 %	-16%	73.3 %
Gearing, %				4.0 %	-18.3 %	-122%	-22.2 %

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 21.6 million (EUR 35.9 million) and an unused EUR 20 million revolving credit facility (RCF). Cash and cash equivalents include cash in bank accounts and short-term investments in money market instruments with maturity of less than three months.

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 and the global geopolitical tensions have 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. 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 and new regulation, 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 and regulations of a particular region.

As artificial intelligence (AI) continues to advance, both defenders and attackers are expected to employ more sophisticated techniques, shaping the landscape of cyber threats. AI-based cyber threats will refer to malicious activities where AI techniques are used to exploit vulnerabilities in computer systems. This includes the use of AI algorithms to automate and enhance various cyber attacks. Examples of AI-based threats include advanced phishing attacks using machine learning to create convincing email content, automated and adaptive malware that evolves to evade traditional defences, and AI-driven social engineering attacks that leverage sophisticated algorithms to manipulate human behaviour.

AI will also significantly impact cybersecurity by enhancing threat detection, automating response mechanisms, and improving overall defence

strategies. Machine learning algorithms can analyse vast amounts of data to identify patterns and anomalies, enabling quicker identification of potential threats. Additionally, AI-driven tools enhance the efficiency of cybersecurity professionals by automating routine tasks and providing real-time insights, ultimately strengthening the resilience of digital systems against evolving cyber threats.

Organization and leadership

Personnel

At the end of the quarter, WithSecure had 983 employees, which shows a net decrease of 10 employees (1%) since the previous quarter-end (993 on Q2 2024), and a net decrease of 164 employees (14%) compared to the end of September 2023 (1,147). The change from September 2023 is partly due to restructuring and other savings, and partly due to normal attrition.

Global Leadership team

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

Antti Koskela (President and CEO), Christine Bejerasco (Chief Information Security Officer), Lasse Gerdt (Chief Customer Officer), Charlotte Guillou (Chief People Officer), Tom Jansson (Chief Financial Officer), Scott Reininga (EVP, Consulting), Tiina Sarhima (Chief Legal Officer), Pilvi Tunturi (interim Chief Product Officer), and Ari Vääntinen (Chief Marketing Officer).

Shares, Shareholders' Equity, Own Shares

WithSecure has one share class. At the end of the third quarter the total number of shares was 176,098,739. Of this, 176,016,849 were outstanding and 81,890 were held by the company.

In the third quarter, 4.4 million (13.9 million) of WithSecure shares were traded on Nasdaq Helsinki. The highest trading price was EUR 1.11 (1.24), and the lowest price was EUR 0.98 (0.96). The volume weighted average price of WithSecure shares in the third quarter of 2024 was EUR 1.04 (1.07).

The share's closing price on the last trading day of the quarter, 30th September 2024, was EUR 1.05 (1.03). Based on that closing price, the market value of the company's shares, excluding the treasury shares held by the company, was EUR 185.2 million (EUR 180.8 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 2023.

Annual General Meeting

The Annual General Meeting (AGM) of WithSecure Corporation was held on 20 March 2024. The meeting confirmed the financial statements for the financial year 2023 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 2023 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 compensation will be paid in company shares.

The AGM decided that the number of Board members shall be seven. The following current Board members were re-elected: Risto Siilasmaa, Tuomas Syrjänen, Kirsi Sormunen and Ciaran Martin. Amanda Bedborough, Niilo Fredrikson and Harri Ruusinen 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 Niilo Fredrikson as members of the

Personnel Committee. Kirsi Sormunen was nominated as the Chair of the Audit Committee and Ciaran Martin, Amanda Bedborough and Harri Ruusinen 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.

Sustainability audit firm PricewaterhouseCoopers Oy was elected as the Company's sustainability auditor. Mr. Jukka Karinen, ASA, will act as the responsible sustainability auditor.

The AGM authorised the Board of Directors to resolve upon the repurchase of a maximum of 17,609,870 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 AGM authorised the Board of Directors to resolve on the issuance of a maximum of 17,609,870 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.

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 20 March 2024.

Risks and uncertainties

WithSecure operations are subject to risks and uncertainties that can impact the business performance, profitability, financial position, market share, reputation, share price or the achievement of its short-term and long-term objectives. The risks and uncertainties 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 the risks, WithSecure considers both the probability and the potential impact of each risk, as well as the resources required to manage and mitigate the risk. Ensuring business continuity in all situations is an essential part of the risk management. WithSecure risk management principles and process are described in the Corporate Governance Statement of 2023.

Risks related to cyber security market

Market consolidation

The cyber security market is scattered to many providers of software and services. The large market participants are investing heavily in the development of embedded security and winning market share. Market consolidation is considered a likely development. WithSecure must succeed in its chosen strategy as well as in finding the right acquisition targets, and 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

Geopolitical uncertainties, such as the war in Ukraine, have significantly increased the risk of unexpected disruptions of the world economy and security stability. Likelihood of acts of terror impacting societal infrastructures has increased with this development. Any such events could also impact WithSecure's ability to run its business. The increasing activity of nation-state cyber criminals will continue to impose business interruptions also during 2024.

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

WithSecure operates in different countries and is therefore exposed to country risks of each location. Changing circumstances and regulation in different operating countries is exposing WithSecure to risks, such as unfavourable tax treatment or export controls.

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

Unavailability of skilled personnel may result in inability of providing high-quality products and services to customers. 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.

Partners

WithSecure's cyber security products and services market model is vastly depending on functioning partner channel and network. It is critical for WithSecure to ensure it has the right partners in the regions and that the partners receive the needed support and that WithSecure's cyber security offering is made available according to the local demand. Not being able to serve the needs of the partners needs could result to negative impact on WithSecure's business performance.

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. Investments in new technologies and products come with the risk of not meeting the future requirements of the market. Agile methods are applied by WithSecure to ensure that its decisions regarding future technologies are aligned with the best information and expectations of the market developments.

Cyber security incident

Exposure to cyber security incidents threatens the confidentiality, integrity, and availability of WithSecure products and services, and their mitigation is considered as 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. Continuous efforts are taken to protect sensitive data of the company and its customers.

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

Cost inflation in the countries where WithSecure operates 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 workforce in the company. Increasing interest rates could limit the possibilities of external funding.

Liquidity risk

As a company still improving its profitability, WithSecure must focus on accurate cash planning and prompt collections to ensure liquidity of all group companies and to avoid needs of short-term financing.

Currency fluctuations

Increasing volume of operations outside the Euro zone in different currencies exposes WithSecure to an increased risk related to currency fluctuations. To mitigate the impact of currency fluctuations on future cash flows, the group can use forward contracts.

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 dates of 2025 later in the fourth quarter of 2024.

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	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Revenue	36,149	34,766	109,225	104,837	142,812
Gross margin	26,237	24,178	78,385	72,601	100,192
Gross margin, % of revenue	72.6%	69.5 %	71.8%	69.3 %	70.2 %
Operating expenses	-44,683	-37,613	-105,910	-115,816	-153,818
Operating expenses for adjusted EBITDA	-25,043	-26,648	-79,224	-89,950	-117,732
Other income, adjusted ¹	668	205	1,569	1,027	1,423
Adjusted EBITDA	1,862	-2,266	730	-16,322	-16,116
Adjusted EBITDA, % of revenue	5.2%	-6.5 %	0.7%	-15.6 %	-11.3 %
EBITDA	1,473	-2,470	-127	-19,707	-25,066
EBITDA, % of revenue	4.1%	-7.1 %	-0.1%	-18.8 %	-17.6 %
Adjusted EBIT	-776	-4,773	-6,705	-23,901	-26,338
Adjusted EBIT, % of revenue	-2.1%	-13.7 %	-6.1%	-22.8 %	-18.4 %
EBIT	-17,164	-11,761	-24,791	-35,280	-43,891
EBIT, % of revenue	-47.5%	-33.8 %	-22.7%	-33.7 %	-30.7 %
ROI, %	-60.8%	-33.3 %	-27.1%	-30.9 %	-30.5 %
ROE, %	-76.5 %	-34.8 %	-33.2 %	-29.7 %	-32.9 %

¹ Fees charged from F-Secure equivalent to costs under TSA are adjusted from Other income in calculating Alternative Performance Measures in 2023. In addition, changes to fair value of deferred considerations from divestments are treated as adjustments.

CAPITAL STRUCTURE	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Equity ratio, %			66.6%	79.1%	73.3 %
Gearing, %			4.0%	-18.3%	-22.2 %
Interest bearing liabilities			24,960	15,076	13,736
Cash and cash equivalents			21,557	30,026	36,604

SHARE RELATED	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Earnings per share, basic and diluted ¹	-0.10	-0.06	-0.13	-0.16	-0.23
Shareholders' equity per share, EUR			0.48	0.65	0.59

¹ Earnings per share has been recalculated for comparative periods using average weighted share amount after share issues.

OTHER	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Capital expenditure, excl. lease assets	2,382	1,514	5,431	4,927	5,174
Capitalized development expenses	481	750	1,244	2,428	3,007
Depreciation, amortization and impairment, excl. PPA amortization	-18,138	-8,706	-22,935	-13,778	-16,420
Depreciation, amortization and impairment	-18,638	-9,291	-24,663	-15,573	-18,824
Personnel, average	986	1,166	994	1,222	1,191
Personnel, period end			983	1,147	1,087

Interim report Q3 2024 table section

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

The accounting principles are the same as in the Annual Report 2023, except for the changes in reportable segments (see [Note 2 Segment information](#)). All figures in the following tables are EUR thousands unless otherwise stated. This interim report is unaudited.

Condensed Income statement

Income statement	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue	36,149	34,766	4%	109,225	104,837	4%	142,812
Cost of revenue	-9,913	-10,588	6%	-30,839	-32,237	4%	-42,620
Gross margin	26,237	24,178	9%	78,385	72,601	8%	100,192
Other operating income ^{1,2}	1,282	1,674	-23%	2,734	7,935	-66%	9,735
Sales and marketing	-14,806	-16,165	8%	-46,001	-55,366	17%	-72,190
Research and development ¹	-9,772	-10,776	9%	-30,368	-35,916	15%	-47,254
Administration ^{1,3}	-20,105	-10,672	88%	-29,541	-24,534	20%	-34,374
EBIT	-17,164	-11,761	46%	-24,791	-35,280	30%	-43,891
Financial net	-611	62	-1092%	-255	500	-151%	205
Result before taxes	-17,775	-11,700	52%	-25,046	-34,780	28%	-43,686
Income taxes	244	1,325	-82%	1,720	6,467	-73%	3,655
Result for the period	-17,531	-10,374	69%	-23,326	-28,314	18%	-40,030
Other comprehensive income							
Exchange differences on translating foreign operations	1,701	-799	313%	2,561	964	166%	1,319

Income statement	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Total other comprehensive income	-15,830	-11,174	42%	-20,765	-27,350	24%	-38,712

¹ In 2023 Other operating income includes fees invoiced from F-Secure under Transitional Services Agreement (TSA, EUR 1.5 million in the third quarter and EUR 5.5 million in January-September 2023). Costs related to services provided under TSA are included in operating expenses for Research and Development and Administration (EUR 1.5 million in the third quarter and EUR 5.5 million in January-September 2023).

² Other operating income includes impact of revised deferred consideration from divestments (EUR 0.2 million in the third quarter of 2024 and 0.7 million in the first half of 2024).

³ Includes consulting goodwill impairment of EUR 15.5 million in 2024 (EUR 6.2 million in 2023).

Earnings per share ¹	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Earnings per share, basic and diluted, EUR	-0.10	-0.06	-69%	-0.13	-0.16	18%	-0.23

¹ Earnings per share has been recalculated for comparative periods using average weighted share amount after share issues.

Condensed Statement of financial position

Assets	30 Sep 2024	30 Sep 2023	31 Dec 2023	Shareholders' equity and liabilities	30 Sep 2024	30 Sep 2023	31 Dec 2023
Tangible assets	23,414	13,867	13,032	Equity	84,157	113,837	102,980
Intangible assets	17,654	21,564	20,552	Interest bearing liabilities, non-current	19,325	9,476	8,370
Goodwill	64,817	78,345	78,058	Deferred tax liability	1,971		1,273
Deferred tax assets	13,552	12,573	10,682	Deferred revenue, non-current	18,016	21,623	20,772
Interest bearing receivables, non-current ¹	4,353	6,806	6,059	Other non-current liabilities	433	371	388
Other receivables	1,169	1,829	1,866	Total non-current liabilities	39,745	31,470	30,804
Total non-current assets	124,959	134,984	130,249	Interest bearing liabilities, current	5,635	5,600	5,366
Accrued income	8,233	5,809	5,577	Trade and other payables	14,493	13,730	18,034
Trade and other receivables	29,452	29,967	31,683	Provisions ¹	90	312	3,486
Income tax receivables	1,241	790	1,199	Income tax liabilities	310	754	620
Interest bearing receivables, current ¹	6,649	2,268	2,074	Deferred revenue, current	47,687	44,071	46,125
Other financial asset at fair value through profit and loss	26	26	26	Total current liabilities	68,215	64,466	73,631
Other financial assets at amortized cost		5,900		Total liabilities and equity	192,117	209,770	207,412
Cash and cash equivalents	21,557	30,026	36,604				
Total current assets	67,158	74,786	77,163				
Total assets	192,117	209,770	207,412				

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

¹ Provision related to restructuring in Q4 2023.

Condensed Cash flow statement

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023		7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Cash flow from operations						Cash flow from financing activities					
Result for the period	-17,531	-10,374	-23,326	-28,314	-40,030	Repayments of lease liabilities	-1,712	-1,345	-4,838	-4,376	-6,139
Adjustments	19,125	8,541	23,879	8,831	15,181	Cash flow from financing activities	-1,712	-1,345	-4,838	-4,376	-6,139
Depreciation and amortization	18,638	9,291	24,663	15,573	18,824	Change in cash	-4,397	1,308	-14,971	-24,368	-17,921
Restructuring provision		-81		4,184		Cash and cash equivalents at the beginning of the period	25,651	28,776	36,604	55,129	55,129
Financial income and expenses	611	-62	255	-500	-205	Effect of exchange rate changes on cash	303	-56	-79	-734	-604
Income taxes	-244	-1,325	-1,720	-6,467	-3,655	Cash and cash equivalents at period end	21,557	30,026	21,557	30,026	36,604
Other adjustments	121	718	680	-3,960	217						
Cash flow from operations before change in working capital	1,594	-1,833	553	-19,483	-24,849						
Change in net working capital	-1,750	-6,698	-2,490	-3,341	1,478						
Change in provisions	-418	-462	-3,721	312	3,515						
Cash flow from operating activities before financial items and taxes	-575	-8,993	-5,658	-22,512	-19,856						
Net financial items and taxes	-941	-669	-1,390	-2,231	-3,206						
Cash flows from operating activities	-1,515	-9,663	-7,048	-24,743	-23,063						
Cash flow from investments											
Net investments in tangible and intangible assets	-2,382	-1,497	-5,431	-4,911	-5,159						
Divestments of businesses, net of cash	1,212	888	2,347	1,585	1,585						
Net cash flow from investments into financial instruments ¹		12,925		8,077	14,854						
Cash flow from investments	-1,170	12,315	-3,085	4,751	11,280						

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.

Condensed Statement of changes in shareholders' equity

	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
	Share capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2023	80	83,638	-155	20,222	-805	102,980
Total comprehensive income for the year				-23,326	2,561	-20,765
Share based payments				1,942		1,942
Equity 30 Sep 2024	80	83,638	-155	-1,163	1,756	84,157

Notes to the interim financial statements

1 Significant exchange rates and sensitivity to exchange rate changes

One Euro is	Average rates					End rates		
	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023	30 Sep 2024	30 Sep 2023	31 Dec 2023
USD	1.0873	1.0919	1.0857	1.0621	1.0796	1.1196	1.0594	1.0594
GBP	0.8438	0.8577	0.8528	0.8713	0.8703	0.8354	0.8646	0.8646
JPY	165.30	157.46	164.13	147.96	151.87	159.82	158.10	158.10

Effect of changes in exchange rates on profit before taxes

+/-10 % FX rate change, mEUR	7-9/2024	1-9/2023	1-12/2023
USD	+0,0/-0,0	+0,1/-0,2	+0,2/-0,3
GBP	-0,2/+0,2	-0,3/+0,3	-0,2/+0,3
JPY	+0,3/-0,3	+0,1/-0,2	+0,0/-0,0

Group has forward contracts to hedge internal loan receivable in USD. As of 30.9.2024 the nominal value of the forward contracts was EUR 7 million and the market value was EUR 100 thousand.

2 Segment information

From 1 January 2024 onwards, WithSecure Group reports three segments: Elements Company, Cloud Protection for Salesforce (CPSF) and Cyber security consulting. The operating segments are reported in a manner consistent with the internal reporting provided to the Group Leadership Team, which has been identified as WithSecure's chief operating decision maker being responsible for allocating resources and assessing performance of the operating segments as well as deciding on strategy. The Group Leadership Team assesses the profitability of segments principally on the basis of adjusted EBITDA.

Elements Company segment includes Elements Cloud products and services, on-premise products, managed services (including Countercept Managed Detection and Response, MDR), and Other products. Elements Company revenue is presented separately for Cloud, On-premise and Other products.

Cloud Protection for Salesforce (CPSF) segment includes revenue from the CPSF product. It is a software product, ensuring scanning of external content for potential malware, before it is loaded into Salesforce. Customers are primarily enterprise-sized companies, with extensive use of Salesforce platforms.

Cyber security consulting segment includes only the consulting services sold to large, enterprise customers. Incident response services and other minor consulting products have been transferred to the Elements segment.

Revenue by segment	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Elements Company	26,191	25,097	78,984	75,382	101,143
Elements Cloud	20,697	19,013	61,818	56,413	76,132
On-premise	5,251	5,878	16,426	18,424	24,356
Other	242	206	741	545	656
Cloud Protection for Salesforce	2,408	2,010	6,601	6,265	8,299
Cyber security consulting	7,550	7,659	23,639	23,190	33,370
Total revenue	36,149	34,766	109,225	104,837	142,812

Gross margin by segment	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Elements Company	20,912	19,782	62,901	59,068	79,609
<i>% of revenue</i>	79.8%	78.8%	79.6%	78.4%	78.7%
Cloud Protection for Salesforce	2,017	1,347	5,482	4,663	6,133
<i>% of revenue</i>	83.7%	67.0%	83.0%	74.4%	73.9%
Cyber security consulting	3,308	3,048	10,002	8,869	14,449
<i>% of revenue</i>	43.8%	39.8%	42.3%	38.2%	43.3%
Total gross margin	26,237	24,178	78,386	72,601	100,192

Adjusted EBITDA by segment	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Elements Company	1,988	-531	2,477	-9,884	-10,906
<i>% of revenue</i>	7.6%	-2.1%	3.1%	-13.1%	-10.8%
Cloud Protection for Salesforce	-81	-1,341	-892	-3,901	-4,627
<i>% of revenue</i>	-3.4%	-66.7%	-13.5%	-62.3%	-55.8%
Cyber security consulting	-45	-394	-855	-2,538	-584
<i>% of revenue</i>	-0.6%	-5.1%	-3.6%	-10.9%	-1.8%
Total adjusted EBITDA	1,862	-2,266	730	-16,322	-16,116

Revenue by geographical area	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Nordic countries	9,155	8,776	30,942	29,322	39,781
Rest of Europe	17,755	17,129	51,805	49,600	67,733
North America	3,843	3,645	10,948	9,655	14,025
Rest of the world	5,396	5,215	15,528	16,260	21,273
Total revenue	36,149	34,766	109,225	104,837	142,812

3 Share-based payments

During the period Group has had share-based incentive plans covering management and the key personnel of the Group and a share savings plan available to all employees as described below. The programs have been established as part of incentive and retention system within WithSecure. The programs offer the participants a possibility to receive WithSecure shares as an incentive reward if the financial targets set for the earning period have been achieved. No reward can be given to a participating employee whose employment has terminated before the end of the lock-up period. WithSecure's current plans consist of Performance Share Plans, Restricted Share Plans, a Performance Matching Share Plan and an Employee Share Savings Plan. For further information regarding these programs, please refer to [WithSecure Remuneration Report 2023](#).

In March 2024, the Board of Directors of WithSecure Corporation has decided on a new Performance Share Plan for the years 2024–2026. The new plan will commence in 2024 and the performance criterion for this plan will be WithSecure's revenue growth over the 3-year performance period. The aggregate maximum number of share rewards to be paid in the first half of 2027 is approximately 6,600,000 shares. This number of shares represents gross earning, from which the applicable payroll tax is withheld, and the remaining net value is paid in shares to the key employees participating in the plan. The plan is offered to the management and selected key employees of WithSecure.

Also in March 2024, the Board of Directors of WithSecure Corporation has decided on a new Restricted Share Plan for the years 2024–2026. The aggregate maximum number of shares which may become payable based on RSP 2024–2026 in the first half of 2027 is 500,000 shares. The amount of shares represents gross earnings, from which the applicable payroll tax is withheld, and the remaining net value is paid to the participants in shares. If the individual's employment with WithSecure terminates before the payment date of the share reward, the individual is not, as a main rule, entitled to any reward based on the plan.

4 Intangible and tangible assets

	30 Sep 2024	30 Sep 2023	31 Dec 2023
Book value at the beginning of the financial year	111,642	117,266	117,266
Additions	21,879	12,649	14,003
Disposals	-5,653	-2,342	-2,216
Depreciation and amortization	-9,163	-9,375	-12,626
Impairment	-15,500	-6,198	-6,198
Translation differences	2,681	1,775	1,413
Book value at the end of the period	105,885	113,776	111,642

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). From 1 of January 2024 onwards, goodwill has been re-allocated to the CGU's of the new reporting structure as below:

Goodwill	30 Sep 2024	1 Jan 2024
Elements company	36,147	35,032
Cyber security consulting	28,670	43,026
Total	64,817	78,058

After lowering its revenue estimates, WithSecure tested the goodwill valuation for consulting 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. Discount rate applied in the testing was 13.8% (12.3% in 2023) for consulting, before taxes. Due to the lower revenue estimates, as well as the impact of increasing equity market risk, 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 15.5 million.

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

Goodwill	30 Sep 2024	30 Sep 2024	31 Dec 2023
Book value at the beginning of the financial year	78,058	82,998	82,998
Impairment	-15,500	-6,198	-6,198
Translation differences	2,259	1,545	1,258
Book value at the end of the period	64,817	78,345	78,058

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.

	Fair value hierarchy	30 Sep 2024	30 Sep 2023	31 Dec 2023
Financial assets at fair value through profit or loss				
Current				
Investments in unlisted shares	Level 3	26	26	26
Financial assets at amortized cost				
Non-current				
Interest bearing receivables	Level 3	4,353	6,806	6,059
Current				
Interest bearing receivables	Level 3	6,649	2,268	2,126
Trade receivables	Level 2	20,748	21,557	25,237
Corporate commercial papers	Level 2		5,900	
Cash and cash equivalents		21,557	30,026	36,604
Total		53,333	66,584	70,052

	Fair value hierarchy	30 Sep 2024	30 Sep 2023	31 Dec 2023
Financial liabilities at amortized cost				
Non-current				
Interest bearing liabilities				
Other loans	Level 3		3,649	3,554
Lease liabilities	Level 2	19,359	5,864	4,851
Current				
Interest bearing liabilities				
Lease liabilities	Level 2	2,011	5,563	5,331
Interest bearing liabilities				
Other loans	Level 3	3,590		
Trade and other payables		2,126	2,416	3,376
Total		27,086	17,493	17,113

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	over 5 years	Total contractual cash flows	Carrying amount
Lease liabilities	2,011	3,557	3,072	2,431	1,749	8,549	21,370	21,370
Other loans	3,590						3,590	3,590
Total financial liabilities	5,601	3,557	3,072	2,431	1,749	8,549	24,960	24,960

On 30.9.2024 one of Group cash assets were invested in short term deposits for maturity of maximum 3 months. These deposits have been included in the balance for Cash and cash equivalents, and their fair value is equivalent to their carrying value.

Interest bearing receivables include receivables related to premises subleased to third parties, receivables related to the deferred consideration 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.

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Adjusted EBITDA	1,862	-2,266	730	-16,322	-16,116
Adjustments to EBITDA					
Other items	-608	-107	-1,585	-395	-1,441
Restructuring	-394	-98	-437	-4,362	-8,881
Divestments	614		1,165	1,372	1,372
Income for costs under TSA		1,469		5,535	6,939
Costs of services under TSA		-1,469		-5,535	-6,939
EBITDA	1,473	-2,470	-127	-19,707	-25,066
Depreciation, amortization and impairment losses	-18,638	-9,291	-24,663	-15,573	-18,824
EBIT	-17,164	-11,761	-24,791	-35,280	-43,891

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 Transitional Services Agreement (TSA) in 2023, Group's operating expenses included costs of services provided to F-Secure. These costs together with income equivalent to the costs were excluded from APMs.

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Adjusted EBIT	-776	-4,773	-6,705	-23,901	-26,338
Adjustments to EBIT					
PPA amortization	-499	-585	-1,729	-1,795	-2,404
Impairment	-15,500	-6,198	-15,500	-6,198	-6,198
Other items	-608	-107	-1,585	-395	-1,441
Restructuring	-394	-98	-437	-4,362	-8,881
Divestments	614		1,165	1,372	1,372
Income for costs under TSA		1,469		5,535	6,939
Costs of services under TSA		-1,469		-5,535	-6,939
EBIT	-17,164	-11,761	-24,791	-35,280	-43,891

Classification of adjusted costs in operating expenses

	Operating Expenses Q3 2024	Restructuring	Other items	Expenses for adjusted EBIT	Depreciation	Impairment	PPA amortization	Operating Expenses for Adjusted EBITDA Q3 2024
Sales and marketing	-14,806			-14,806	1,143			-13,662
Research and development	-9,772			-9,772	1,364			-8,408
Administration	-20,105	394	608	-19,103	130	15,500	499	-2,973
Operating expenses	-44,683	394	608	-43,681	2,638	15,500	499	-25,043

	Operating Expenses Q3 2023	Costs under TSA	Restructuring	Other items	Expenses for adjusted EBIT	Depreciation	Impairment	PPA amortization	Operating Expenses for Adjusted EBITDA 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 1-9/2024	Restructuring	Other items	Expenses for adjusted EBIT	Depreciation	Impairment	PPA amortization	Operating Expenses for Adjusted EBITDA 1-9/2024
Sales and marketing	-46,001			-46,001	3,061			-42,940
Research and development	-30,368			-30,368	3,882			-26,486
Administration	-29,541	437	1,585	-27,519	492	15,500	1,729	-9,798
Operating expenses	-105,910	437	1,585	-103,887	7,435	15,500	1,729	-79,224

	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, 7-9/2024	1,282		-614	668
Other operating income, 7-9/2023	1,674	-1,469		205
Other operating income, 1-9/2024	2,734		-1,165	1,569
Other operating income, 1-9/2023	7,935	-5,535	-1,372	1,027
Other operating income, 1-12/2023	9,735	-6,939	-1,372	1,423

Calculation of key ratios

Calculation of key ratios		Calculation of key ratios	
Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets - deferred revenue}} \times 100$	Dividend per earnings, %	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
ROI, %	$\frac{\text{Result before taxes + financial expenses}}{\text{Total assets - non-interest bearing liabilities (average)}} \times 100$	Effective dividends, %	$\frac{\text{Dividend per share}}{\text{Closing price of the share, end of period}} \times 100$
ROE, %	$\frac{\text{Result for the period}}{\text{Total equity (average)}} \times 100$	Operating Expenses	Sales and marketing, research and development, and administration costs
Gearing, %	$\frac{\text{Interest bearing liabilities - cash and cash equivalents and liquid financial assets}}{\text{Total equity}} \times 100$	EBITDA	EBIT + depreciation, amortization and impairment
Earnings per share, euro	$\frac{\text{Profit attributable to equity holders of the company}}{\text{Weighted average number of outstanding shares}}$	Adjusted EBITDA	EBITDA +/- items affecting comparability
Shareholders' equity per share, euro	$\frac{\text{Equity attributable to equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$	Adjusted EBIT	EBIT +/- items affecting comparability
P/E ratio	$\frac{\text{Closing price of the share, end of period}}{\text{Earnings per share}}$	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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