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# Half-year Report

## 1 January – 30 June 2023

Half-year report 1 January – 30 June 2023

## **MARKET UNCERTAINTY REFLECTED IN THE NEW OUTLOOK; NEW PRODUCTS LAUNCHED TO STRENGTHEN CO- SECURITY APPROACH**

### **Highlights of April – June 2023 (“second quarter”)**

- Annual Recurring Revenue (ARR)<sup>1</sup> for cloud products<sup>2</sup> increased by 21% to EUR 81.9 million (EUR 67.5 million)
- ARR growth from previous quarter was 0.5%
- Net Revenue Retention for cloud products was 107%
- Revenue from cloud products increased by 20% to EUR 20.3 million (EUR 16.8 million)
- Revenue from on-premise products decreased by 8% to EUR 6.2 million (EUR 6.7 million)
- Revenue from cyber security consulting decreased by 6% to EUR 8.4 million (EUR 8.9 million)
- Adjusted EBITDA was EUR -7.9 million (EUR -8.0 million – Estimated comparable EBITDA<sup>3</sup>)
- Items affecting comparability (IAC) of EBITDA were EUR +1.4 million (EUR -0.8 million). Of this, EUR +1.3 million related to valuation of earn-out from previously divested business

### **Highlights of January – June 2023 (“first half”)**

- Revenue from cloud products increased by 25% to EUR 40.2 million (EUR 32.1 million)
- Revenue from on-premise products decreased by 10% to EUR 12.5 million (EUR 13.9 million)
- Revenue from cyber security consulting decreased by 8% to EUR 17.3 million (EUR 18.9 million)
- Adjusted EBITDA was EUR -14.1 million (EUR -13.2 million – Estimated comparable EBITDA<sup>3</sup>)
- Items affecting comparability (IAC) of EBITDA were EUR -3.2 million (EUR -5.3 million). Of this, EUR -4.3 million related to restructuring activities of the first quarter, and EUR +1.4 million to valuation of earn-out from previously divested business

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<sup>1</sup> 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

<sup>2</sup> Cloud products are Elements, Cloud Protection for Salesforce and Managed Services

<sup>3</sup> 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 (updated)**

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.

## **Outlook for 2023 (previous)**

Annual recurring revenue (ARR) for cloud products will grow by 28 – 34% from the end of 2022. At the end of 2022, cloud ARR was EUR 80.2 million.

Revenue from cloud products will grow by 28 – 34% from previous year. Previous year revenue from cloud products was EUR 68.7 million.

Total revenue of the group will grow by 12 – 20% 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 positive.

## **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 will be completed by end of third quarter. Medium-term financial targets will be reviewed as part of the process.

## CEO Juhani Hintikka

In the second quarter of 2023, slowness in some areas of the cyber security market continued and impacted also WithSecure product revenue. The market also continues to be very competitive. In some markets, the first half performance deviated significantly from our plans, while others are performing according to previous estimates. Cloud ARR grew by 21% year-on-year. Cloud revenue grew by 20 % and was EUR 20.3 million (EUR 16.8 million).

Cyber security consulting revenue declined by 6 % and was EUR 8.4 million (EUR 8.9 million). The financial sector customers, especially in the UK, are still recovering from the reductions of spending first reported in the first quarter of 2023, and the new customer acquisition was not sufficient to cover for the gap. In other geographies, consulting performed according to expectations. Demand for consulting services continues, especially demand for offensive services such as red teaming.

Overall, the revenue performance was disappointing in the first half of 2023, compared to our own plans, but reflects the current trend in the cyber security market. We will continue to strengthen our strategy and focus, to ensure we can return to the growth levels we expect in our selected target markets. We have also identified areas for operational improvements in the company.

In the second quarter, the cost saving measures were partly offset by one-off expenses related to salaries and marketing. We expect to see the full impact of the earlier cost saving measures in Q3. Reaching profitability continues to be a high priority for WithSecure. Due to the uncertainties in the market, impacting the second quarter result, we lowered our financial outlook for 2023.

Highlight of the quarter was our annual marketing event SPHERE '23 in May. We spent two days with over 500 customers and partners, sharing insights into today's cyber security environment and hosted almost 50 journalists from worldwide media outlets.

At SPHERE'23, we introduced new products and services, complementing our portfolio that focuses on resolving essential security operations needs for mid-market companies. We complemented the Elements platform with a fifth module, Cloud Security Posture Management (CSPM) that provides automated identification and remediation of risks related to cloud infrastructures. This is an important additional step in supporting our customers' transition to cloud environments.

Co-security – working together with our partners to ensure the best possible security outcomes to the end customers – is becoming even more relevant in the fast-changing cyber security environment. To further strengthen our partners' offering we introduced a new co-monitoring service, where part of the monitoring of network alerts can be transferred to the WithSecure team. This enables a cost effective, around the clock managed detection and response solution, built on the Elements Endpoint Detection and Response.

We also introduced the Incident Readiness Retainer service, making WithSecure expertise available to mid-market customers through a standardized offering. The traction in these new products and services has been very good in the first weeks after their release.



## Financial performance

(mEUR)	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
<b>Revenue</b>	<b>34.8</b>	<b>32.5</b>	<b>7 %</b>	<b>70.1</b>	<b>64.8</b>	<b>8 %</b>	<b>134.7</b>
Cloud-based security products	20.3	16.8	20 %	40.2	32.1	25 %	68.7
On-premise security products	6.2	6.7	-8 %	12.5	13.9	-10 %	27.2
Cyber security consulting	8.4	8.9	-6 %	17.3	18.9	-8 %	38.8
Cost of revenue	-10.8	-11.7	8 %	-21.6	-22.8	5 %	-47.0
Gross Margin	24.0	20.7	16 %	48.4	42.0	15 %	87.7
of revenue, %	68.9 %	63.9 %		69.1 %	64.9 %		65.1 %
Other operating income <sup>1)</sup>	0.1	0.5	-74 %	0.6	0.9	-41 %	2.3
Operating expenses <sup>1)</sup>	-32.0	-30.9	4 %	-63.3	-59.6	6 %	-116.7
Sales & Marketing	-19.9	-20.5	3 %	-37.3	-39.3	5 %	-79.1
Research & Development	-9.2	-8.0	16 %	-20.9	-15.9	32 %	-28.4
Administration	-2.9	-2.5	16 %	-5.1	-4.5	15 %	-9.2
<b>Adjusted EBITDA <sup>2)</sup></b>	<b>-7.9</b>	<b>-9.7</b>	<b>19 %</b>	<b>-14.1</b>	<b>-16.6</b>	<b>15 %</b>	<b>-26.7</b>
of revenue, %	-22.6 %	-29.9 %		-20.1 %	-25.6 %		-19.8 %
Items affecting comparability (IAC)							
Divestments	1.3			1.4	-3.1	-144 %	-1.5
Restructuring	0.3			-4.3			
Other items	-0.2			-0.3			
Demerger		-0.8	100 %		-2.1	100 %	-1.8
<b>EBITDA</b>	<b>-6.4</b>	<b>-10.5</b>	<b>39 %</b>	<b>-17.2</b>	<b>-21.9</b>	<b>21 %</b>	<b>-29.9</b>
of revenue, %	-18.5 %	-32.4 %		-24.6 %	-33.8 %		-22.2 %
Depreciation & amortization, excluding PPA <sup>3)</sup>	-2.5	-2.4	4 %	-5.1	-4.9	4 %	-10.1
PPA amortization	-0.6	-0.6	1 %	-1.2	-1.2	6 %	-2.5
<b>EBIT</b>	<b>-9.6</b>	<b>-13.5</b>	<b>29 %</b>	<b>-23.5</b>	<b>-28.1</b>	<b>16 %</b>	<b>-42.6</b>
of revenue, %	-27.5 %	-41.7 %		-33.6 %	-43.4 %		-31.6 %
<b>Estimated comparable EBITDA</b>	<b>-7.9</b>	<b>-8.0</b>	<b>2 %</b>	<b>-14.1</b>	<b>-13.2</b>	<b>6 %</b>	<b>-23.2</b>
of revenue, %	-22.6 %	-24.7 %		-20.1 %	-20.4 %		-17.3 %
<b>Adjusted EBIT <sup>2)</sup></b>	<b>-10.4</b>	<b>-12.1</b>	<b>14 %</b>	<b>-19.1</b>	<b>-21.6</b>	<b>11 %</b>	<b>-36.8</b>
of revenue, %	-29.8 %	-37.3 %		-27.3 %	-33.3 %		-27.3 %
<b>Result for the period (Discontinued operations)</b>		<b>459.2</b>	<b>100 %</b>		<b>468.5</b>	<b>100 %</b>	<b>468.5</b>



(mEUR)	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
<b>Performance indicators</b>							
Earnings per share, (EUR) (continuing operations) <sup>4)</sup>	-0.10	-0.07	39 %	-0.04	-0.14	73 %	-0.22
Deferred revenue (continuing operations)				69.2	67.7	2 %	68.6
Cash flow from operations before financial items and taxes <sup>5)</sup>	-8.2	-0.0	n/a	-13.5	1.1	n/a	-14.1
Cash and cash equivalents				28.8	92.3	-69 %	55.1
ROI, %	-29.7 %	-35.2 %	15 %	-23.9 %	-37.4 %	36 %	-30.5 %
Equity ratio, %				79.0 %	74.7 %	6 %	79.0 %
Gearing, %				-28.1 %	-50.7 %	45 %	-39.9 %
Personnel, end of period				1,195	1,264	-5 %	1,295

<sup>1)</sup> 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.

<sup>2)</sup> Adjustments are material items outside 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)

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

<sup>4)</sup> Based on the weighted average number of outstanding shares during the period 175,309,037 (1-6/2023). Earnings per share has been recalculated for comparative periods using average weighted share amount after share issues.

<sup>5)</sup> Comparative periods of Q2 2022 and H1 2022 include both continuing operations (WithSecure) and discontinued operations (F-Secure).

## Market overview

Digital networks are an essential component of society that must always work. Disruptions of the digital network can cause serious damage to society and the well-being of its members.

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, adaptability and resilience of cyber security solutions become more relevant than ever.

While advanced cyber-attacks on visible targets are becoming more common and persistent, criminals are also targeting companies of all sizes along with consumers by taking advantage of vulnerabilities in popular software, both traditional and new connected devices as well as online services. 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 bring-your-own-device, the attacks are evolving towards difficult-to-detect identity thefts, rather than malware deployment. Attacks against corporations can go undetected for months. It is estimated that these trends will continue to drive the increasing demand for detection and response products and services. As part of improved cyber resilience, the work on Incident readiness is becoming more important than before.

As organizations are adopting cloud solutions, they seek managed security services and cloud-based delivery to help them maintain control of their cyber security. It is also becoming increasingly important that the selected cyber security solutions are working well together with other vendors'

security solutions through API integrations, to ensure seamless best-in-class solutions for the entire IT environment.

More organizations (particularly in Europe) are taking a stricter position on data protection laws, meaning that globally delivered services are accepted less frequently. This will increase the need for proven services from established vendors, who can respect the data restrictions to a particular region, even to a particular country.

## **April - June 2023 (2<sup>nd</sup> quarter)**

### **Revenue**

WithSecure revenue in the second quarter increased by 7 % to EUR 34.8 million (EUR 32.5 million).

#### *Cloud products*

Revenue from cloud products (Elements, Managed services, Cloud Protection for Salesforce) grew by 20 % to EUR 20.3 million (EUR 16.8 million).

Annual Recurring Revenue (ARR) for cloud products was EUR 81.9 million. The ARR grew by 21 % 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. 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.

In some markets, the first half revenue performance deviates significantly from our plans, while others are performing according to previous estimates. The markets where the cloud business did not meet the expectations in the first half of 2023 are UK, US and Japan. On the other hand, the business in France and DACH areas has developed positively.

Cyber security market continues to be very competitive. Large market participants are investing more in the development of their small and mid-market solutions, and embedded solutions.

To reflect the uncertainty related to the market recovery, WithSecure lowered its cloud ARR, cloud revenue and total revenue outlook for financial year 2023.

#### *On-premise products*

Revenue from on-premise product WithSecure Business Suite declined by 8 % to EUR 6.2 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 over time in the on-premise revenue.

#### *Cyber security consulting*

Revenue from cyber security consulting declined by 6 % to EUR 8.4 million (EUR 8.9 million).



WithSecure consultants mostly work with large, multi-national enterprises with complex IT environments and high cyber security risks. Many of the customers operate in the financial sector which is going through some economic uncertainty. The financial sector customers, especially in the UK, are still recovering from reductions in spending first reported in the first quarter of 2023, and the new customer acquisitions were not sufficient to cover for the gap. In other geographies, consulting performs according to expectations. Demand for consulting services continues, especially demand for offensive services such as red teaming.

### **Gross margin**

WithSecure gross margin improved to EUR 24.0 million (EUR 20.7 million) and was 68.9 % of revenue (63.9 %). 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 items impacting comparability) were EUR 32.0 million (EUR 30.9 million). The increase is partly caused by the growth of personnel expenses, such as annual salary increases and especially one-off salary payments in the second quarter (impact approximately EUR 1.5 million). Sales and marketing expense includes approximately EUR 1.1 million of expenses for the SPHERE '23 event and related activities.

Depreciation and amortization was EUR 2.5 million (EUR 2.4 million) and amortization of PPA was EUR 0.6 million (EUR 0.6 million).

### **Profitability**

Adjusted EBITDA was EUR -7.9 million (EUR -8.0 million of Estimated comparable EBITDA<sup>3</sup>).

Items affecting comparability (IAC) of EBITDA were EUR +1.4 million (EUR -0.8 million). Of this, EUR + 1.3 million related to valuation of earn-out from previously divested business.

EBITDA was EUR -6.4 million (EUR -10.5 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 -8.2 million (EUR -0.0 million including discontinued operations). Cash flow was driven by negative operative result for the period and payments related to share-based incentive programs and restructuring. Cash flow from operating activities was -8.6 million (EUR -2.0 million including discontinued operations).

Cash flow from investments EUR 4.8 million includes returned investments in short-term corporate commercial papers (6.7 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).

## January - June 2023 (“first half”)

### Revenue

WithSecure revenue in the first half increased by 8 % to EUR 70.1 million (EUR 64.8 million).

#### *Cloud products*

Revenue from cloud products (Elements, Managed services, Cloud Protection for Salesforce) grew by 25 % to EUR 40.2 million (EUR 32.1 million).

#### *On-premise products*

Revenue from on-premise product WithSecure Business Suite declined by 10 % to EUR 12.5 million (EUR 13.9 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 over time in the on-premise revenue.

#### *Cyber security consulting*

Revenue from cyber security consulting declined by 8 % to EUR 17.3 million (EUR 18.9 million).

### Gross margin

WithSecure gross margin improved to EUR 48.4 million (EUR 42.0 million) and was 69.1 % of revenue (64.9 %). 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 items impacting comparability) were EUR 63.3 million (EUR 59.6 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 5.1 million (EUR 4.9 million) and amortization of PPA was EUR 1.2 million (EUR 1.2 million).

### Profitability

Adjusted EBITDA was EUR -14.1 million (EUR -13.2 million of Estimated comparable EBITDA<sup>3</sup>).

Items affecting comparability (IAC) of EBITDA were EUR -3.2 million (EUR -5.3 million). Of this, EUR -4.3 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 -17.2 million (EUR -21.9 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 -13.5 million (EUR 1.1 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 -15.1 million (EUR -5.3 million including discontinued operations).

Cash flow from investments EUR -7.6 million includes Group's short-term investments in corporate commercial papers (EUR -4.8 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)	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Cash and cash equivalents				28.8	92.3	-69 %	55.1
Financial assets at amortized cost				18.8			14.0
Lease liabilities, non-current				3.2	6.1	-48 %	4.8
Other loans, non-current				3.6	3.7	-2 %	3.6
Lease liabilities, current				5.9	4.5	31 %	4.8
Capital expenditure, excl. lease assets	1.9	1.8	8 %	3.4	6.2	-45 %	4.8
Capitalized development expenses	0.9	1.4	-36 %	1.7	2.6	-35 %	2.4
ROI, %	-29.7 %	-35.2 %	15 %	-23.9 %	-37.4 %	36 %	-30.5 %
Equity ratio, %				79.0 %	74.7 %	6 %	79.0 %
Gearing, %				-28.1 %	-50.7 %	45 %	-39.9 %

Liquidity remained at a solid level, but the operative loss and annual payments for incentives and restructuring expenses have impacted the first half cash flow. At the end of the quarter, the company had liquid assets in total of EUR 47.6 million (EUR 92.3 million including discontinued operations cash). 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.

## Organization and leadership

### Personnel

At the end of the quarter, WithSecure had 1,195 employees, which shows a net decrease of 54 employees (4%) since the previous quarter-end (1,249 on Q1 2023), and a net decrease of 69 employees (5%) compared to the end of June 2022 (1,264). The change during second quarter of 2023 is mostly due to the restructuring process announced in the first quarter.

## Leadership team

No changes took place in the company leadership during the quarter.

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), Juha Kivikoski (Chief Customer 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 will assume the CCO role in interim.

## Shares, Shareholders' Equity, Own Shares

In the second quarter, 17.3 million (11.4 million) of WithSecure's shares were traded on Nasdaq Helsinki. The highest trading price was EUR 1.67 (5.57), and the lowest price was EUR 1.17 (4.49). The volume weighted average price of WithSecure shares in the second quarter of 2023 was EUR 1.43 (4.95).

The share's closing price on the last trading day of the quarter, 30 June 2023, was EUR 1.17 (5.00). Based on that closing price, the market value of the company's shares, excluding the treasury shares held by the company, was EUR 206 million (EUR 873 million). Large movements are partly explained by the demerger of F-Secure at the end of second quarter of 2022.

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

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 will assume the CCO role in interim.

On 11 July 2023, WithSecure announced a revised financial outlook for 2023.

## Financial calendar

WithSecure will publish its financial information in 2023 as follows:

- 18 October 2023: Interim Report for January–September 2023

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.

## Contact information

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## Key ratios and other key figures

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
<b>PROFITABILITY</b>					
Revenue	34,844	32,454	70,071	64,810	134,700
Cloud-based security products	20,272	16,848	40,198	32,088	68,711
On-premise security products	6,193	6,732	12,546	13,868	27,152
Cyber security consulting	8,378	8,874	17,328	18,854	38,837
Gross margin	23,998	20,727	48,423	42,031	87,728
Gross margin, % of revenue	68.9%	63.9 %	69.1%	64.9 %	65.1 %
Operating expenses	-37,070	-34,751	-78,203	-71,074	-142,605
Operating expenses for adjusted EBITDA <sup>1)</sup>	-31,989	-30,871	-63,302	-59,599	-116,709
Other income, adjusted <sup>2)</sup>	126	479	560	943	2,345
Adjusted EBITDA	-7,865	-9,693	-14,056	-16,623	-26,672
Adjusted EBITDA, % of revenue	-22.6%	-29.9 %	-20.1 %	-25.6 %	-19.8 %
EBITDA	-6,450	-10,514	-17,237	-21,914	-29,946
EBITDA, % of revenue	-18.5%	-32.4 %	-24.6%	-33.8 %	-22.2 %
Adjusted EBIT	-10,381	-12,107	-19,128	-21,586	-36,761
Adjusted EBIT, % of revenue	-29.8%	-37.3 %	-27.3%	-33.3 %	-27.3 %
EBIT	-9,575	-13,545	-23,519	-28,099	-42,552
EBIT, % of revenue	-27.5%	-41.7 %	-33.6%	-43.4 %	-31.6 %
Estimated comparable EBITDA <sup>3)</sup>	-7,865	-8,005	-14,056	-13,199	-23,248
Estimated comparable EBITDA, % of revenue	-22.6%	-24.7 %	-20.1%	-20.4 %	-17.3 %
ROI, % <sup>4)</sup>	-29.7%	-35.2 %	-23.9%	-37.4%	-30.5%
ROE, % <sup>4)</sup>	-27.1 %	-30.3 %	-21.5 %	-40.6%	-32.5%
<b>Discontinued operations</b>					
Profit after taxes of the operations transferred to F-Secure		4,262		13,574	13,574
Fair value gain recognized from valuation of discontinued operations' net assets		450,499		450,499	450,499
Demerger expenses, net of taxes		3,060		3,060	3,060
Translation difference		1,366		1,366	1,393
Result for the period		459,186		468,498	468,526
<b>CAPITAL STRUCTURE</b>					
Equity ratio, %			79.0%	74.7%	79.0%
Gearing, %			-28.1%	-50.7%	-39.9%
Interest bearing liabilities			12,688	14,300	13,208
Cash and cash equivalents			28,776	92,261	55,129
<b>SHARE RELATED</b>					
Earnings per share, basic and diluted <sup>5)</sup>	-0.10	-0.07	-0.04	-0.14	-0.22
Shareholders' equity per share, EUR			0.71	0.88	0.80

OTHER					
Capital expenditure, excl. lease assets	1,946	1,800	3,413	6,200	4,845
Capitalized development expenses	903	1,400	1,679	2,600	2,439
Depreciation and amortization excl. PPA amortization	-2,516	-2,414	-5,072	-4,892	-10,091
Depreciation and amortization	-3,125	-3,031	-6,282	-6,185	-12,606
Personnel, average <sup>4)</sup>	1,200	1,490	1,247	1,570	1,438
Personnel, period end			1,195	1,264	1,295

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

<sup>2)</sup> 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.

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

<sup>4)</sup> Comparative information for Q2 2022 and H1 2022 are still affected by periods of combined operations

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

# HALF-YEAR REPORT Q2 2023 TABLE SECTION

The Half-year 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 half-year report release is unaudited.

## Income statement

	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Revenue	34,844	32,454	7 %	70,071	64,810	8 %	134,700
Cost of revenue	-10,846	-11,727	8 %	-21,648	-22,779	5 %	-46,972
<b>Gross margin</b>	<b>23,998</b>	<b>20,727</b>	<b>16 %</b>	<b>48,423</b>	<b>42,031</b>	<b>15 %</b>	<b>87,728</b>
Other operating income <sup>1) 4)</sup>	3,498	479	630 %	6,261	943	564 %	12,325
Sales and marketing <sup>1)</sup>	-20,919	-21,255	2 %	-39,334	-41,205	5 %	-83,118
Research and development <sup>1)</sup>	-11,904	-9,441	26 %	-25,007	-18,556	35 %	-39,143
Administration <sup>1)</sup>	-4,247	-4,055	5 %	-13,862	-11,313	23 %	-20,344
<b>EBIT</b>	<b>-9,575</b>	<b>-13,517</b>	<b>29 %</b>	<b>-23,519</b>	<b>-28,099</b>	<b>16 %</b>	<b>-42,552</b>
Financial net	421	-152	-377 %	438	-474	-192 %	-1,619
<b>Result before taxes</b>	<b>-9,155</b>	<b>-13,697</b>	<b>33 %</b>	<b>-23,081</b>	<b>-28,574</b>	<b>19 %</b>	<b>-44,171</b>
Income taxes	2,300	1,363	69 %	5,141	3,228	59 %	5,961
<b>Result for the period, continuing operations</b>	<b>-6,854</b>	<b>-12,334</b>	<b>44 %</b>	<b>-17,939</b>	<b>-25,345</b>	<b>29 %</b>	<b>-38,210</b>
<b>Result for the period, discontinued operations<sup>2)</sup></b>		<b>459,168</b>	<b>100 %</b>		<b>468,526</b>	<b>100 %</b>	<b>468,526</b>
<b>Result for the period, group total</b>	<b>-6,854</b>	<b>446,834</b>	<b>102 %</b>	<b>-17,939</b>	<b>443,101</b>	<b>104 %</b>	<b>430,316</b>
<b>Other comprehensive income</b>							
Exchange differences on translating foreign operations, continuing operations	1,209	-1,708	-171 %	1,763	692	155 %	-1,066
Exchange differences on translating foreign operations, discontinued operations		-634	100 %		-934	100 %	-934
<b>Total other comprehensive income, continuing operations</b>	<b>-5,645</b>	<b>-14,042</b>	<b>60 %</b>	<b>-16,176</b>	<b>-24,653</b>	<b>34 %</b>	<b>-39,276</b>
<b>Total other comprehensive income, discontinued operations</b>		<b>458,535</b>	<b>100 %</b>		<b>467,592</b>	<b>100 %</b>	<b>467,592</b>
<b>Total other comprehensive income, group (parent company owners)</b>	<b>-5,645</b>	<b>444,492</b>	<b>101 %</b>	<b>-16,176</b>	<b>442,859</b>	<b>104 %</b>	<b>428,316</b>

Earnings per share <sup>3)</sup>	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Earnings per share, basic and diluted, EUR, combined operations	-0.10	2.55	-104 %	-0.04	2.53	-102 %	2.67
Earnings per share, basic and diluted, EUR, continuing operations	-0.10	-0.07	45 %	-0.04	-0.14	-73 %	-0.22
Earnings per share, basic and diluted, EUR, discontinued operations		2.62	-100 %		2.67	-100 %	2.45

<sup>1)</sup> From Q3 2022 onwards Other operating income includes fees invoiced from F-Secure under Transitional Services Agreement (TSA, EUR 1.8 million in Q2). Costs related to services provided under TSA are included in operating expenses for Research and Development and Administration (EUR 1.8 million in Q2).

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

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

<sup>4)</sup> Other operating income includes impact of revised deferred consideration from divestment of UK public sector consulting business in 2021 of EUR 1.3 million for 4-6/2023 and EUR 1.4 million for 1-6/2023.



## Statement of financial position

Assets	30 Jun 2023	30 Jun 2022	31 Dec 2022
Tangible assets	11,271	10,707	10,749
Intangible assets	22,426	26,053	23,519
Goodwill	84,962	84,976	82,998
Deferred tax assets	10,776	4,655	6,767
Interest bearing receivables, non-current <sup>1)</sup>	7,010	6,436	7,865
Other receivables	1,884	3,085	1,271
<b>Total non-current assets</b>	<b>138,330</b>	<b>135,911</b>	<b>133,169</b>
Interest bearing receivables, current <sup>1)</sup>	2,286	944	2,220
Accrued income	5,794	5,107	5,497
Trade and other receivables	31,692	38,422	34,875
Income tax receivables	1,113	1,276	932
Financial asset at fair value through profit and loss	26	26	26
Financial assets at amortized cost	18,825		13,977
Cash and cash equivalents	28,776	92,235	55,129
<b>Total current assets</b>	<b>88,512</b>	<b>138,010</b>	<b>112,658</b>
<b>Total assets</b>	<b>226,841</b>	<b>273,922</b>	<b>245,827</b>

Shareholders' equity and liabilities	30 Jun 2023	30 Jun 2022	31 Dec 2022
<b>Equity</b>	<b>124,539</b>	<b>153,950</b>	<b>140,089</b>
Interest bearing liabilities, non-current	6,789	9,771	8,369
Deferred tax liability	312	2,295	1,623
Deferred revenue, non-current	19,549	23,322	22,153
Other non-current liabilities	348	273	317
<b>Total non-current liabilities</b>	<b>26,998</b>	<b>35,661</b>	<b>32,462</b>
Interest bearing liabilities, current	5,899	4,502	4,839
Trade and other payables	17,996	33,844	19,868
Provisions <sup>2)</sup>	854		
Income tax liabilities	873	1,575	2,126
Deferred revenue, current	49,685	44,393	46,446
<b>Total current liabilities</b>	<b>75,307</b>	<b>84,314</b>	<b>73,279</b>
<b>Total liabilities and equity</b>	<b>226,841</b>	<b>273,922</b>	<b>245,827</b>

<sup>1)</sup> 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.

<sup>2)</sup> Provision related to restructuring in Q1 2023.

## Cash flow statement

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

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
<b>Cash flow from operations</b>					
Result for the period	-6,854	446,834	-17,939	443,101	430,316
Adjustments	-1,317	-445,389	4,474	-437,583	-433,293
Depreciation and amortization	3,125	3,033	6,282	6,645	13,025
Non-cash adjustments related to demerger		-451,834		-451,834	-447,828
Restructuring provision	-263		4,265		
Financial items and taxes	-2,721	2,493	-5,579	-1,642	1,562
Other adjustments	-1,459	919	-493	9,248	-52
Cash flow from operations before change in working capital	-8,171	1,365	-13,465	5,517	-2,977
Change in net working capital	3,344	-1,382	3,357	-4,391	-11,171
<b>Cash flow from operating activities before financial items and taxes</b>	<b>-8,238</b>	<b>-17</b>	<b>-13,519</b>	<b>1,126</b>	<b>-14,148</b>
Net financial items and taxes	-355	-1,995	-1,561	-6,403	-6,096
<b>Cash flows from operating activities</b>	<b>-8,593</b>	<b>-2,012</b>	<b>-15,080</b>	<b>-5,277</b>	<b>-20,244</b>
<b>Cash flow from investments</b>					
Net investments in tangible and intangible assets	-1,963	-1,152	-3,414	-2,450	-4,770
Divestments of businesses, net of cash			697	-1,146	-734
Net cash flow from investments into financial instruments <sup>1)</sup>	6,738		-4,848		-13,979
<b>Cash flow from investments</b>	<b>4,775</b>	<b>-1,152</b>	<b>-7,564</b>	<b>-3,596</b>	<b>-19,483</b>
<b>Cash flow from financing activities</b>					
Increase in share capital				75,988	75,988
Repayments of interest-bearing liabilities		-19,000		-19,000	-19,000
Repayments of lease liabilities	-1,535	-1,224	-3,031	-2,909	-5,989
<b>Cash flow from financing activities</b>	<b>-1,535</b>	<b>-20,224</b>	<b>-3,031</b>	<b>54,079</b>	<b>50,999</b>
<b>Change in cash</b>	<b>-5,353</b>	<b>-23,388</b>	<b>-25,676</b>	<b>45,206</b>	<b>11,273</b>
Cash and cash equivalents at the beginning of the period	34,487	121,543	55,129	52,940	52,940
Effect of exchange rate changes on cash	-358	-12	-678	-3	-129
Demerger effect in cash <sup>2)</sup>		-5,908		-5,908	-8,955
Cash and cash equivalents at period end <sup>1)</sup>	28,776	92,235	28,776	92,235	55,129

<sup>1)</sup> 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*.

<sup>2)</sup> 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
<b>Equity 31 Dec 2021</b>	<b>1,551</b>	<b>165</b>	<b>6,789</b>	<b>-849</b>	<b>87,831</b>	<b>-124</b>	<b>95,363</b>
Total comprehensive income for the year, continuing operations					-25,345	687	-24,658
Total comprehensive income for the year, discontinued operations					468,526	-939	467,587
Share issue			76,000				76,000
Dividend					20		20
Reduction of share capital and share premium reserve	-1,471	-165			1,636		
Cost of share-based payments			861	694	1,099		2,655
Assets transferred in the demerger at fair value					-463,020		-463,020
<b>Equity 30 Jun 2022</b>	<b>80</b>	<b>0</b>	<b>83,650</b>	<b>-155</b>	<b>70,750</b>	<b>-376</b>	<b>153,950</b>

	Share capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
<b>Equity 31 Dec 2022</b>	<b>80</b>	<b>83,638</b>	<b>-155</b>	<b>58,649</b>	<b>-2,124</b>	<b>140,089</b>
Total comprehensive income for the year				-17,939	1,763	-16,176
Cost of share-based payments				627		627
<b>Equity 30 Jun 2023</b>	<b>80</b>	<b>83,638</b>	<b>-155</b>	<b>41,335</b>	<b>-361</b>	<b>124,539</b>

## NOTES

### 1 Significant exchange rates and sensitivity to exchange rate changes

One Euro is	Average rates					End rates		30 Jun 2022	31 Dec 2022
	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022	30 Jun 2023			
USD	1.0846	1.0785	1.0776	1.1006	1.1069	1.0866		1.0387	1.0666
GBP	0.8746	0.8455	0.8781	0.8406	0.8509	0.8583		0.8582	0.8869
JPY	147.77	136.51	145.08	133.00	26.13	157.16		141.54	140.66

Effect of changes in exchange rates on profit before taxes

+/-10 % FX rate change, mEUR	1-6/2023	1-6/2022	1-12/2022
USD	+0,3/-0,3	-0,7/+0,8	+0,3/-0,3
GBP	-0,5/+0,6	-0,3/+0,3	-0,4/+0,5
JPY	+0,2/-0,3	-0,2/+0,2	-0,3/+0,4

Group has forward contracts to hedge internal loan receivable in USD. As of 30 June 2023, the nominal value of the forward contracts was EUR 7 million and the market value was EUR 26 thousand.

### 2 Segment information

The Group has only one segment (security).

#### Disaggregation of revenue

By sales channels	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Cloud-based security products	20,272	16,848	40,198	32,088	68,711
On-premise security products	6,193	6,732	12,546	13,868	27,152
Cyber security consulting	8,378	8,874	17,328	18,854	38,837
<b>Total revenue</b>	<b>34,844</b>	<b>32,454</b>	<b>70,071</b>	<b>64,810</b>	<b>134,700</b>

By geographical area	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Nordic countries	9,735	10,331	20,546	20,354	40,985
Rest of Europe	16,650	14,383	32,471	28,194	60,383
North America	3,027	2,822	6,010	5,406	11,664
Rest of the world	5,432	4,918	11,045	10,856	21,668
<b>Total revenue</b>	<b>34,844</b>	<b>32,454</b>	<b>70,071</b>	<b>64,810</b>	<b>134,700</b>

### 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.

### 4 Intangible and tangible assets

	30 Jun 2023	30 Jun 2022	31 Dec 2022
<b>Book value at the beginning of the financial year</b>	<b>117,266</b>	<b>130,889</b>	<b>130,889</b>
Business combinations and divestments		-562	-562
Additions	7,086	7,422	11,542
Disposals	-1,671	-2,489	-2,183
Depreciation and amortization	-6,282	-6,210	-12,606
Translation differences	2,260	-166	-2,670
Demerger effect <sup>1)</sup>		-7,143	-7,143
<b>Book value at the end of the period</b>	<b>118,659</b>	<b>121,740</b>	<b>117,266</b>

<sup>1)</sup>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.

### 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		Fair value					
	Financial assets		Financial liabilities		Hierarchy level			
	FVTPL	Amortised cost	Amortised cost	TOTAL	1	2	3	TOTAL
Cash and cash equivalents		28,776		<b>28,776</b>				
Financial assets	26	18,825		<b>18,851</b>	18,825	26		<b>18,851</b>
Interest bearing receivables		9,296		<b>9,296</b>			9,296	<b>9,296</b>
Other loans			3,608	<b>3,608</b>			3,608	<b>3,608</b>
Trade receivables		21,551		<b>21,551</b>				
Trade and other payables			3,382	<b>3,382</b>				

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	5,521	2,787	435	274	63	9,080	9,080
Other loans			3,608			3,608	3,608
<b>Total financial liabilities</b>	<b>5,521</b>	<b>2,787</b>	<b>4,043</b>	<b>274</b>	<b>63</b>	<b>12,688</b>	<b>12,688</b>

On 30 June EUR 9.0 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 second 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.

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
<b>Estimated comparable EBITDA</b>	<b>-7,865</b>	<b>-8,005</b>	<b>-14,056</b>	<b>-13,199</b>	<b>-23,248</b>
Adjustments to adjusted EBITDA					
Research and development		-1,298		-2,558	-2,558
Facilities held by WithSecure		-390		-865	-865
<b>Adjusted EBITDA</b>	<b>-7,865</b>	<b>-9,693</b>	<b>-14,056</b>	<b>-16,623</b>	<b>-26,672</b>
Adjustments to EBITDA					
Other items	-150		-288		
Restructuring	263		-4,265		
Divestments	1,303		1,372	-3,144	-1,480
Demerger		-821		-2,149	-1,796
Income for costs under TSA	1,806		4,066		8,708
Costs of services under TSA	-1,806		-4,066		-8,708
<b>EBITDA</b>	<b>-6,450</b>	<b>-10,514</b>	<b>-17,237</b>	<b>-21,914</b>	<b>-29,946</b>
Depreciation, amortization and impairment losses	-3,125	-3,031	-6,282	-6,185	-12,606
<b>EBIT</b>	<b>-9,575</b>	<b>-13,545</b>	<b>-23,519</b>	<b>-28,099</b>	<b>-42,552</b>

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
<b>Adjusted EBIT</b>	<b>-10,381</b>	<b>-12,107</b>	<b>-19,128</b>	<b>-21,586</b>	<b>-36,761</b>
Adjustments to EBIT					
PPA amortization	-609	-617	-1,211	-1,218	-2,515
Other items	-150		-288		
Restructuring	263		-4,265		
Divestments	1,303		1,372	-3,144	-1,480
Demerger		-821		-2,149	-1,796
Income for costs under TSA	1,806		4,066		8,708
Costs of services under TSA	-1,806		-4,066		-8,708
<b>EBIT</b>	<b>-9,575</b>	<b>-13,545</b>	<b>-23,519</b>	<b>-28,099</b>	<b>-42,552</b>

## 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	Other items	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA
	Q2 2023						Q2 2023
Sales and marketing	-20,919			-20,919	1,033		-19,886
Research and development	-11,904	1,373		-10,531	1,293		-9,238
Administration	-4,247	433	150	-3,664	190	609	-2,865
<b>Operating expenses</b>	<b>-37,070</b>	<b>1,806</b>	<b>150</b>	<b>-35,114</b>	<b>2,516</b>	<b>609</b>	<b>-31,989</b>

	Operating Expenses	Costs under TSA	Restructuring	Other items	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA
	1-6/2023							1-6/2023
Sales and marketing	-39,334				-39,334	2,046		-37,288
Research and development	-25,007	1,462			-23,545	2,649		-20,896
Administration	-13,862	2,604	4,265	288	-6,705	376	1,211	-5,118
<b>Operating expenses</b>	<b>-78,203</b>	<b>4,066</b>	<b>4,265</b>	<b>288</b>	<b>-69,584</b>	<b>5,072</b>	<b>1,211</b>	<b>-63,302</b>

## Classification of adjusted income in other operating income

	Other operating income	Income for costs under TSA	Restructuring	Divestments	Other income for adjusted EBITDA
Other operating income, 4-6/2023	3,498	-1,806	-263	-1,303	126
Other operating income, 1-6/2023	6,261	-4,066	-263	-1,372	560

## 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

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Revenue		27,463		54,828	54,828
Cost of revenue		-2,220		-4,360	-4,360
<b>Gross margin</b>		<b>25,242</b>		<b>50,468</b>	<b>50,468</b>
Other operating income		219		348	348
Sales and marketing		-8,120		-14,637	-14,637
Research and development		-4,191		-7,903	-7,903
Administration		-5,985		-9,503	-9,503
<b>EBIT</b>		<b>7,165</b>		<b>18,774</b>	<b>18,774</b>
Financial net		-7		201	201
<b>Result before taxes</b>		<b>7,158</b>		<b>18,975</b>	<b>18,975</b>
Income taxes		-2,896		-5,402	-5,402
<b>Profit after taxes of the operations transferred to F-Secure</b>		<b>4,262</b>		<b>13,574</b>	<b>13,574</b>
Fair value gain recognized from valuation of discontinued operations' net assets		450,499		450,499	450,499
Demerger expenses		3,762		3,762	3,762
Taxes related to demerger expenses		-702		-702	-702
Translation difference		1,366		1,393	1,393
<b>Result for the period</b>		<b>459,186</b>		<b>468,526</b>	<b>468,526</b>

## 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
<b>Total non-current assets</b>	<b>7,332</b>
Inventories	44
Accrued income	2,090
Trade and other receivables	19,032
Cash and bank accounts	12,716
<b>Total non-current assets</b>	<b>33,882</b>
<b>Total assets</b>	<b>41,214</b>

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

## Cash flows for discontinued operations

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net cash flow from operating activities		10,300		18,300	18,300
Net cash flow from investing activities		-100		-600	-600
Net cash flow from financing activities		0		0	0

## Calculation & definition of key figures

Equity ratio, %	<u>Total equity</u> Total assets - deferred revenue
ROI, %	<u>Result before taxes + financial expenses (annualized)</u> Total assets - non-interest bearing liabilities (average)
ROE, %	<u>Result for the period (annualized)</u> Total equity (average)
Gearing, %	<u>Interest bearing liabilities - cash and cash equivalents and liquid financial assets</u> Total equity
Earnings per share, EUR	<u>Profit attributable to equity holders of the company</u> Weighted average number of outstanding shares
Shareholders' equity per share, EUR	<u>Equity attributable to equity holders of the company</u> 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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