



**Financial statement release
1 January – 31 December 2022**

**Cloud ARR
grew by 32%,
consulting
continues to
improve**

WithSecure completed the separation of its Consumer security business into an independent company F-Secure through a partial demerger on 30 June 2022, according to the plan first announced on 17 February 2022 by the Board of Directors. In this report, WithSecure is presenting consumer security business until its demerger as Discontinued operations under IFRS 5. Previous income statements are restated accordingly.

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Figures in this report are unaudited. Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated. Comparative period figures related to income statement have been restated due to the application of IFRS 5. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented.

Highlights of October–December 2022 (fourth quarter)

Continuing operations

- Revenue of WithSecure increased by 5% to EUR 36.4 million (EUR 34.5 million)
 - Revenue from cloud-based security products¹⁾ increased by 27% to EUR 18.7 million (EUR 14.7 million). On a comparable²⁾ basis, cloud-based revenue increased by 29%
 - Revenue from on-premise security products decreased by 11% to EUR 6.6 million (EUR 7.4 million)
 - Revenue from cyber security consulting decreased by 11% to EUR 11.1 million (EUR 12.4 million). On a comparable³⁾ basis, the revenue increased by 3%
- On a comparable³⁾ basis, the revenue growth was 11%
- Annual recurring revenue (ARR)⁴⁾ of cloud-based security products grew by 32% to EUR 80.2 million (EUR 60.9 million). ARR growth from previous quarter was 12%
- Adjusted EBITDA⁵⁾ decreased to EUR –6.0 million (EUR –4.1 million)
- Items affecting comparability (IAC) for Adjusted EBITDA were EUR 0.9 million (EUR 0.5 million)
- EBITDA was EUR –5.1 million (EUR –4.9 million)
- Cash flow from operating activities before financial items and taxes was EUR –3.5 million (EUR 15.6 million). Cash flow for comparative period includes both continuing and discontinued operations.

¹⁾ Corporate security products excluding on-premise (Elements Business Suite). Cloud products include Elements Cloud, Cloud Protection for Salesforce and Countercept Managed Detection and Response.

²⁾ Comparability is adjusted for a product discontinued in the end of 2021. Impact on cloud-based revenue is EUR –0.2 million in Q1, EUR –0.2 million in Q2, EUR –0.3 million in Q3, EUR –0.2 million in Q4. Total comparable cloud revenue of 2021 was EUR 51.8 million.

³⁾ Comparability of revenue is impacted by the divestments of the UK public sector consulting in December 2021, as well as the divestment of the subsidiary in South Africa in February 2022.

Highlights of January–December 2022

Continuing operations

- Revenue of WithSecure increased by 4% to EUR 134.7 million (EUR 130.0 million)
 - Revenue from cloud-based security products increased by 30% to EUR 68.7 million (EUR 52.7 million). On a comparable²⁾ basis, cloud-based revenue increased by 33%.
 - Revenue from on-premise security products decreased by 10% to EUR 27.2 million (EUR 30.0 million)
 - Revenue from cyber security consulting decreased by 18% to EUR 38.8 million (EUR 47.2 million). On a comparable³⁾ basis, the revenue decreased by 3%
- On a comparable³⁾ basis, the revenue growth was 9.7%
- Estimated comparable EBITDA⁵⁾ decreased to EUR –23.2 million (EUR –11.3 million)
- Items affecting comparability (IAC) for Adjusted EBITDA were EUR –3.3 million (EUR 0.5 million)
- Cash flow from operating activities before financial items and taxes was EUR –14.1 million (EUR 38.7 million). Cash flow for comparative period includes both continuing and discontinued operations.

⁴⁾ Annual recurring revenue (ARR) of corporate security 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.

⁵⁾ Estimated comparable EBITDA used as comparison for previous year periods. For explanation of the Estimated comparable EBITDA, see paragraph in the end of Highlights section.

Discontinued operations

- Result of the discontinued operations includes the revenue and expenses directly derived from the Consumer security (F-Secure) business, demerged on 30 June 2022.
- In addition, a distribution gain of EUR 450.5 million for the fair value of the transferring business, net of transferred assets and liabilities at book values, has been recognized in the result of the discontinued operations. The recognition of the liability for the fair value of the transferring business offsets the impact in the company equity.

Starting from the first quarter of 2022, Consumer security (new F-Secure) financials are presented as Discontinued operations according to IFRS 5 standard. The operating expenses are split according to actual ownership of assets, liabilities and resources after the demerger. The resulting figures do not fully reflect the profitability of either business on a stand-alone basis. WithSecure (Continuing operations) expenses include the cost of resources allocated to supporting F-Secure during the transition period. WithSecure will receive compensation for such expenses under the Transitional Service Agreements ("TSA"). **Estimated comparable EBITDA** is presented as alternative performance measure ("APM") for profitability to improve comparability between periods until second quarter of 2022. From third quarter of 2022, Adjusted EBITDA includes compensation of F-Secure transition period costs, and no additional adjustments are necessary. Estimated comparable EBITDA excludes activities related to research and development, and cost of facilities held by WithSecure. Comparative periods are adjusted accordingly. For a full bridge between the different performance measures, please refer to Note 5 Reconciliation of alternative performance measures.

EUR million,	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Adjusted EBITDA (Calculated on the basis of IFRS 5)	-6.0	-5.5	-26.7	-17.2
Research and development		0.9	2.6	4.4
Facilities held by WithSecure		0.4	0.9	1.6
Estimated comparable EBITDA	-6.0	-4.1	-23.2	-11.3

Outlook for 2023

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)

Medium term financial targets for WithSecure:

- 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

CEO Juhani Hintikka

In the fourth quarter of 2022, WithSecure cloud ARR continued its strong growth. Cyber security consulting continued to improve their performance and I am very pleased to report a growth of our comparable consulting revenue in the last quarter of the year.

WithSecure's comparable cloud revenue grew by 29% to EUR 18.7 million (EUR 14.5 million) in the fourth quarter. We observed some slowness in the customers' decision-making early in the quarter, delaying some of the orders to the end of the quarter, or even next quarter. We assume that the uncertainty of the economic situation is causing companies to carefully monitor and scrutinize their spend. However, we expect the overall demand of the cyber security products and services to continue on a strong level in 2023.

Annual recurring revenue (ARR) for the cloud products grew by 32% to EUR 80.2 million (EUR 60.9 million). ARR for the on-premise security products declined, as expected, by –14% to EUR 25.9 million (EUR 30.2 million). The combined ARR of these two product categories exceeded EUR 100 million for the first time, reaching EUR 106.1 million at the end of the year. With a solid ARR base of revenue, we are confidently looking forward to our next year growth.

The Elements portfolio, especially its Endpoint detection and response (EDR) module, is the biggest driver of the growth. In the fourth quarter, we introduced Microsoft Teams protection, to complete the advanced protection of Microsoft 365 and to ensure secure collaboration of the hybrid workforce. Another new feature, Server share protection against ransomware, adds security in scenarios where remote computers without a proper advanced endpoint protection are behaving maliciously on file shares. We are proud to have received the recognition of Elements Endpoint Protection suite as Leader in several categories of Fall 2022 report by G2, one of the largest business-to-business software marketplace sites. The awards are based directly on reviews of the platform users.

Cloud Protection for Salesforce continued revenue growth in all geographic regions where it is sold. According to a recent study by Palo Alto Networks, phishing URL's hosted on legitimate SaaS platforms have increased by 1100% in just one year. This is an example of the new type of threats that the content protection software can prevent.

Managed Detection and Response (MDR) delivered a strong quarter in both revenue growth and ARR, supported by a record number of new customers. The growth is driven primarily by the European countries, especially UK, Finland, DACH area and the Benelux.

Revenue from our cyber security consulting increased on a comparable basis by 3% to EUR 11.1 million (EUR 10.8 million). Comparability is impacted by the divestments of the UK public sector consulting in December 2021, as well as the divestment of our subsidiary in South Africa in February 2022. We are pleased to report this still small but important return to growth in our consulting. After the high attrition rates in late 2021 and early 2022, we have kept strong focus on recruiting new consultants at all levels and providing them with the necessary training and skills to be prepared to encounter the customers' challenges. The results of this work are now becoming visible also in improving financial performance.

In the fourth quarter, WithSecure's profitability (measured as Adjusted EBITDA) was EUR –6.0 million (EUR –4.1 million). The decline in profitability from previous quarter was caused by continued build-up of consulting capacity, investments in Salesforce business and some seasonality of spend.

As always when a new year begins, many experts – including ours – are providing insights into the next challenges of cyber security. Without exception, the predictions are pointing towards increasing complexity of the digital world and next levels of cybercrime. With our strong, developing portfolio of products and excellent team of experts, we are looking forward to the new year in cyber security.



CEO Juhani Hintikka

Financial performance

EUR m	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
WithSecure (Continuing operations)						
Revenue	36.4	34.5	5%	134.7	130.0	4%
Cloud-based security products	18.7	14.7	27%	68.7	52.7	30%
On-premise security products	6.6	7.4	-11%	27.2	30.0	-10%
Cyber security consulting	11.1	12.4	-11%	38.8	47.2	-18%
Cost of revenue	-12.6	-11.1	13%	-47.0	-41.5	13%
Gross Margin	23.8	23.4	2%	87.7	88.5	-1%
of revenue, %	65.4%	67.8%		65.1%	68.1%	
Other operating income ¹⁾	0.7	0.8		2.3	2.0	
Operating expenses ¹⁾	-30.5	-29.6	2%	-116.7	-107.6	8%
Sales & Marketing	-21.1	-18.3	16%	-79.1	-68.0	16%
Research & Development	-6.7	-8.1	-17%	-28.4	-28.5	0%
Administration	-2.6	-3.1	-27%	-9.2	-11.1	-20%
Adjusted EBITDA ²⁾	-6.0	-5.5	10%	-26.7	-17.2	55%
of revenue, %	-16.5%	-15.8%		-19.8%	-13.3%	
Items affecting comparability (IAC)						
Divestments	1.2	0.5		-1.5	0.5	
Demerger	-0.3			-1.8	0.0	
EBITDA	-5.1	-4.9	4%	-29.9	-16.7	79%
of revenue, %	-14.0%	-14.2%		-22.2%	-12.8%	
Depreciation & amortization, excluding PPA ³⁾	-2.7	-2.7	-2%	-10.1	-9.7	4%
Impairment		-1.0			-1.0	
PPA amortization	-0.6	-0.7	-9%	-2.5	-2.8	-11%
EBIT	-8.4	-9.2	-9%	-42.6	-30.1	41%
of revenue, %	-23.0%	-26.6%		-31.6%	-23.2%	
Estimated comparable EBITDA	-6.0	-4.1	45%	-23.2	-11.3	106%
of revenue, %	-16.5%	-12.0%		-17.3%	-8.7%	
Adjusted EBIT ²⁾	-8.7	-8.0	8%	-36.8	-26.8	37%
of revenue, %	-23.8%	-23.2%		-27.3%	-20.6%	
Result for the period (Discontinued operations)		8.7	n/a	468.5	38.2	n/a

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

²⁾ Adjustments are material items outside normal course of business associated with acquisitions, integration, restructuring, gains or losses from sales of businesses and other items affecting comparability. Reconciliation and a breakdown of adjusted costs is in note 5 of the Table Section of this report.

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

Performance indicators ⁵⁾	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
Earnings per share, (EUR) (continuing operations) ⁴⁾	-0.05	-0.05	0%	-0.22	-0.15	50%
Deferred revenue (continuing operations)				68.6	66.4	3%
Cash flow from operations before financial items and taxes	-3.5	15.6	-122%	-14.1	38.7	-137%
Cash and cash equivalents				55.1	52.9	4%
ROI, %	-22.5%	8.5%	-357%	-30.5%	15.6%	-295%
Equity ratio, %				79.0%	59.5%	33%
Gearing, %				-39.9%	-25.8%	55%
Personnel, end of period				1,295	1,656	-22%

⁴⁾ Based on the weighted average number of outstanding shares during the period 171,295,721 (1-12/2022). Earnings per share has been recalculated for comparative periods using average weighted share amount after share issue in first quarter of 2022.

⁵⁾ Unless otherwise indicated, the comparative periods include both Continuing operations (WithSecure) and Discontinued operations (F-Secure).

Market overview

Digital networks are becoming an essential component of society that must always work. Disruptions of the digital network can cause serious damage to society and 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 pure criminal activity, governments can 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.

October–December 2022 (fourth quarter)

Revenue

WithSecure revenue in October–December increased by 5% to EUR 36.4 million (EUR 34.5 million).

On a comparable basis, the revenue growth was 11%.

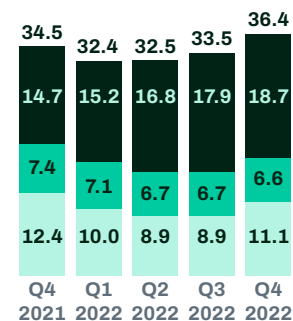
Cloud-based security products

Revenue from cloud-based security products increased by 27% to EUR 18.7 million (EUR 14.7 million).

Comparability of revenue is impacted by a product discontinued at the end of 2021. On a comparable basis, cloud-based revenue grew by 29% (previous year comparable revenue was EUR 14.5 million).

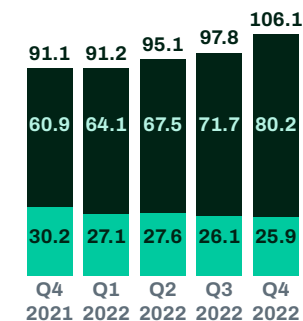
Annual recurring revenue (ARR) of cloud-based security products grew by 32% to EUR 80.2 million (EUR 60.9 million). ARR growth from previous quarter was 12%.

Revenue split, MEUR



■ Cloud-based security products
■ On-premise security products
■ Cyber security consulting

Annual Recurring Revenue, MEUR



■ Cloud-based security products
■ On-premise security products

Growth of the corporate products is driven by customers expanding their EPP (Endpoint Protection) to cover other products available through the Elements platform, most typically the EDR (Endpoint Detection and Response), as well as the other products. Cloud Protection for Salesforce revenue has grown at a steady rate year-on-year, due to both new customers and high retention rates. Revenue is growing in all major geographical areas.

Countercept managed detection and response (MDR) had a strong quarter in revenue and orders, supported by a record number of new customers.

On-premise security products

Revenue from on-premise security products decreased by 11% to EUR 6.6 million (EUR 7.4 million).

ARR related to the on-premise products decreased by 14% to EUR 25.9 million (EUR 30.2 million). ARR change from the previous quarter was a decrease of 1%.

The overall decrease of on-premise products is part of the WithSecure's strategic transitioning to cloud-based environments. Our customers are increasingly switching to the cloud-based Elements products, leading to a decline over time of the on-premise solutions revenue.

Cyber security consulting

Revenue from cyber security consulting decreased by 11% to EUR 11.1 million (EUR 12.4 million). The decrease is partly explained by the divestment of the UK public sector consulting in December 2021, and the divestment of the South African subsidiary in February 2022. On a comparable basis, the revenue increased by 3% (previous year comparable revenue was EUR 10.8 million).

After suffering from high attrition in late 2021 and early 2022, WithSecure has systematically improved the delivery capacity through both hiring and training consultants. The results of this work are becoming visible as improving financial performance of the consulting.

Gross margin

Gross margin increased by EUR 0.4 million to 23.8 million (EUR 23.4 million) and was 65.4% of revenue (67.8%). The decrease of gross margin percentage from previous year is mainly caused by the onboarding of new consulting team members. Some variances are caused by the changes in product mix, as well as the USD based hosting cost.

Operating expenses

Operating expenses, excluding depreciation and amortization and items affecting comparability (IAC) increased by EUR 0.9 million to EUR 30.5 million (EUR 29.6 million). Cost increases were mainly due to higher sales and marketing activities and COVID-19 pandemic impacts on the comparative period.

Items affecting comparability (IAC) decreased operating expenses by EUR 0.4 million due to agreed changes related to the divestment of the subsidiary in South Africa, reducing the loss of the divestment booked in first quarter. In addition, cost of services provided to F-Secure are presented as IAC.

Depreciation and amortization were EUR 3.3 million (4.4 million, including 1.0 million impairment), where PPA amortization from acquisitions was EUR 0.6 million (0.7 million).

Profitability

From third quarter onwards, Estimated comparable EBITDA became identical with Adjusted EBITDA. In fourth quarter, Adjusted EBITDA of WithSecure was EUR –6.0 million and –16.5% of revenue (Estimated comparable EBITDA in Q4 2021 EUR –4.1 million, –12.0%). Adjusted EBIT was EUR –8.7 million and –23.8% of revenue (EUR –8.0 million, –23.2%).

EBITDA was EUR –5.1 million and –14.0% of revenue (EUR –4.9 million, –14.2%). EBIT was EUR –8.4 million and –23.0% of revenue (EUR –9.2 million, –26.6%), including EUR 0.6 million of PPA amortization (EUR 0.7 million) and EUR +0.9 million of IAC items.

Update to fair value of deferred consideration from UK public sector consulting divestment (EUR 0.9 million) is presented as IAC in Other operating income.

January–December 2022

Cash flow

Cash flow from operating activities before financial items and taxes was EUR –3.5 million (15.6 million). Cash flow for comparative period includes both continuing and discontinued operations. Negative operative cash flow was primarily driven by the operative result. Investments to short term corporate commercial papers during fourth quarter are presented in cash flow from investments.

Continuing operations

Revenue

Revenue for WithSecure in January–December increased by 4% to EUR 134.7 million (EUR 130.0 million).

On a comparable basis, revenue growth was 9.7% (previous year comparable revenue was EUR 122.8 million).

Cloud-based security products

Revenue from cloud-based security products increased by 30% to EUR 68.7 million (EUR 52.7 million).

Comparability of revenue is impacted by a product discontinued at the end of 2021. On a comparable basis, cloud-based revenue grew by 33% (previous year comparable revenue was EUR 51.8 million).

On-premise security products

Revenue from on-premise security products decreased by 10% to EUR 27.2 million (EUR 30.0 million).

Cyber security consulting

Revenue from cyber security consulting decreased by 18% to EUR 38.8 million (EUR 47.2 million). Comparability is impacted by divestment of the UK public sector consulting in December 2021, and divestment of the South African subsidiary in February 2022. On a comparable basis, the revenue decreased by 3% (previous year comparable revenue of January–December was EUR 40.1 million).

Gross margin

Gross margin decreased by EUR 0.8 million to 87.7 million (EUR 88.5 million) and was 65.1% of revenue (68.1%).

Operating expenses

Operating expenses, excluding depreciation and amortization and items affecting comparability (IAC) increased by EUR 9.1 million to EUR 116.7 million (EUR 107.6 million). Cost increases were due to research and development as well as sales and marketing, where especially the brand renewal had an impact on costs. In addition, COVID-19 pandemic decreased operating expenses during the comparative period. Items affecting comparability (IAC) totaled EUR –4.6 million and consisted of costs related to the execution of the company's strategy in preparation for the planned demerger, impact of the actual demerger and impacts of divestment of the South African subsidiary. In addition, cost of services provided to F-Secure are presented as IAC.

Depreciation and amortization were EUR 12.6 million (EUR 13.4 million, including 1.0 million impairment), where PPA amortization from acquisitions was EUR 2.5 million (EUR 2.8 million).

Profitability

Estimated comparable EBITDA of WithSecure was EUR –23.2 million and –17.3% of revenue (EUR –11.3 million, –8.7%).

Adjusted EBITDA was EUR –26.7 million and –19.8% of revenue (EUR –17.2 million, –13.3%). Adjusted EBIT was EUR –36.8 million and –27.3% of revenue (EUR –26.8 million, –20.6%).

EBITDA was EUR –29.9 million and –22.2% of revenue (EUR –16.7 million, –12.8%). EBIT was EUR –42.6 million and –31.6% of revenue (EUR –30.1 million, –23.2%), including EUR 2.5 million of PPA amortization (EUR 2.8 million) and EUR –3.3 million of IAC items.

In IAC items, net impact of the company's strategy execution was EUR –1.8 million including post-demerger separation of long-term incentive plans (+0.5 million) and the impact of the sub-leased premises (EUR +0.3 million). Impacts of the divestment of South African subsidiary were EUR –2.7 million including recognition of translation difference of EUR –2.1 million and estimated capital loss of EUR –0.3 million. Final result of the divestment is dependent on deferred consideration based on the future business performance and will be measured at fair value quarterly.

Update to fair value of deferred consideration from UK public sector consulting divestment (EUR 0.9 million) is presented as IAC in Other operating income.

Cash flow

Cash flow from operating activities before financial items and taxes was EUR –14.1 million (EUR 38.7 million). Cash flow for comparative period includes both continuing and discontinued operations. Negative operative cash flow was driven by operative result as well as significant demerger related costs. Investments to short term corporate commercial papers are presented in cash flow from investments.

Discontinued operations

Result of the discontinued operations includes the revenue and expenses directly derived from the Consumer security (F-Secure) business, demerged on 30 June 2022.

In addition, a distribution gain of EUR 450.5 million for the fair value of the transferring business, net of transferred assets and liabilities at book values, has been recognized in the result of the discontinued operations. The recognition of the liability for the fair value of the transferring business offsets the impact in the company equity.

Financing, Capital Structure and Capital Expenditure

Unless otherwise indicated, the comparative periods include both continuing operations (WithSecure) and discontinued operations (F-Secure)

EUR m	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
Cash and cash equivalents				55.1	52.9	4%
Financial assets at amortized cost				14.0		
Bank loans, non-current					13.0	-100%
Lease liabilities, non-current				4.8	4.6	4%
Other loans, non-current				3.6		
Bank loans, current					6.0	-100%
Lease liabilities, current				4.8	4.8	0%
Capital expenditure, excl. lease assets	1.8	3.6	-50%	4.8	6.6	-26%
Capitalized development expenses	0.7	1.3	-49%	2.4	5.6	-38%
ROI, %	-22.5%	8.5%		-30.5%	15.6%	
Equity ratio, %				79.0%	59.5%	
Gearing, %				-39.9%	-25.8%	

On 23 March, WithSecure strengthened its financial position with a directed share issue where EUR 76.8 million of new capital was raised.

On 30 June, WithSecure made an early repayment of the bank loan (EUR 19.0 million). The committed revolving credit facility was also cancelled. Other loans are liabilities related to asset transfers in Group subsidiaries in relation to demerger.

Liquidity remained at solid level. At the end of the quarter, the company had liquid assets in total of EUR 69.1 million (53.0m) including 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.

Equity ratio has improved due to the new capital raised through share issue and repayment of bank loans. Gearing was negative -39.9% due to strong liquidity.

Demerger of F-Secure

Following the announcement of 17 February 2022 to pursue towards the separation of the Consumer Security business through a partial demerger, the demerger was completed on 30 June 2022. Trading of F-Secure Corporation at Nasdaq Helsinki began on 1 July 2022.

F-Secure and WithSecure have agreed on certain services that will be provided on a transitional basis by WithSecure to support continuous operations of F-Secure (as described in more detail in the demerger plan approved by WithSecure's board of directors and announced by WithSecure on 17 February 2022), and to perform development and migration tasks towards ensuring that both companies' businesses are operationally separated at the termination of the Transitional Services Agreement ("TSA"). The services are related to jointly used technology, as well as transitional services that are general in nature, covering for example IT, HR, finance and other areas. The parties' intention is to replace the services latest by the end of the transition period with similar services procured or provided independently by F-Secure.

Organization and leadership

Personnel

At the end of the quarter, WithSecure had 1,295 employees, which shows a net increase of 15 employees (1%) since the previous quarter-end (1,280 on 30 September 2022), and a net decrease of 361 employees (22%) compared to the end of December 2021 (1,656). Majority of the decrease is due to the demerger of 30 June 2022 where 366 employees transferred to F-Secure group. The decrease is also affected by the divestment of the Group's South African subsidiary in February 2022.

Leadership team

In October 2022, WithSecure decided on a new operating model for the company. As part of the new model, sales teams were combined into one unified Customer Operations organization, led by Juha Kivikoski. Research and development teams were combined into one unified product organization, led by Antti Koskela. Chief Information Security Officer (CISO) became part of the leadership team, former CTO Christine Bejerasco assumed the role of CISO. Tim Orchard assumed the role of CTO. In addition, Cloud Protection for Salesforce became an independent unit, reporting directly to the President & CEO. All changes became applicable on 1 January 2023.

On 1 December 2022, Scott Reininga joined WithSecure as the new EVP, Solutions.

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

Juhani Hintikka (President and CEO), Christine Bejerasco (CTO, became CISO on 1 January 2023), Charlotte Guillou (Chief People Officer), Tom Jansson (Chief Financial Officer), Juha Kivikoski (EVP, Business Security, became EVP, Customer Operations on 1 January 2023), Antti Koskela (CPO), Tim Orchard (EVP, Solutions until 30 November 2022, became CTO on 1 January 2023), Scott Reininga (EVP, Solutions), Tiina Sarhimaa (CLO) and Ari Vanttinen (CMO).

Shares, Shareholders' Equity, Own Shares

On 23 March 2022, WithSecure issued 15,800,000 new shares in an accelerated book-built offering deviating from the shareholders' pre-emptive subscription rights. The total number of company shares is currently 174,598,739. The company's registered shareholders' equity is EUR 80,000. The company held 71,795 of its own shares at the end of the quarter.

Based on resolution of the Extraordinary General Meeting, WithSecure Corporation reduced its share capital by EUR 1,417,311.18 to EUR 80,000 in relation to the demerger. Share premium reserve of EUR 164,543.23 was also dissolved.

The company holds its own shares to be used in the incentive compensation plans, for making acquisitions or implementing other arrangements related to the company's business, to improve the company's financial structure or to be otherwise assigned or cancelled.

The separation of WithSecure's Consumer security business into an independent listed company named F-Secure Corporation took place on 30 June 2022. At the end of the first trading day of the two separate companies (1 July 2022), WithSecure's share price was EUR 2.53 and F-Secure's share price EUR 2.70.

In October-December, 27,978,897 (5,015,743) of WithSecure's shares were traded on Nasdaq Helsinki. The highest trading price was EUR 1.71 (5.53), and the lowest price was EUR 1.27 (4.49). The volume weighted average price of WithSecure shares in fourth quarter of 2022 was EUR 1.43 (1.80).

The share's closing price on the last trading day of the quarter, 30 December 2022, was EUR 1.37 (4.99). Based on that closing price, the market value of the company's shares, excluding the treasury shares held by the company, was EUR 240 million (EUR 790 million).

The company has market-based long-term share-based incentive programs for key employees.

In September 2022, WithSecure established an Employee Share Savings Plan (ESSP) for all employees. It consists of annually commencing plan periods, each one comprising of a 12-month savings period and a holding period following the savings period. The savings will be used for acquiring WithSecure shares quarterly after the publication of the respective interim

reports. The potential award will be settled in shares, or partly in shares and partly in cash, after the end of the holding period. As a reward for the commitment, WithSecure grants the participating employees a gross award of one matching share for every two shares acquired with their savings. Continuity of employment and holding of acquired shares for the duration of the holding period are the prerequisites for receiving the award. The first plan period will commence on 1 October 2022 and end on 30 September 2025. The holding period of the first plan period begins at the first acquisition of savings shares and ends on 30 September 2025. The maximum number of matching shares (gross number before taxes) for the first plan period is approximately 1,300,000 shares, calculated at prevalent share price. The final number of matching shares depends on the employees' participation and savings rate in the plan, and the fulfilment of the prerequisites for receiving matching shares, as well as the number of shares acquired from the market with savings. The Board of Directors will decide on potential following plan periods and their details separately.

In September 2022, WithSecure launched a Performance Matching Share Plan (PMSP) for its key leaders. It includes one performance period, starting on 1 September 2022 and ending on 30 November 2026. Plan participants are given an opportunity to earn WithSecure shares as a reward based on the development of WithSecure Corporation's market value. The achievement of the targets set for the company's market value will determine the proportion out of the maximum reward that will be paid as reward to participants. The prerequisite for participation in the plan and receiving reward on the basis of the plan is that a participant personally has acquired WithSecure shares up to the number determined by the Board of Directors. Participants can invest in aggregate 1.8 – 2.3 million euros in WithSecure shares. Payment of reward is based on the participant's valid employment or service upon reward payment. The rewards from the plan will be paid partly in the company's shares and partly in cash after the end of the performance period. The target group of the plan consists of a maximum of 21 persons, including the CEO and other members of the Leadership Team. The rewards to be paid on the basis of the plan will amount up to the value corresponding to an approximate maximum total of 7,900,000 WithSecure shares, including also the proportion to be paid in cash.

Annual General Meeting

Annual General Meeting (AGM) of WithSecure (then F-Secure) Corporation was held on 16 March 2022. The meeting confirmed the financial statements for the financial year 2021 and reviewed the remuneration policy and remuneration report for governing bodies. The members of the Board and the President and CEO were discharged from liability.

The AGM approved the proposal of the Board of Directors that no dividend will be paid for the financial year 2021 due to the contemplated separation of the company's consumer security business.

The AGM decided that the number of Board members shall be seven. The following current Board members were re-elected: Risto Siilasmaa, Keith Bannister, Pertti Ervi, Päivi Rekonen and Tuomas Syrjänen. Kirsi Sormunen was elected as a new member to the Board of Directors. Tony Smith, who belongs to the personnel of WithSecure, was elected as a new member of the Board of Directors.

The Board elected Risto Siilasmaa as the Chairman of the Board. Tuomas Syrjänen was nominated as the Chairman of the Personnel Committee and Risto Siilasmaa and Päivi Rekonen as members of the Personnel Committee. Pertti Ervi was nominated as the Chairman of the Audit Committee and Keith Bannister, Kirsi Sormunen and Tony Smith were nominated as members of the Audit Committee.

Audit firm PricewaterhouseCoopers Oy was re-elected as Auditor of the company. Mr. Janne Rajalahti, APA, acts as the Responsible Auditor.

The AGM authorized the Board of Directors to decide upon the repurchase of a maximum of 10,000,000 of the company's own shares in total in one or several tranches and with the company's unrestricted equity. The authorization is valid until the conclusion of the next Annual General Meeting, in any case until no later than 30 June 2023.

The AGM authorized the Board of Directors to decide on the issuance of a maximum of 31,759,748 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 Limited Liability Companies Act in one or several tranches. The proposed maximum number of the shares corresponds to 20% of the Company's registered number of shares. The authorization is valid until the conclusion of the next Annual General Meeting, in any case until no later than 30 June 2023.

The AGM also decided to change the company's business name to WithSecure Corporation.

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 16 March 2022.

Extraordinary General Meeting

Extraordinary General Meeting (EGM) of WithSecure Corporation was held on 31 May 2022.

The EGM resolved, among other things, to approve the demerger plan and the according partial demerger, in which all assets and liabilities relating to the company's consumer security business transfer without a liquidation procedure to F-Secure Corporation, which shall be established in connection with the registration of the completion of the demerger. The General Meeting resolved that the shareholders of WithSecure will receive as demerger consideration one (1) new share in F-Secure for each share they hold in WithSecure on the effective date. The effective date of the Demerger was 30 June 2022.

The EGM resolved, conditionally upon the completion of the demerger, to reduce WithSecure's share capital to EUR 80,000, and to dissolve WithSecure's share premium reserve.

The EGM resolved, conditionally upon the completion of the demerger, to authorize the Board of Directors of F-Secure to decide upon the repurchase of a maximum of 15,000,000 of F-Secure's own shares with F-Secure's own unrestricted equity. The authorization is proposed to be valid until the conclusion of the first Annual General Meeting of F-Secure following the effective date, in any case until no later than 30 June 2023.

The EGM resolved, conditionally upon the implementation of the demerger, to authorize the Board of Directors of F-Secure to decide on the issuance of a maximum of 15,000,000 shares in total through a share issue as well as by issuing options and other special rights entitling to shares. The authorization will be valid until the conclusion of the first Annual General Meeting of F-Secure following the Effective Date as set forth in the Demerger Plan, in any case until no later than 30 June 2023.

The EGM resolved, conditionally upon the completion of the demerger, that the number of members of the Board of Directors of F-Secure shall be six (6). Pertti Ervi, Thomas Jul, Madeleine Lassoued, Risto Siilasmaa, Petra Teräsaho and Calvin Gan, who belongs to the personnel of F-Secure, were elected as members of the Board of Directors of F-Secure.

The EGM resolved, conditionally upon the implementation of the demerger and in accordance with the Board of Directors' recommendation, to elect PricewaterhouseCoopers Oy as auditor of F-Secure. PricewaterhouseCoopers Oy has stated that Mr Janne Rajalahti, APA, will act as the Responsible Auditor.

In addition, the EGM amended WithSecure's Articles of Association.

Full disclosure of the EGM resolutions has been provided in the Stock Exchange release of 31 May 2022.

Change in the Board committee after the AGM

On 1 August 2022, Kirsi Sormunen was nominated as Chair of the Audit Committee, replacing Pertti Ervi in this role. Pertti Ervi, Keith Bannister and Tony Smith remain as members of the Audit Committee.

Risks and uncertainties

WithSecure operations are subject to risks and uncertainties that can impact 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 the 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 regulation is 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

Unavailability of skilled personnel may result in inability of providing 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 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.

Events after period-end

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 is increasing 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 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 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.

On 9 February 2023, WithSecure announced that it will start change negotiations to improve its profitability and competitiveness. The negotiations could result in the reduction of approximately 120 positions globally, of which at most 34 are expected to be in Finland. Global personnel of WithSecure is approximately 1,300. Through the planned changes, as well as other cost saving measures, the company estimates it can reach annual cost savings of approximately EUR 14 million. Negotiations are expected to be completed by end of March 2023.

Additional information

Financial calendar

WithSecure will publish its financial information in 2023 as follows:

- 20 April 2023: Interim Report for January–March 2023
- 14 July 2023: Half-Year Financial Report for January–June 2023
- 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.

The Annual General Meeting is scheduled for Tuesday, 21 March 2023. The Board of Directors will convene the meeting.

Contact information



Tom Jansson, CFO



Laura Viita, Investor Relations Director
+358 50 487 1044
investor-relations@withsecure.com

Key ratios and other key figures

Profitability	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Continuing operations				
Revenue	36,382	34,523	134,700	130,015
Cloud-based security products	18,686	14,675	68,711	52,743
On-premise security products	6,607	7,408	27,152	30,029
Cyber security consulting	11,090	12,440	38,837	47,242
Gross margin	23,805	23,416	87,728	88,543
Gross margin, % of revenue	65.4%	67.8%	65.1%	68.1%
Operating expenses	-37,910	-33,900	-142,605	-121,084
Operating expenses for adjusted EBITDA ¹⁾	-30,494	-29,626	-116,709	-107,600
Other income, adjusted ²⁾	688	1,295	2,345	1,966
Adjusted EBITDA	-6,002	-5,454	-26,672	-17,236
Adjusted EBITDA, % of revenue	-16.5%	-15.8%	-19.8%	-13.3%
EBITDA	-5,094	-4,913	-29,946	-16,692
EBITDA, % of revenue	-14.0%	-14.2%	-22.2%	-12.8%
Adjusted EBIT	-8,660	-8,026	-36,761	-26,840
Adjusted EBIT, % of revenue	-23.8%	-23.2%	-27.3%	-20.6%
EBIT	-8,361	-9,196	-42,552	-30,133
EBIT, % of revenue	-23.0%	-18.9%	-31.6%	-23.2%
Estimated comparable EBITDA ³⁾	-6,002	-4,142	-23,248	-11,260
Estimated comparable EBITDA, % of revenue	-16.5%	-12.0%	-17.3%	-8.7%
ROI, % ⁴⁾	-22.5%	8.5%	-30.5%	15.6%
ROE, % ⁴⁾	-22.0%	3.5%	-32.5%	14.3%
Discontinued operations				
Profit after taxes of the operations transferred to F-Secure			13,574	
Fair value gain recognised from valuation of discontinued operations' net assets			450,499	
Demerger expenses, net of taxes			3,060	
Translation difference			1,393	
Result for the period		8,731	468,526	38,157

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

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

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

⁴⁾ Comparative information is presented for combined operations

Capital structure	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Equity ratio, % ⁴⁾			79.0%	59.5%
Gearing, % ⁴⁾			-39.9%	-25.8%
Interest bearing liabilities ⁴⁾			13,208	28,401
Cash and cash equivalents ⁴⁾			55,129	52,940
Share related				
Earnings per share, basic and diluted ⁵⁾	-0.05	-0.05	-0.22	-0.15
Shareholders' equity per share, EUR ⁴⁾			0.80	0.60
Other				
Capital expenditure, excl. lease assets ⁴⁾	1,787	3,600	4,845	6,569
Capitalized development expenses ⁴⁾	660	1,300	2,439	5,600
Depreciation and amortization excl. PPA amortization	-2,658	-3,613	-10,091	-10,621
Depreciation and amortization	-3,267	-4,283	-12,606	-13,441
Personnel, average ⁴⁾	1,300	1,679	1,438	1,678
Personnel, period end ⁴⁾			1,295	1,656

⁴⁾ Comparative information is presented for combined operations

⁵⁾ Earnings per share has been recalculated for comparative periods using average weighted share amount after share issue in first quarter of 2022.

Financial statement release Q4 2022 table section

This financial statement release has been prepared in accordance with IAS 34 Interim Financial Reporting.

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.

Otherwise, the accounting principles are the same as in the annual report 2022. After demerger, Covid-19 impacts on the accounting principles of this financial statement report are limited to a small premium in provision for expected credit losses.

All comparative income statement figures in this report have been adjusted according to the restatement. A stock exchange release on the restatement has been published on 16 May 2022.

All figures in the following tables are thousands unless otherwise stated. This financial statement release is unaudited.

Income statement

	10-12/2022	Restated 10-12/2021	Change %	1-12/2022	Restated 1-12/2021	Change %
Continuing operations						
Revenue	36,382	34,523	5%	134,700	130,015	4%
Cost of revenue	-12,577	-11,107	13%	-46,972	-41,472	13%
Gross margin	23,805	23,416	2%	87,728	88,543	-1%
Other operating income ^{1) 2)}	5,744	1,295	n/a	12,325	2,466	n/a
Sales and marketing ¹⁾	-22,271	-19,590	14%	-83,118	-73,299	13%
Research and development ¹⁾	-10,689	-9,318	15%	-39,143	-32,094	22%
Administration ^{1) 3)}	-4,950	-5,001	-1%	-20,344	-15,691	30%
EBIT	-8,361	-9,196	9%	-42,552	-30,075	41%
Financial net	-814	31	n/a	-1,619	-345	n/a
Result before taxes	-9,174	-9,166	0%	-44,171	-30,422	45%
Income taxes	1,301	1,265	3%	5,961	4,950	20%
Result for the period, continuing operations	-7,873	-7,901	0%	-38,210	-25,472	50%
Result for the period, discontinued operations ⁴⁾		8,731	-100%	468,526	38,157	n/a
Result for the period, group total	-7,873	830	n/a	430,316	12,686	n/a
Other comprehensive income						
Exchange differences on translating foreign operations, continuing operations	520	560	-7%	-1,066	3,915	-127%
Exchange differences on translating foreign operations, discontinued operations		109	-100%	-934	75	n/a
Total other comprehensive income, continuing operations	-7,354	-7,341	0%	-39,276	-21,557	82%
Total other comprehensive income, discontinued operations		8,840	-100%	467,592	38,232	n/a
Total other comprehensive income, group (parent company owners)	-7,354	1,499	n/a	428,316	16,676	n/a
Earnings per share ⁵⁾	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
Earnings per share, basic and diluted, EUR, combined operations	-0.05	0.00	n/a	2.51	0.07	n/a
Earnings per share, basic and diluted, EUR, continuing operations	-0.05	-0.05	0%	-0.22	-0.15	50%
Earnings per share, basic and diluted, EUR, discontinued operations		0.05	-100%	2.74	0.22	n/a

¹⁾ From third quarter onwards Other operating income includes fees invoiced from F-Secure under Transitional Services Agreement (TSA, EUR 4.2 million in Q4 and EUR 8.7 million in 2022). Costs related to services provided under TSA are included in operating expenses for Research and Development and Administration (EUR 3.9 million in Q4 and EUR 8.2 million in 2022).

²⁾ Other operating income includes impact of revised deferred consideration from divestment of UK public sector consulting business in December 2021 (EUR 0.9 million in Q4 and EUR 1.3 million in 2022).

³⁾ Net impact of demerger related costs and adjustments in fourth quarter is negative EUR 0.3 million (positive 0.3 million in 2022).

⁴⁾ Discontinued operations' result includes also the distribution gain, demerger expenses and cumulative translation difference related to disposed business.

⁵⁾ Earnings per share has been recalculated for comparative periods using average weighted share amount after share issue in first quarter of 2022.

Statement of financial position

Reported balance sheet figures include both continuing and discontinued operations for the comparative periods.

Assets	31 Dec 2022	31 Dec 2021
Tangible assets	10,749	12,712
Intangible assets	23,519	33,034
Goodwill	82,998	85,143
Deferred tax assets	6,767	4,124
Interest bearing receivables, non-current ¹⁾	7,865	
Other receivables	1,271	1,860
Total non-current assets	133,169	136,874
Inventories		51
Interest bearing receivables, current ¹⁾	2,220	
Accrued income	5,497	4,714
Trade and other receivables	34,875	49,856
Income tax receivables	932	1,740
Financial asset at fair value through profit and loss	26	61
Financial assets at amortized cost	13,977	
Cash and cash equivalents	55,129	52,940
Total current assets	112,658	109,361
Total assets	245,827	246,235

Shareholders' equity and liabilities	31 Dec 2022	31 Dec 2021
Equity	140,089	95,363
Interest bearing liabilities, non-current	8,369	17,577
Deferred tax liability	1,623	1,880
Deferred revenue, non-current	22,153	25,988
Other non-current liabilities	317	347
Total non-current liabilities	32,462	45,792
Interest bearing liabilities, current	4,839	10,824
Trade and other payables	19,868	29,990
Income tax liabilities	2,126	4,182
Deferred revenue, current	46,446	60,084
Total current liabilities	73,279	105,080
Total liabilities and equity	245,827	246,235

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

Cash flow statement

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

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Cash flow from operations				
Result for the period	-7,873	830	430,316	12,703
Adjustments	2,667	5,451	-433,293	22,717
Depreciation and amortization	3,267	4,688	13,025	15,066
Non-cash adjustments related to demerger			-447,828	
Other adjustments	-600	763	1,510	7,651,002
Cash flow from operations before change in working capital	-5,206	6,281	-2,977	35,420
Change in net working capital	1,753	9,309	-11,171	3,256
Cash flow from operating activities before financial items and taxes	-3,453	15,590	-14,148	38,675
Net financial items and taxes	1,565	-762	-6,096	-7,934
Cash flows from operating activities	-1,888	14,829	-20,244	30,741
Cash flow from investments				
Net investments in tangible and intangible assets	-1,852	-1,224	-4,770	-6,135
Divestments of businesses, net of cash			-734	
Investments in financial instruments ¹⁾	-13,977	1	-13,979	
Cash flow from investments	-15,829	-1,223	-19,483	-6,135
Cash flow from financing activities				
Increase in share capital			75,988	
Repayments of interest bearing liabilities		-3,000	-19,000	-11,000
Repayments of lease liabilities	-1,979	-1,404	-5,989	-5,963
Dividends paid				-6,334
Cash flow from financing activities	-1,979	-4,404	50,999	-23,298
Change in cash	-19,696	9,201	11,273	1,309
Cash and cash equivalents at the beginning of the period	75,059	43,641	52,940	51,380
Effect of exchange rate changes on cash	-234	98	-129	252
Demerger effect in cash ²⁾			-8,955	
Cash and cash equivalents at period end ¹⁾	55,129	52,940	55,129	52,940

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

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

Statement of changes in shareholders' equity

	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2020	1,551	165	6,464	-1,288	79,554	-4,116	82,330
Total comprehensive income for the year					12,703	3,992	16,695
Dividend					-6,334		-6,334
Cost of share based payments			325	439	1,913		2,678
Equity 31 Dec 2021	1,551	165	6,789	-849	87,831	-124	95,363
	Share capital	Share premium fund	Unrestricted equity reserve	Treasury shares	Retained earnings	Translation difference	Total
Equity 31 Dec 2021	1,551	165	6,789	-849	87,831	-124	95,363
Total comprehensive income for the year, continuing operations					-38,210	-1,066	-39,276
Total comprehensive income for the year, discontinued operations					468,526	-934	467,592
Share issue			75,988				75,988
Dividend					20		20
Reduction of share capital and share premium reserve	-1,471	-165			1,636		0
Cost of share based payments			861	694	1,854		3,410
Assets transferred in the demerger at fair value					-463,020		-463,020
Equity 31 Dec 2022	80	0.0	83,638	-155	58,649	-2,124	140,089

Based on resolution of the Extraordinary General Meeting, WithSecure Corporation reduced share capital to EUR 80,000 and dissolved share premium fund in relation to the demerger.

Liability for the assets transferring in the demerger at fair value was recognized after resolution of the Extraordinary General Meeting. Impact of the liability recognition is offsetting the impact of distribution gain through income statement in Company's equity.

1 Significant exchange rates and sensitivity to exchange rate changes

One Euro is	Average rates		End rates	
	1-12/2022	1-12/2021	31 Dec 2022	31 Dec 2021
USD	1.1069	1.1894	1.0666	1.1326
GBP	0.8509	0.8633	0.8869	0.8403
JPY	26.13	130.00	140.66	130.38

Effect of changes in exchange rates on profit before taxes

+/-10% FX rate change	1-12/2022	1-12/2021
USD	+0.3/-0.3	-0.3/+0.3
GBP	-0.4/+0.5	-0.2/+0.2
JPY	-0.3/+0.4	-0.3/+0.3

2 Segment information

The Group has only one segment (security).

Disaggregation of revenue

Disaggregation of revenue is only presented for continuing operations.

By sales channels	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Cloud-based security products	18,686	14,675	68,711	52,743
On-premise security products	6,607	7,408	27,152	30,029
Cyber security consulting	11,090	12,440	38,837	47,242
Total revenue	36,382	34,523	134,700	130,015

By geographical area	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Nordic countries	10,992	10,989	40,985	40,272
Rest of Europe	16,728	14,250	60,383	55,150
North America	3,127	2,698	11,664	10,005
Rest of the world	5,535	6,587	21,668	24,589
Total revenue	36,382	34,523	134,700	130,015

3 Intangible and tangible assets

Reported figures include both continuing and discontinued operations for the comparative period.

	31 Dec 2022	31 Dec 2021
Book value at the beginning of the financial year	130,889	130,024
Acquisitions and divestments	-562	
Additions	11,542	12,727
Disposals	-2,183	-1,189
Depreciation and amortization	-12,606	-14,158
Impairment		-1,030
Translation differences	-2,670	4,515
Demerger effect ¹⁾	-7,143	
Book value at the end of the period	117,266	130,889

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

4 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	Amortized cost	Amortized cost	Total	1	2	3	Total
Cash and cash equivalents	55,129		55,129				
Financial assets	26	13,977	14,003	13,977	26		14,003
Interest bearing receivables	10,085		10,085				
Other loans		3,596	3,596			3,596	3,596
Trade receivables	26,354		26,354				
Trade and other payables		4,409	4,409				

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	5,065	3,957	489	204	160		9,876	9,612
Other loans			3,697				3,697	3,596
Total financial liabilities	5,065	3,957	4,186	204	160		13,572	13,208

On 31 December EUR 31.0 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.

On 30 June, WithSecure made an early repayment of EUR 19.0 million to the bank loan. The committed revolving credit facility was also cancelled. Other loans are liabilities related to asset transfers in Group subsidiaries in relation to demerger.

5 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 or discontinued business on a stand-alone basis prior to the demerger. From third quarter 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 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.

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Estimated comparable EBITDA	-6,002	-4,142	-23,248	-11,260
Adjustments to adjusted EBITDA				
Research and development		-921	-2,558	-4,416
Facilities held by WithSecure		-390	-865	-1,560
Adjusted EBITDA	-6,002	-5,454	-26,672	-17,236
Adjustments to EBITDA				
Divestments	1,245	541	-1,480	544
Demerger	-336		-1,796	
Income for costs under TSA	4,170		8,708	
Costs of services under TSA	-4,170		-8,708	
EBITDA	-5,094	-4,913	-29,946	-16,692
Depreciation, amortization and impairment losses	-3,267	-4,283	-12,606	-13,441
EBIT	-8,361	-9,196	-42,552	-30,133

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Adjusted EBIT	-8,660	-8,026	-36,761	-26,840
Adjustments to EBIT				
PPA amortization	-610	-670	-2,515	-2,820
Impairment				-1,016
Divestments	1,245		-1,480	544
Demerger	-336		-1,796	
Income for costs under TSA	4,170		8,708	
Costs of services under TSA	-4,170		-8,708	
EBIT	-8,361	-9,196	-42,552	-30,133

Classification of adjusted costs in operating expenses

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

	Operating Expenses Q4 2022	Costs under TSA	Demerger	Divestments	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA Q4 2022
Sales and marketing	-22,271				-22,271	1,122		-21,149
Research and development	-10,689	2,650			-8,039	1,341		-6,698
Administration	-4,950	1,520	336	-358	-3,452	194	610	-2,648
Operating expenses	-37,910	4,170	336	-358	-33,762	2,658	610	-30,494

	Operating Expenses 1-12/2022	Costs under TSA	Demerger	Divestments	Expenses for adjusted EBIT	Depreciation	PPA amortization	Operating Expenses for Adjusted EBITDA 1-21/2022
Sales and marketing	-83,118				-83,118	4,023		-79,096
Research and development	-39,142	5,432			-33,711	5,332		-28,379
Administration	-20,344	3,275	1,796	2,792	-12,480	735	2,515	-9,230
Operating expenses	-142,605	8,708	1,796	2,792	-129,309	10,091	2,515	-116,709

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, Q4 2022	5,744	-4,170	-887	688
Other operating income, 1-12/2022	12,325	-8,708	-1,272	2,345

6 Discontinued operations

On 17 February 2022 WithSecure announced a plan to pursue towards the separation of the company's consumer security business (F-Secure) through a partial demerger. Demerger was completed on June 30, 2022. 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. Income statement for discontinued operations include 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

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Revenue		27,099	54,828	106,250
Cost of revenue		-2,608	-4,360	-9,079
Gross margin		24,492	50,468	97,172
Other operating income		152	348	325
Sales and marketing		-6,774	-14,637	-25,950
Research and development		-4,021	-7,903	-14,521
Administration		-2,647	-9,503	-9,316
EBIT		11,201	18,774	47,840
Financial net		-7	201	68
Result before taxes		11,194	18,975	47,908
Income taxes		-2,463	-5,402	-9,751
Profit after taxes of the operations transferred to F-Secure			13,574	
Fair value gain recognised from valuation of discontinued operations' net assets			450,499	
Demerger expenses			3,762	
Taxes related to demerger expenses			-702	
Translation difference			1,393	
Result for the period		8,731	468,526	38,157

Statement of financial position for discontinued operations

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

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

Cash flows for discontinued operations

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Net cash flow from operating activities		14,442	18,300	40,200
Net cash flow from investing activities		-566	-600	-1,600
Net cash flow from financing activities		-49	0	-200

Calculation of key figures

Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets – deferred revenue}} \times 100$
ROI, %	$\frac{\text{Result before taxes + financial expenses (annualized)}}{\text{Total assets – non-interest bearing liabilities (average)}} \times 100$
ROE, %	$\frac{\text{Result for the period (annualized)}}{\text{Total equity (average)}} \times 100$
Gearing, %	$\frac{\text{Interest bearing liabilities – cash and cash equivalents and liquid financial assets}}{\text{Total equity}} \times 100$
Earnings per share, EUR	$\frac{\text{Profit attributable to equity holders of the company}}{\text{Weighted average number of outstanding shares}}$
Shareholders' equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$
Operating expenses	Sales and marketing, research and development, and administration costs
EBITDA	EBIT + Depreciation, amortization and impairment



WithSecure Corporation

Tammasaarenkatu 7

PL 24, 00181 Helsinki

Puh. +358 9 2520 0700

investor-relations@withsecure.com

withsecure.com/fi/about-us/investor-relations