

Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

OPTIVA INC.

As at and for the three and nine months ended September 30, 2023 and 2022
(Unaudited)

OPTIVA INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of U.S. dollars)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,912	\$ 18,386
Trade accounts and other receivables (note 3)	7,208	7,535
Unbilled revenue	16,068	17,821
Prepaid expenses	1,744	1,938
Income taxes receivable	3,693	3,820
Other assets	697	610
Total current assets	50,332	50,110
Restricted cash	766	1,948
Property and equipment	992	1,221
Deferred income taxes	352	376
Long-term unbilled revenue	-	332
Pension and other long-term employment benefit plans (note 9)	966	-
Intangible assets	-	360
Goodwill	32,271	32,271
Total assets	\$ 85,669	\$ 86,618
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Trade payables	\$ 1,279	\$ 3,147
Accrued liabilities	8,218	11,624
Income taxes payable	4,563	4,365
Deferred revenue	2,575	1,995
Total current liabilities	16,635	21,131
Deferred revenue	220	403
Other liabilities	1,659	2,302
Pension and other long-term employment benefit plans (note 9)	-	713
Debentures (note 5)	101,039	87,716
Deferred income taxes	341	433
Total liabilities	119,894	112,698
Shareholders' equity (deficit):		
Share capital	270,610	270,560
Contributed surplus	15,027	15,941
Deficit	(324,876)	(316,630)
Accumulated other comprehensive income (loss)	5,014	4,049
Total shareholders' equity (deficit)	(34,225)	(26,080)
Total liabilities and shareholders' equity (deficit)	\$ 85,669	\$ 86,618

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

OPTIVA INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
 (Expressed in thousands U.S. dollars, except per share and share amounts)
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue (note 8):				
Support and subscription	\$ 7,948	\$ 9,900	\$ 23,933	\$ 29,859
Software licenses, services and other	3,776	5,260	11,532	16,836
	11,724	15,160	35,465	46,695
Cost of revenue	4,544	4,215	12,420	12,742
Gross profit	7,180	10,945	23,045	33,953
Operating expenses:				
Sales and marketing	2,259	2,534	7,523	7,369
General and administrative	2,187	1,431	4,673	7,666
Research and development	3,747	2,955	9,980	9,019
	8,193	6,920	22,176	24,054
Income (loss) from operations	(1,013)	4,025	869	9,899
Foreign exchange loss	(233)	(254)	(643)	(792)
Other income (note 10)	498	-	498	-
Finance income	79	97	316	256
Finance costs (note 5)	(2,433)	(2,105)	(7,190)	(5,518)
Income (loss) before income taxes	(3,102)	1,763	(6,150)	3,845
Income taxes (recovery) (note 6):				
Current	1,190	1,032	2,169	1,727
Deferred	(116)	(139)	(73)	(97)
	1,074	893	2,096	1,630
Net income (loss)	\$ (4,176)	\$ 870	\$ (8,246)	\$ 2,215
Other comprehensive income:				
Items that will not be reclassified to net income:				
Actuarial gain on pension and non-pension post-employment benefit plans, net of income tax expense of nil (note 9):	965	6,239	965	6,239
Total comprehensive income (loss)	\$ (3,211)	\$ 7,109	\$ (7,281)	\$ 8,454
Net income (loss) per common share (note 4(c)):				
Basic	\$ (0.68)	\$ 0.14	\$ (1.33)	\$ 0.36
Diluted	(0.68)	0.14	(1.33)	0.36
Weighted average number of common shares (thousands) (note 4(c)):				
Basic	6,179	6,178	6,178	6,178
Diluted	6,179	6,178	6,178	6,178

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

OPTIVA INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in thousands of U.S. dollars)

Nine months ended September 30, 2023 and 2022
(Unaudited)

	Share capital		Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total shareholders' equity (deficit)
	Number Outstanding (thousands) (note 4)	Amount					
Balance, December 31, 2022	6,178	\$ 270,560	\$ –	\$ 15,941	\$ (316,630)	\$ 4,049	\$ (26,080)
Net loss for the period	–	–	–	–	(8,246)	–	(8,246)
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	(864)	–	–	(864)
Restricted share units vested and exercised	3	50	–	(50)	–	–	–
Defined benefit plan actuarial gain (note 9)	–	–	–	–	–	965	965
Balance, September 30, 2023	6,181	\$ 270,610	\$ –	\$ 15,027	\$ (324,876)	\$ 5,014	\$ (34,225)
Balance, December 31, 2021	6,178	\$ 270,560	\$ –	\$ 14,172	\$ (317,339)	\$ (2,456)	\$ (35,063)
Income for the period	–	–	–	–	2,215	–	2,215
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	1,277	–	–	1,277
Defined benefit plan actuarial gain (note 9)	–	–	–	–	–	6,239	6,239
Balance, September 30, 2022	6,178	\$ 270,560	\$ –	\$ 15,449	\$ (315,124)	\$ 3,783	\$ (25,332)

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OPTIVA INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ (4,176)	\$ 870	\$ (8,246)	\$ 2,215
Adjustments for:				
Depreciation of property and equipment	159	119	482	355
Amortization of intangible assets	–	361	361	1,083
Finance income	(79)	(97)	(316)	(256)
Finance costs	2,433	2,105	7,190	5,518
Pension	(66)	746	(708)	(959)
Income tax expense (note 6)	1,074	893	2,096	1,630
Unrealized foreign exchange loss (gain)	(38)	278	(49)	(1,066)
Share-based compensation (note 4(d))	48	375	(1,810)	1,084
Change in provisions	–	(4,200)	–	(4,200)
Change in non-cash operating working capital (note 7)	1,692	(3,393)	189	(5,064)
	1,047	(1,943)	(811)	340
Interest paid	(5)	(4)	(11)	(26)
Interest received	55	59	247	118
Promissory note paid	–	–	–	(2,000)
Income taxes (paid) received	(716)	(709)	(1,821)	(672)
	381	(2,597)	(2,396)	(2,240)
Financing activities:				
Issuance of Debentures (note 5)	13,500	–	13,500	–
Transaction costs on debentures (note 5)	(776)	–	(776)	–
Interest paid on Debentures	(4,351)	(4,351)	(8,775)	(8,775)
	8,373	(4,351)	3,949	(8,775)
Investing activities:				
Purchase of property and equipment	(45)	(320)	(245)	(844)
Decrease (increase) in restricted cash	10	(815)	1,183	(800)
	(35)	(1,135)	938	(1,644)
Effect of foreign exchange rate changes on cash and cash equivalents				
	11	(853)	35	(268)
Increase (decrease) in cash and cash equivalents	8,730	(8,936)	2,526	(12,927)
Cash and cash equivalents, beginning of period	12,182	25,596	18,386	29,587
Cash and cash equivalents, end of period	\$ 20,912	\$ 16,660	\$ 20,912	\$ 16,660

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
(Unaudited)

Reporting Entity

Optiva Inc. (the "Company" or "Optiva"), through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 100 King Street West, Suite 3400, Toronto, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange under ticker symbol — TSX: OPT.

Optiva monetizes today's digital world for communications service providers. The Company's portfolio of monetization and subscriber management solutions includes real-time billing, charging, policy, and customer care modules and is available on premise, cloud-based, or as Software-as-a-Service ("SaaS"). With a central focus on driving customer success, Optiva's products power growth and innovation for operators globally. The Company's software products allow communication service providers to monetize various markets, including consumer, enterprise, wholesale, and the expanding SaaS and cloud ecosystems. Optiva's software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Optiva is the parent of the wholly owned operating subsidiary, Optiva Canada Inc., and its various subsidiaries.

1. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all the information required for annual consolidated financial statements. These condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 were authorized for issuance by the Board of Directors of the Company on November 8, 2023.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
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1. Basis of preparation (continued):

(b) Judgments and estimates:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2022 annual consolidated financial statements and described in these condensed consolidated interim financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

2. Significant accounting policies:

(a) Basis of measurement and presentation:

The notes presented in these condensed consolidated interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the 2022 annual financial statements, including the notes thereto.

(b) Basis of consolidation:

The condensed consolidated interim financial statements include the financial statements of the Company, Optiva Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
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2. Significant accounting policies (continued):

(c) Functional currency:

The condensed consolidated interim financial statements are presented in U.S. dollars, which is the Company's functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end exchange rates. Foreign exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income (loss).

3. Trade accounts and other receivables:

	September 30, 2023	December 31, 2022
Trade receivables, net of allowance for doubtful accounts	\$ 4,654	\$ 4,681
Other receivables (a)	2,554	2,854
	<u>\$ 7,208</u>	<u>\$ 7,535</u>

(a) At September 30, 2023 and December 31, 2022, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three and nine months ended September 30, 2023 and 2022
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4. Share Capital:

(a) Authorized:

Unlimited Preferred Shares, issuable in series
Unlimited Common Shares

(b) Series A Warrant and Standby Warrant:

Under the separation agreement entered into with the warrant holder, any unexercised portion of the Series A Warrant and the Standby Warrant expired on March 1, 2023. No Series A or Standby Warrants were exercised through March 31, 2023 (three months ended September 30, 2022 – none). On March 1, 2023 all Series A Warrants and Standby Warrants expired, unexercised.

(c) Income (loss) per share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted income per common share for the three months ended September 30, 2023 and 2022, is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Basic weighted average number of common shares outstanding	6,179	6,178	6,178	6,178
Effect of dilutive securities	–	–	–	–
Diluted weighted average number of common shares outstanding	6,179	6,178	6,178	6,178

The total number of stock options that were excluded from the calculation for the three and nine months ended September 30, 2023 was 130 (three and nine months ended September 30, 2022 – 387), as their inclusion would be anti-dilutive. The total number of shares issuable under the Series A Warrant and the Standby Warrant, that were excluded from the calculation for the three and nine months ended September 30, 2023 were nil because they expired on March 1, 2023 (three and nine months ended September 30, 2022 – 976) and their inclusion would be anti-dilutive.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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(Unaudited)

4. Share Capital (continued):

(d) Share-based compensation:

The net share-based compensation expense relating to the Company's stock options, deferred share unit plan and share unit plan during the three and nine months ended September 30, 2023 was an expense of \$48 and a recovery of \$1,810, respectively (three and nine months ended September 30, 2022 – expense of \$375 and \$1,084, respectively).

(i) Stock options:

The table below is a summary of the stock option plans for the nine months ended September 30, 2023:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2022	380,000	\$ 38.06
Granted	–	–
Forfeited	(250,000)	42.02
Outstanding, September 30, 2023	130,000	\$ 30.44

The share-based compensation expense relating to the vesting of granted stock options during the three and nine months ended September 30, 2023 was an expense of \$92 and a recovery of \$880, respectively (three and nine months ended September 30, 2022 – expense of \$424 and \$1,226, respectively). The recovery for nine months ended September 30, 2023 was due to previously granted options that were forfeited on departure of a senior executive in the period.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
(Unaudited)

4. Share Capital (continued):

(ii) Share unit plan:

The table below is a summary of the RSU and performance share units ("PSU") for the nine months ended September 30, 2023:

RSU & PSU	
Outstanding, December 31, 2022	14,318
Granted	11,190
Forfeited	(20,735)
Vested	(4,773)
Outstanding, September 30, 2023	—

There were 11,190 RSUs granted during the nine months ended September 30, 2023 (nine months ended September 30, 2022 – 14,318). The fair value of RSUs granted were established based on the fair value of the underlying stock on the grant date. The share-based compensation expense relating to the Company's share unit plan during the three and nine months ended September 30, 2023 was nil and of \$16, respectively (three and nine months ended September 30, 2022 – \$22 and \$51, respectively). 4,773 RSU's vested during the period, resulting in 2,754 common shares being issued after payment of withholding taxes.

(iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the nine months ended September 30, 2023:

DSU	
Outstanding, December 31, 2022	106,644
Granted	25,398
Outstanding, September 30, 2023	132,042

OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
(Unaudited)

4. Share Capital (continued):

During the three and nine months ended September 30, 2023, the Company recorded a compensation cost recovery of \$44 and \$946, respectively (three and nine months ended September 30, 2022 – compensation cost recovery of \$71 and \$193, respectively).

5. Debentures:

On July 20, 2020, the Company closed a \$90,000 financing (the “Debenture Financing”) of 9.75% secured PIK toggle debentures due July 2025 (the “Debentures”). The Debentures are guaranteed by certain of the Company’s subsidiaries and constitute senior secured obligations of the Company. The net proceeds from the Debenture Financing were used towards the redemption of all the Series A Preferred shares and accrued dividends. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions.

On September 29, 2023, the Company issued an additional \$13,500 financing of 9.75% secured PIK toggle debentures due July 2025. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions. Optiva intends to use the net proceeds from the financing for general working capital purposes.

	September 30, 2023	December 31, 2022
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	\$ 103,500	\$ 90,000
Less unamortized deferred financing costs	(2,461)	(2,284)
Long-term portion of loans and borrowings	\$ 101,039	\$ 87,716

As at September 30, 2023, \$103,500 (December 31, 2022 - \$90,000) is outstanding and interest computed on a 365-day (or 366-day, as applicable) basis, payable semi-annually on July 20 and January 20 of each year commencing on January 20, 2021. The Company incurred \$776 of transaction costs during the three and nine months ended September 30, 2023 with respect to the new financing, which are being amortized over the remaining term of the Debentures. The Company has incurred a total \$4,709 of transaction costs to date and has recorded these costs as deferred financing costs that are being amortized over term of the Debentures. During the three and nine

OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
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5. Debentures (continued):

months ended September 30, 2023, \$208 and \$599, respectively, of deferred financing fees was amortized (three and nine months ended September 30, 2022 - \$185 and \$536, respectively).

For the three and nine months ended September 30, 2023, interest expense of \$2,215 and \$6,567, respectively (three and nine months ended September 30, 2022 - \$2,212 and \$6,563, respectively) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

6. Income tax expense:

The Company's current income tax expense for the three and nine months ended September 30, 2023 mainly includes \$494 and \$682 (three and nine months ended September 30, 2022 - \$489 and \$628) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$696 and \$1,487 (three and nine months ended September 30, 2022 - \$532 and \$1,088) of foreign withholding taxes. The Company's deferred tax recovery of \$116 and \$73 for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – recovery of \$139 and \$97) consists primarily of changes in temporary differences recognized during the current period.

7. Change in non-cash operating working capital:

The change in non-cash working capital for the three and nine months ended September 30, 2023 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Trade accounts and other receivables	\$ 1,211	\$ 229	\$ 396	\$ (3,093)
Unbilled revenue	(858)	(1,325)	2,084	(4,231)
Prepaid expenses	347	228	195	1,746
Other assets	(70)	213	(87)	455
Trade payables	(778)	(4)	(1,867)	739
Accrued liabilities and other liabilities	1,086	176	(906)	217
Income taxes receivable/payable	(39)	(29)	(23)	(131)
Deferred revenue	793	(2,881)	397	(766)
	\$ 1,692	\$ (3,393)	\$ 189	\$ (5,064)

OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
(Unaudited)

8. Segment Reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware.

Revenue is attributed to geographic locations, based on the location of the external customer. The Company's revenue by geographic area for the three and nine months ended September 30 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Europe, Middle East and Africa	\$ 5,697	\$ 7,776	\$ 17,243	\$ 24,516
North America, Latin America and Caribbean	4,382	4,913	12,676	14,471
Asia and Pacific Rim	1,645	2,471	5,546	7,708
	\$ 11,724	\$ 15,160	\$ 35,465	\$ 46,695

The Company's revenue by type for the three and nine months ended September 30 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue by type:				
Support and subscription	\$ 7,948	\$ 9,900	\$ 23,933	\$ 29,859
Software and services	3,693	5,077	11,257	16,580
Third-party software and hardware	83	183	275	256
	\$ 11,724	\$ 15,160	\$ 35,465	\$ 46,695

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in thousand of U.S. dollars)

Three and nine months ended September 30, 2023 and 2022
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9. Pension and other long-term employment benefit plans

The Company's subsidiaries in Germany have certain pension and post-employment benefit plans, including a cash balance plan that provides benefits on retirement, disability and death, as well as other post-employment benefit schemes. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law and under the German Labour Law.

Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly, as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company believes that the counterparty credit risk is low.

During the quarter ended September 30, 2023, the German pension plans were remeasured under the projected unit credit method. The resulting remeasurement resulted in a gain to other comprehensive income of \$965 (2022 – gain of \$6,239). The determination of the value of the liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates) and demographic variables (such as mortality). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows. The following are the principal actuarial assumptions:

	2023	2022
	Germany	Germany
Discount rate	4.50%	4.10%
Future salary increases	0.00%	0.00%
Future pension increases	0.00%	0.00%

Assumptions regarding future mortality are based on published statistics and mortality tables, in Germany, the Heubeck RT 2018G mortality tables were used. The calculation of the pension liabilities at September 30, 2023 and 2022 in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 10 years.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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10. Other Income:

During the quarter, the Company received proceeds from a historical patent infringement action of \$498 that has been recognized in the condensed consolidated interim statements of comprehensive income (loss) as other income in the period.