

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

## **OPTIVA INC.**

As at and for the three and nine months ended September 30, 2022 and 2021  
(Unaudited)

# OPTIVA INC.

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

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 16,660	\$ 29,587
Trade accounts and other receivables (note 3)	10,435	7,203
Unbilled revenue	13,199	8,209
Prepaid expenses	1,298	3,044
Income taxes receivable	3,872	4,362
Other assets	739	823
<b>Total current assets</b>	<b>46,203</b>	<b>53,228</b>
Restricted cash	1,592	792
Property and equipment	1,372	883
Deferred income taxes	439	432
Other assets	-	372
Long-term unbilled revenue	2,119	2,878
Intangible assets	721	1,804
Goodwill	32,271	32,271
<b>Total assets</b>	<b>\$ 84,717</b>	<b>\$ 92,660</b>
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities:		
Trade payables	\$ 2,821	\$ 2,083
Accrued liabilities	8,969	12,905
Provisions (note 11)	-	4,200
Income taxes payable	3,902	3,468
Deferred revenue	2,588	3,995
<b>Total current liabilities</b>	<b>18,280</b>	<b>26,651</b>
Deferred revenue	792	151
Other liabilities	1,804	2,096
Pension and other long-term employment benefit plans (note 12)	999	9,423
Debentures (note 5)	87,526	86,990
Series A Warrant (note 4(b) / note 8)	19	1,495
Standby Warrant (note 4(b) / note 8)	10	172
Deferred income taxes	619	746
<b>Total liabilities</b>	<b>110,049</b>	<b>127,724</b>
Shareholders' deficit:		
Share capital	270,560	270,560
Contributed surplus	15,449	14,172
Deficit	(315,124)	(317,339)
Accumulated other comprehensive loss	3,783	(2,457)
<b>Total shareholders' deficit</b>	<b>(25,332)</b>	<b>(35,064)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 84,717</b>	<b>\$ 92,660</b>

Guarantees and contingent liabilities (note 10)  
Related party transactions (note 13)

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 of U.S. dollars, except share amounts)  
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue (note 9):				
Support and subscription	\$ 9,900	\$ 11,412	\$ 29,859	\$ 35,681
Software licenses, services and other	5,260	5,254	16,836	13,386
	15,160	16,666	46,695	49,067
Cost of revenue	4,215	3,492	12,742	10,765
Gross profit	10,945	13,174	33,953	38,302
Operating expenses:				
Sales and marketing	2,534	1,789	7,369	5,502
General and administrative	1,431	2,990	7,666	11,984
Research and development	2,955	3,412	9,019	7,171
	6,920	8,191	24,054	24,657
Income from operations	4,025	4,983	9,899	13,645
Foreign exchange gain / (loss)	(254)	109	(792)	635
Finance income	97	328	256	471
Finance (cost) recovery (note 4 and 5)	(2,105)	(804)	(5,518)	9,500
Income before income taxes	1,763	4,616	3,845	24,251
Income taxes (recovery) (note 6):				
Current	1,032	922	1,727	2,691
Deferred	(139)	(89)	(97)	(253)
	893	833	1,630	2,438
Net income	\$ 870	\$ 3,783	\$ 2,215	\$ 21,813
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 12):	6,239	3,237	6,239	3,237
Total comprehensive income	\$ 7,109	\$ 7,020	\$ 8,454	\$ 25,050
Income per common share (note 4(c)):				
Basic	\$ 0.14	\$ 0.62	\$ 0.36	\$ 3.73
Diluted	0.14	0.62	0.36	3.73
Weighted average number of common shares (thousands) (note 4(c)):				
Basic	6,178	6,151	6,178	5,851
Diluted	6,178	6,151	6,178	5,851

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

# OPTIVA INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficit  
(Expressed in thousands of U.S. dollars, except share amounts)

Nine months ended September 30, 2022 and 2021  
(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, 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 12)	—	—	—	—	—	6,239	6,239
<b>Balance, September 30, 2022</b>	<b>6,178</b>	<b>\$ 270,560</b>	<b>\$ —</b>	<b>\$ 15,449</b>	<b>\$ (315,124)</b>	<b>\$ 3,783</b>	<b>\$ (25,332)</b>
Balance, December 31, 2020	5,316	\$ 250,904	\$ 998	\$ 11,407	\$ (335,842)	\$ (6,898)	\$ (79,431)
Income for the period	—	—	—	—	21,813	—	21,813
Share-based compensation (note 4(d)(i))	—	—	—	1,983	—	—	1,983
Issue of share capital (private placement)	835	19,089	—	—	—	—	19,089
Transfer to liability (note 4 (b))	—	—	(998)	—	—	—	(998)
Defined benefit plan actuarial gain (note 12)	—	—	—	—	—	3,237	3,237
<b>Balance, September 30, 2021</b>	<b>6,151</b>	<b>\$ 269,993</b>	<b>\$ —</b>	<b>\$ 13,390</b>	<b>\$ (314,029)</b>	<b>\$ (3,661)</b>	<b>\$ (34,307)</b>

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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,	
	2022	2021	2022	2021
Cash provided by (used in):				
Operating activities:				
Income for the period	\$ 870	\$ 3,783	\$ 2,215	\$ 21,813
Adjustments for:				
Depreciation of property and equipment	119	65	355	83
Amortization of intangible assets	361	363	1,083	1,088
Finance income	(97)	(329)	(256)	(471)
Finance costs (recovery)	2,105	804	5,518	(9,500)
Pension	746	9	(959)	(709)
Income tax expense (note 6)	893	833	1,630	2,438
Unrealized foreign exchange (gain) / loss	278	41	(1,066)	(409)
Share-based compensation (note 4(d))	375	490	1,084	1,905
Change in provisions (note 11)	(4,200)	–	(4,200)	(1,355)
Change in non-cash operating working capital (note 7)	(3,393)	(1,018)	(5,064)	(7,004)
	(1,943)	5,041	340	7,879
Interest paid	(4)	(40)	(26)	(93)
Interest received	59	9	118	19
Promissory note paid (note 13)	–	–	(2,000)	–
Income taxes (paid) received	(709)	206	(672)	(1,858)
	(2,597)	5,216	(2,240)	5,947
Financing activities:				
Issue of share capital (note 4(b))	–	–	–	19,089
Payment of interest on loans and borrowings	(4,351)	(4,351)	(8,775)	(8,764)
	(4,351)	(4,351)	(8,775)	10,325
Investing activities:				
Purchase of property and equipment	(320)	(666)	(844)	(931)
Purchase of software	–	(372)	–	(372)
Increase in restricted cash	(815)	(254)	(800)	(166)
	(1,135)	(1,292)	(1,644)	(1,469)
Effect of foreign exchange rate changes on cash and cash equivalents	(853)	(476)	(268)	(435)
Increase (decrease) in cash and cash equivalents	(8,936)	(903)	(12,927)	14,368
Cash and cash equivalents, beginning of period	25,596	32,935	29,587	17,664
Cash and cash equivalents, end of period	\$ 16,660	\$ 32,032	\$ 16,660	\$ 32,032

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 thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## **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 full annual consolidated financial statements. These condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2022 were authorized for issuance by the Board of Directors of the Company on November 8, 2022.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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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 2021 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.

The Company continues to monitor the evolution of the novel coronavirus (“COVID-19”) situation. The extent to which the COVID-19 pandemic may impact the Company’s business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence. The Company continues to evaluate the situation and monitoring any impacts or potential impacts on its business and recorded amounts of assets and liabilities. It is possible that estimates in the Company’s financial statements could change in the near term and the effect of any such changes could be material.

## 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 2021 annual financial statements, including the notes thereto.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 2. Significant accounting policies (continued):

(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.

(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.

## 3. Trade accounts and other receivables:

	September 30, 2022	December 31, 2021
Trade receivables, net of allowance for doubtful accounts	\$ 6,367	\$ 4,169
Other receivables (a)	4,068	3,034
	<u>\$ 10,435</u>	<u>\$ 7,203</u>

(a) At September 30, 2022 and December 31, 2021, the other receivables balance mainly includes amounts relating to indirect taxes receivable and the receivable from the insurance company on the settlement of contract disputes.



# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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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:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the “Preferred Shares”) and a warrant (“the “Series A Warrant”) (collectively the “Financing Transaction”) to ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the “Investor”), an affiliate of ESW Capital LLC (“ESW Capital”).

On July 20, 2020, the Company fully redeemed all of the Preferred Shares including all accrued and unpaid dividends thereon, beneficially owned or controlled by ESW Capital and its affiliates, in accordance with the terms of the Preferred Shares.

As part of the Financing Transaction, the Company had issued a Series A Warrant that entitles the Investor to subscribe for 925,712 Common Shares at \$34.00 per share. The Series A Warrant is being classified as a liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of \$260 during the three months ended September 30, 2022 (three months ended September 30, 2021 – decrease of \$1,518) is recorded in finance (costs) recovery in the condensed consolidated interim statements of comprehensive income. The decrease in fair value of the warrant liability of \$1,476 during the nine months ended September 30, 2022 (nine months ended September 30, 2021 – decrease of \$15,894) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income.

Upon closing of a rights offering of its Common Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Common Shares at \$25.00 per share (the “Standby Warrant”). The fair value of the Standby Warrant, classified as equity upon issuance at September 6, 2017, was \$998.

On March 11, 2021, the Company completed a transaction with ESW Capital whereby ESW Capital agreed to sell all of the Optiva common shares it owned in a private sale. ESW Capital also agreed to terminate all of its related party agreements with Optiva and to waive certain provisions of the Series A and Standby Warrants held directly or indirectly by ESW Capital (the “Separation Agreement”). In connection with amendments to certain provisions of the Standby Warrant, this instrument is now classified as a financial liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of \$48

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 4. Share Capital (continued):

during the three months ended September 30, 2022 (three months ended September 30, 2021 – decrease of \$129) and the decrease in fair value of the warrant liability of \$162 during the nine months ended September 30, 2022 (nine months ended September 30, 2021 – \$905) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss).

Under the Separation Agreement, any unexercised portion of the Series A Warrant and the Standby Warrant expires on March 1, 2023. No Series A or Standby Warrants have been exercised as at September 30, 2022 (nine months ended September 30, 2021 – none).

### (c) Income 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 and nine months ended September 30, 2022 and 2021, is as follows (number of shares in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Basic weighted average number of common shares outstanding	6,178	6,151	6,178	5,851
Effect of dilutive securities	–	–	–	–
Diluted weighted average number of common shares outstanding	6,178	6,151	6,178	5,851

The total number of stock options that were excluded from the calculation for the three and nine months ended September 30, 2022 was 387 (three and nine months ended September 30, 2021 – 364), 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, 2022 were 976 (three and nine months ended September 30, 2021 – 42 and 900) as their inclusion would be anti-dilutive.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 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, 2022 was an expense of \$375 and \$1,084 (three and nine months ended September 30, 2021 – expense of \$490 and \$1,906).

### (i) Stock options:

The table below is a summary of the stock option plans for the three and nine months ended September 30, 2022:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2021	357,087	\$ 41.52
Granted	30,000	23.74
Forfeited	(500)	186.00
Outstanding, September 30, 2022	386,587	\$ 39.96

The share-based compensation expense relating to the vesting of granted stock options during the three and nine months ended September 30, 2022 was \$424 and \$1,226 (three and nine months ended September 30, 2021 – \$747 and \$1,983).

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 4. Share Capital (continued):

### (ii) Share unit plan:

The table below is a summary of the restricted share units ("RSU") and performance share units ("PSU") for the nine months ended September 30, 2022:

RSU & PSU	
Outstanding, December 31, 2021	-
Forfeited	-
Granted	14,318
Outstanding, September 30, 2022	14,318

There were 14,318 RSUs granted during the nine months ended September 30, 2022 (nine months ended September 30, 2021 – nil). 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, 2022 was \$22 and \$51, respectively (three and nine months ended September 30, 2021 – \$nil and \$nil, respectively).

### (iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the nine months ended September 30, 2022:

DSU	
Outstanding, December 31, 2021	69,214
Granted	8,291
Exercised	(4,500)
Outstanding, September 30, 2022	73,005

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 4. Share Capital (continued):

During the three and nine months ended September 30, 2022, the Company recorded a compensation cost recovery of \$71 and \$193 (three and nine months ended September 30, 2021 – compensation cost recovery of \$257 and \$77).

## 5. Debentures:

On July 20, 2020, the Company closed a \$90,000 financing (the “Debenture Financing”) of 9.75% secured PIK toggle debentures due 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.

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	September 30, 2022	December 31, 2021
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	\$ 90,000	\$ 90,000
Less unamortized deferred financing costs	(2,474)	(3,010)
Long-term portion of loans and borrowings	\$ 87,526	\$ 86,990

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As at September 30, 2022, \$90,000 (December 31, 2021 - \$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 \$3,933 of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the three and nine months ended September 30, 2022, \$185 and \$536 of deferred financing fees was amortized (three and nine months ended September 30, 2021 - \$166 and \$481).

For the three and nine months ended September 30, 2022, interest expense of \$2,212 and \$6,563 (three and nine months ended September 30, 2021 - \$2,212 and \$6,563) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

## 6. Income tax expense:

The Company's current income tax expense for the three and nine months ended September 30, 2022 mainly includes \$489 and \$628 (three and nine months ended September 30, 2021 - \$467 and \$1,291) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$532 and \$1,088 (three and nine months ended September 30, 2021 - \$455 and \$1,401) of foreign withholding taxes. The Company's deferred tax recovery of \$139 and \$97 for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 – recovery of \$89 and \$253) 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, 2022 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Trade accounts and other receivables	\$ 229	\$ 500	\$ (3,093)	\$ (920)
Unbilled revenue	(1,325)	(1,073)	(4,231)	(1,644)
Prepaid expenses	228	225	1,746	(301)
Other assets	213	(17)	455	(9)
Trade payables	(4)	1,154	739	(4,515)
Accrued liabilities and other liabilities	176	277	217	1,290
Income taxes receivable/payable	(29)	(43)	(131)	(138)
Deferred revenue	(2,881)	(2,041)	(766)	(767)
	\$ (3,393)	\$ (1,018)	\$ (5,064)	\$ (7,004)

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 8. Financial instruments and capital management:

The Company has adopted a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e., unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value are summarized below:

	September 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Series A Warrant classified as liability (Level 2)	\$ 19	\$ 19	\$ 1,495	\$ 1,495
Standby Warrant Classified as liability (Level 2)	10	10	172	172

There were no transfers of financial assets between levels during the nine months ended September 30, 2022 and 2021.

The Company's financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss or as financial assets and financial liabilities measured at amortized cost.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 8. Financial instruments and capital management (continued):

The carrying values of cash and cash equivalents, restricted cash, trade accounts and other receivables, trade payables, accrued liabilities, provisions and other liabilities approximate fair values because of the short-term nature of these financial instruments. The carrying value of debentures approximate their fair values because the interest rates approximate the market interest rates for similar debts.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

## 9. 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:

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	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Europe, Middle East and Africa	\$ 7,776	\$ 8,877	\$ 24,516	\$ 23,017
North America, Latin America and Caribbean	4,913	4,335	14,471	15,110
Asia and Pacific Rim	2,471	3,454	7,708	10,940
	\$ 15,160	\$ 16,666	\$ 46,695	\$ 49,067

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# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

## 9. Segment Reporting (continued):

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,	
	2022	2021	2022	2021
Revenue by type:				
Support and subscription	\$ 9,900	\$ 11,412	\$ 29,859	\$ 35,681
Software and services	5,077	4,994	16,580	13,120
Third-party software and hardware	183	260	256	266
	\$ 15,160	\$ 16,666	\$ 46,695	\$ 49,067

## 10. Guarantees and contingent liabilities:

From time to time, the Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees.

In the normal course of operations, the Company is subject to claims from time to time, relating to labour, customers and other matters. The Company vigorously defends itself against such claims and reviews the probability of outcome that may result in an outflow of its cash or other resources as at each consolidated statement of financial position date. Where an outflow of resources is considered probable, a provision is recognized in the condensed consolidated interim statements of financial position as the best estimate of the probable costs that the Company will incur associated with the claim. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

## 11. Provisions:

		Total
Balance, December 31, 2021	\$	4,200
Cash payments		(3,255)
Amount transferred to Accrued Liabilities		(723)
Release of provision		(155)
Foreign exchange		(67)
Balance, September 30, 2022	\$	–
Current	\$	–
Non-current		–
Balance, September 30, 2022	\$	–
Current	\$	4,200
Non-current		–
Balance, December 31, 2021	\$	4,200

The balance at December 31, 2021 in provisions included estimated costs to settle contractual disputes. During the three months ended September 30, 2022 these contractual disputes were settled and the remaining provision was released which has been recorded as a recovery in the General and administrative costs in condensed consolidated interim statements of comprehensive income.

## 12. 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.

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 12. Pension and other long-term employment benefit plans (continued):

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, 2022, the German pension plans were remeasured under the projected unit credit method. The resulting remeasurement resulted in a gain to other comprehensive income of \$6,239 (2021 – gain of \$3,237). 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:

	2022	2021
	Germany	Germany
Discount rate	4.10%	1.20%
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, 2022 and 2021 in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 12 years.

## 13. Related Party Transactions:

In September 2017, the Company entered into long term service agreements with Crossover Markets Inc. ("Crossover") and DevFactory FZ-LLC ("DevFactory"), (collectively the "Service Agreements") who provide cross functional and specialized technical services. Each of Crossover and DevFactory is an affiliate of ESW Capital.

On March 11, 2021 the Company completed a transaction with ESW Capital, whereby ESW Capital agreed to sell all of its common shares of Optiva in a private sale. As part of the transaction,

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousands of U.S. dollars, except share amounts)

Three and nine months ended September 30, 2022 and 2021  
(Unaudited)

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## 13. Related Party Transactions (continued):

ESW Capital also agreed to terminate all of its related party agreements (the “Separation Agreement”) with Optiva.

Crossover provided Optiva with access to skilled temporary employees. These resources provided a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the three and nine months ended September 30, 2022, the Company has incurred \$nil and \$nil costs associated with services provided by Crossover (three and nine months ended September 30, 2021 – \$nil and \$586). The costs have been recorded in cost of revenue or operating expenses in accordance with the department of the contract resource in the condensed consolidated interim statements of comprehensive income.

In connection with the termination of the DevFactory Agreements, the Company delivered to DevFactory a promissory note in the principal amount of \$2,000 that was accepted as full and complete satisfaction of the \$4,054 owing by the Company to DevFactory under the DevFactory Agreements. The maturity date of the promissory note was twelve months from date of the agreement. The promissory note was paid in full in February 2022.

The forgiveness of \$2,054 was credited to research and development expenses in the condensed consolidated interim statements of comprehensive income in the three-month period ended March 31, 2021.