

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

OPTIVA INC.

Three months ended March 31, 2020 and 2019
(Unaudited)

OPTIVA INC.

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

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,365,293	\$ 31,747,993
Trade accounts and other receivables (note 3)	7,099,611	7,808,293
Unbilled revenue	5,473,155	4,468,014
Prepaid expenses	1,224,472	1,983,391
Income taxes receivable	4,202,529	4,105,144
Other assets	469,867	243,199
Inventories	362,520	473,201
Total current assets	48,197,447	50,829,235
Restricted cash	920,597	951,291
Long-term unbilled revenue	4,031,808	4,676,597
Deferred income taxes	202,284	217,423
Investment tax credits	330,811	358,309
Intangible assets	9,728,290	12,215,598
Goodwill	32,271,078	32,271,078
Total assets	\$ 95,682,315	\$ 101,519,531
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	\$ 12,490,246	\$ 7,350,942
Accrued liabilities	8,483,358	10,518,015
Provisions (note 10)	3,192,259	3,630,550
Income taxes payable	3,149,645	3,644,752
Deferred revenue	11,546,103	6,363,724
Total current liabilities	38,861,611	31,507,983
Deferred revenue	639,368	702,143
Other liabilities	1,507,013	2,628,408
Pension and other long-term employment benefit plans	11,733,697	12,486,732
Provisions (note 10)	24,401	36,611
Preferred shares (note 4(a)) / note 7)	66,793,555	66,345,563
Series A Warrant (note 4(b)) / note 7)	10,182,827	22,679,934
Deferred income taxes	753,073	753,036
Total liabilities	130,495,545	137,140,410
Shareholders' deficit:		
Share capital	250,893,223	250,893,223
Standby Warrant (note 4(b))	997,500	997,500
Contributed surplus	11,291,632	11,291,632
Deficit	(293,514,389)	(294,322,038)
Accumulated other comprehensive loss	(4,481,196)	(4,481,196)
Total shareholders' deficit	(34,813,230)	(35,620,879)
Total liabilities and shareholders' deficit	\$ 95,682,315	\$ 101,519,531

Guarantees and contingent liabilities (note 9)
Related party transactions (note 11)

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 U.S. dollars, except per share and share amounts)
(Unaudited)

	Three months ended March 31,	
	2020	2019
Revenue (note 8):		
Support and subscription	\$ 15,115,811	\$ 17,102,903
Software licenses, services and other	3,920,935	7,839,349
	<u>19,036,746</u>	<u>24,942,252</u>
Cost of revenue (note 10(b) and 11)	5,354,176	8,905,063
Gross profit	13,682,570	16,037,189
Operating expenses:		
Sales and marketing	3,023,462	3,585,689
General and administrative	5,464,180	4,000,323
Research and development (note 11)	11,924,124	6,304,877
Restructuring costs (note 10(a))	116,284	1,085,628
	<u>20,528,050</u>	<u>14,976,517</u>
Income (loss) from operations	(6,845,480)	1,060,672
Foreign exchange gain (loss)	(1,883,340)	1,153,438
Finance income	85,736	59,058
Finance recovery (cost) (note 4)	9,762,938	(1,218,079)
Income before income taxes	1,119,854	1,055,089
Income taxes (note 5):		
Current	309,187	569,659
Deferred	3,018	6,923
	<u>312,205</u>	<u>576,582</u>
Total comprehensive income	<u>\$ 807,649</u>	<u>\$ 478,507</u>
Income per subordinate voting share (note 4(c)):		
Basic	\$ 0.15	\$ 0.09
Diluted	0.14	0.08
Weighted average number of subordinate voting shares (note 4(c)):		
Basic	5,315,757	5,242,672
Diluted	5,632,065	5,633,155

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 U.S. dollars)

Three months ended March 31, 2020 and 2019
(Unaudited)

	Share capital		Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity (deficit)
	Number Outstanding (note 4)	Amount					
Balance, December 31, 2019	5,315,757	\$ 250,893,223	\$ 997,500	\$ 11,291,632	\$ (294,322,038)	\$ (4,481,196)	\$ (35,620,879)
Income for the period	–	–	–	–	807,649	–	807,649
Balance, March 31, 2020	5,315,757	\$ 250,893,223	\$ 997,500	\$ 11,291,632	\$ (293,514,389)	\$ (4,481,196)	\$ (34,813,230)
Balance, December 31, 2018	5,233,047	\$ 248,680,325	\$ 997,500	\$ 13,636,142	\$ (280,032,560)	\$ (8,071,368)	\$ (24,789,961)
Income for the period	–	–	–	–	478,507	–	478,507
Issue of shares under RSU (note 4(d)(ii))	54,143	1,443,479	–	(1,443,479)	–	–	–
Equity-settled share-based compensation (note 4(d))	–	–	–	298,628	–	–	298,628
Balance, March 31, 2019	5,287,190	\$ 250,123,804	\$ 997,500	\$ 12,491,291	\$ (279,554,053)	\$ (8,071,368)	\$ (24,012,826)

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

OPTIVA INC.

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

	Three months ended March 31,	
	2020	2019
Cash provided by (used in):		
Operating activities:		
Income for the period	\$ 807,649	\$ 478,507
Adjustments for:		
Depreciation of property and equipment	–	15,889
Amortization of intangible assets	2,488,329	1,163,170
Finance income	(85,736)	(59,058)
Finance costs (recovery)	(9,762,938)	1,218,079
Pension	4,222	15,004
Income tax expense (note 5)	312,205	576,582
Unrealized foreign exchange loss (gain)	(794,533)	(479,548)
Share-based compensation (note 4(d))	(1,244,048)	191,174
Change in provisions (note 10)	(450,501)	(485,867)
Loss on disposal of property and equipment	–	251,308
Change in non-cash operating working capital (note 6)	9,419,643	(130,593)
	694,292	2,754,647
Interest paid	(22,417)	(19,853)
Interest received	54,779	51,496
Income taxes paid	(966,408)	(1,733,880)
	(239,754)	1,052,410
Financing activities:		
Payment of dividends (note 4(a))	(2,209,426)	–
	(2,209,426)	–
Investing activities:		
Decrease in restricted cash	30,694	520,384
	30,694	520,384
Effect of foreign exchange rate changes on cash and cash equivalents	35,786	(137,878)
Increase / (decrease) in cash and cash equivalents	(2,382,700)	1,434,916
Cash and cash equivalents, beginning of period	31,747,993	32,359,266
Cash and cash equivalents, end of period	\$ 29,365,293	\$ 33,794,182

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

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

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(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 full annual consolidated financial statements. These condensed consolidated interim financial statements for the three months ended March 31, 2020 were authorized for issuance by the Board of Directors of the Company on May 11, 2020.

(b) Judgments and estimates:

In preparing these condensed consolidated interim financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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1. Basis of preparation (continued):

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the fifteen month period ended December 31, 2019 (the "2019 annual financial statements").

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 2019 annual financial statements, including the notes thereto. Except as discussed below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the 2019 annual financial statements.

(i) Revenue Recognition

Software

The Company sells on-premise software licenses primarily on a perpetual basis. Where licensed software is combined with non-distinct services as a combined performance obligation, revenue is recognized according to the percentage-of-completion method. The Company uses the ratio of labour costs to estimated total labour costs as the input measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable. Distinct software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the customer's right to use the software.

Services

Revenue for installation, implementation, training and other services, when not combined with software as a combined performance obligation, is recognized as the services are delivered to the customer. Fixed fee service arrangements are recognized using the percentage-of-completion method. The Company uses the ratio of labour costs to estimated total labour costs as the input measure of its progress to completion on each

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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2. Significant accounting policies (continued):

contract, as this faithfully depicts the measure of progress of transfer the performance obligation to the customer.

(ii) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has adopted the standard effective January 1, 2020. Management assessed the extent of the impact of adoption of this standard and interpretations on the consolidated financial statements of the Company and found them not to have a material impact on the Company's consolidated interim financial statements. The Company has applied the practical expedient not to recognize right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low value assets. All of the existing leases in the Company at March 31, 2020 would fall under the category of short-term leases or leases of low value assets. The lease payments associated with these leases will be recognized as an expense on a straight-line basis over the respective lease terms.

(iii) Intangible assets:

The Company has reduced its estimate of useful lives of certain intangible assets related to its non-core business. Additional amortization charged in the quarter ended March 31, 2020 amounted to \$1,324,111

(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 significant intercompany balances and transactions have been eliminated upon consolidation.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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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:

	March 31, 2020	December 31, 2019
Trade receivables, net of allowance for doubtful accounts	\$ 5,453,463	\$ 6,795,164
Other receivables (a)	1,646,148	1,013,129
	<u>\$ 7,099,611</u>	<u>\$ 7,808,293</u>

(a) At March 31, 2020 and December 31, 2019, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

4. Share Capital:

(a) Series A Preferred Shares and Subordinate Voting Shares:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") of the Company and a warrant ("the "Series A Warrant") (collectively the "Financing Transaction") to ESW Holdings, Inc. (the "Investor"), an affiliate of ESW Capital LLC ("ESW Capital"). The Investor, as the holder of the Preferred Shares, is entitled to elect a number of directors that will be a majority of the Board of Directors, with the holders of the Subordinate Voting Shares being entitled to elect the balance of the directors, which resulted in the Subordinate Voting Shares becoming "restricted securities" under applicable securities laws and the TSX Company Manual, on January 26, 2017. The Preferred Shares are redeemable any time at the option of the Company and redeemable at the option of the Investor any time after 10 years of issuance. The holders of the Preferred Shares are entitled to dividends,

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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4. Share Capital (continued):

payable quarterly at the rate of 10% per annum of the issue price. Provided that to the extent such dividends are not declared and paid, dividends shall accrue and compound monthly at the rate of 10%.

The Preferred Shares will be accreted to their face amount of \$80,000,000 plus accrued cumulative dividends over the 10-year maturity period using the effective interest rate method. During the three months ended March 31, 2020, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to \$2,657,418 (three months ended March 31, 2019 - \$2,474,886).

These charges are included in finance costs in the condensed consolidated interim statements of comprehensive income (loss). During the three months ended March 31, 2020, there were \$2,209,426 of cumulative dividends paid (three months ended March 31, 2019 – cumulative dividends of \$nil were paid). \$8,655,163 of accrued dividends are included in the Preferred Shares on the condensed consolidated interim statements of financial position (December 31, 2019 - \$8,666,383).

(b) Series A Warrant and Standby Warrant:

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe for 925,712 Subordinate Voting Shares at \$34.00 per share. The Series A Warrant is being classified as a liability because it contains an adjustment provision if the Company issues Subordinate Voting Shares or securities exchangeable for or convertible into Subordinate Voting Shares at a price per share less than the Series A Warrant exercise price. The decrease in fair value of the warrant liability of \$12,497,107 during the three months ended March 31, 2020 (three months ended March 31, 2019 – decrease of \$1,388,567) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss). Any unexercised Series A Warrant expires on January 25, 2027. No Series A Warrant was exercised as at March 31, 2020 (three months ended March 31, 2019 – none).

Upon closing of a rights offering of its Subordinate Voting Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Subordinate Voting 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 \$997,500. The Standby Warrant expires on September 5, 2027. No warrants were exercised as at March 31, 2020 (three months ended March 31, 2019 – none).

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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4. Share Capital (continued):

(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 months ended March 31, 2020, is as follows:

	Three months ended March 31,	
	2020	2019
Basic weighted average		
number of common shares outstanding	5,315,757	5,242,672
Effect of dilutive securities	316,308	390,483
Diluted weighted average		
number of common shares outstanding	5,632,065	5,633,155

The total number of stock options that were excluded from the calculation for the three months ended March 31, 2020 was 26,889, as their inclusion would be anti-dilutive. The total number of Series A Warrant and the Standby Warrant, that were excluded from the calculation for the three months ended March 31, 2020 were 659,403 as their inclusion would be anti-dilutive.

The total number of stock options that were excluded from the calculation for the three months ended March 31, 2019 was 42,788, as their inclusion would be anti-dilutive. The total number of Series A Warrant and the Standby Warrant, that were excluded from the calculation for the three months ended March 31, 2019 were 585,229 as their inclusion would be anti-dilutive.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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4. Share Capital (continued):

(d) Share-based compensation:

The share-based compensation relating to the Company's stock options, deferred share unit plan and share unit plan during the three months ended March 31, 2020 was a recovery of \$1,244,048 (three months ended March 31, 2019 – expense of \$191,174).

(i) Stock options:

The table below is a summary of the stock option plans for the three months ended March 31, 2020:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2019	26,889	\$ 195.23
Forfeited	-	-
Outstanding, March 31, 2020	26,889	\$ 195.23

The share-based compensation relating to the Company's stock options during the three months ended March 31, 2020 was \$nil (three months ended March 31, 2019 – recovery of \$12,988).

(ii) Share unit plan:

The table below is a summary of the restricted share units ("RSU") and performance share units ("PSU") for the three months ended March 31, 2020:

RSU & PSU	
Outstanding, December 31, 2019	66,271
Forfeited	-
Granted	-
Outstanding, March 31, 2020	66,271

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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4. Share Capital (continued):

There were no shares issued from treasury during the three months ended March 31, 2020 (three months ended March 31, 2019 – 54,143). The share-based compensation relating to the Company's share unit plan during the three months ended March 31, 2020 was a recovery of \$265,123 (three months ended March 31, 2019 – expense of \$311,616). During the quarter, all compensation was related to the cash-settled share unit plan (three months ended March 31, 2019 – \$nil).

(iii) Deferred share unit plan:

During the three months ended March 31, 2020, there were 1,127 deferred share units ("DSUs") granted (three months ended March 31, 2019 – nil), no DSUs were exercised and no DSUs were cancelled or forfeited (three months ended March 31, 2019 – 4,252 exercised, and nil cancelled or forfeited). The number of DSUs outstanding at March 31, 2020 is 47,064 (three months ended March 31, 2019 – 29,132). During the three months ended March 31, 2020, the Company recorded compensation cost recovery of \$978,925 (three months ended March 31, 2019 – recovery of \$107,454).

5. Income tax expense:

The Company's current income tax expense for the three months ended March 31, 2020 mainly includes \$226,068 (three months ended March 31, 2019 - \$437,910) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$83,119 (three months ended March 31, 2019 - \$1,359,633) of foreign withholding taxes. The Company's deferred tax expense of \$3,018 (three months ended March 31, 2019 – expense of \$78,896) consists primarily of changes in temporary differences recognized during the current period.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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6. Change in non-cash operating working capital:

The change in non-cash working capital for the three months ended March 31, 2020 is as follows:

	Three months ended March 31,	
	2020	2019
Trade accounts and other receivables	\$ 739,639	\$ 1,989,515
Unbilled revenue	(360,352)	(675,271)
Prepaid expenses	758,919	(99,095)
Other assets	(226,668)	118,954
Inventories	110,681	64,912
Trade payables	5,139,304	(3,328,708)
Accrued liabilities and other liabilities	(1,926,212)	(1,376,851)
Income taxes receivable/payable	64,728	67,749
Deferred revenue	5,119,604	3,108,202
	<u>\$ 9,419,643</u>	<u>\$ (130,593)</u>

7. 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.

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

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

	March 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Warrant classified as liability (Level 2)	10,182,827	10,182,827	22,679,934	22,679,934
Preferred Shares (Level 2)	66,793,555	66,793,555	66,345,563	66,345,563

There were no transfers of financial assets between levels during the three months ended March 31, 2020 and 2019.

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.

The carrying values of cash and cash equivalents, 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.

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.

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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 months ended March 31 is as follows:

	Three months ended March 31,	
	2020	2019
Revenue by region:		
Europe, Middle East and Africa	\$ 8,260,606	\$ 12,710,170
North America, Latin America and Caribbean	6,137,804	5,442,343
Asia and Pacific Rim	4,638,336	6,789,739
	<u>\$ 19,036,746</u>	<u>\$ 24,942,252</u>

The Company's revenue by type for the three months ended March 31 is as follows:

	Three months ended March 31,	
	2020	2019
Revenue by type:		
Support and subscription	\$ 15,115,811	\$ 17,102,903
Software and services	3,580,106	7,765,321
Third-party software and hardware	340,829	74,028
	<u>\$ 19,036,746</u>	<u>\$ 24,942,252</u>

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9. Guarantees and contingent liabilities:

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. 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. 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.

The Company is defending certain claims related to terminated employees, customer and other contract terminations and intellectual property matters. Where an outflow of resources is considered probable, a provision has been 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 claims. The charges are recorded in restructuring costs where employee related and in general and administrative expense on the consolidated statement of comprehensive income (loss) for other claims. Although liability is not admitted, if a defense against these matters are unsuccessful, the Company may incur additional costs associated with the claims.

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

	Restructuring (a)	Other (b)	Total
Balance, December 31, 2019	\$ 1,226,153	\$ 2,441,008	\$ 3,667,161
Additions	116,284	–	116,284
Cash payments	(502,496)	–	(502,496)
Foreign exchange	(64,289)	–	(64,289)
Balance, March 31, 2020	\$ 775,652	2,441,008	\$ 3,216,660
Current			\$ 3,192,259
Non-current			24,401
Balance, March 31, 2020			\$ 3,216,660
Current			\$ 3,630,550
Non-current			36,611
Balance, December 31, 2019			\$ 3,667,161

- (a) In February 2017, the Company announced a corporate restructuring plan that would involve further reduction in headcount, location reorganization including closure of certain facilities and entity simplification. In November 2017, the Company finalized a further restructuring plan to reduce approximately 530 employees globally and vacate premises in 18 locations.

During the three months ended March 31, 2020, \$116,284 of restructuring charges related to closure of facilities and entity simplification were recorded (three months ended March 31, 2019 - \$1,085,628).

For the three months ended March 31, 2020, an amount of \$502,496 has been paid and an additional amount of \$751,251 is estimated as payable within one year. The balance of the restructuring provision of \$24,401, classified as long-term, is payable over one and half years and has been discounted to its present value.

OPTIVA INC.

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

Three months ended March 31, 2020 and 2019
(Unaudited)

10. Provisions (continued):

- (b) The balance at March 31, 2020 in other provision includes an intellectual property claim, and estimated costs to settle contractual disputes.

Although liability is not admitted, if a defense against any of these matters is unsuccessful, the Company may incur additional costs associated with the claims that may significantly exceed the Company's best estimate of the provision at March 31, 2020.

11. 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. The Service Agreements can be terminated by either party with 30 days written notice. The Service Agreements were negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices. The Company has not offered any security to these vendors.

Crossover provides Optiva with access to skilled temporary employees. These resources provide 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 months ended March 31, 2020, the Company has incurred \$4,022,388 of costs associated with services provided by Crossover (three months ended March 31, 2019 – \$6,289,406). 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 (loss).

DevFactory provides certain technology services to Optiva as per agreed statements of work. Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned to GTeam FZ-LLC as part of an internal reorganization by DevFactory. GTeam FZ-LLC is also fully owned by ESW Capital. On September 1, 2019, Gteam FZ-LLC changed its name to DevFactory Innovations FZ-LLC. The technology services include source code analysis, code cleanup service and various other technical services related to Optiva's software solutions. During the three months ended March 31, 2020, the Company has incurred \$10,037,917 of costs associated with services provided by DevFactory (three months ended March 31, 2019 – \$3,977,816). The costs have been recorded in cost of revenue and research and development expenses in accordance with the nature of the expenditure in the condensed consolidated interim statements of comprehensive income (loss).

OPTIVA INC.

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

Three months ended March 31, 2020 and 2019
(Unaudited)

11. Related Party Transactions (continued):

Amounts owing to Crossover and DevFactory as of March 31, 2020 aggregated to \$13,550,374 (December 31, 2019 - \$8,919,128) and are included in both trade payables and accrued liabilities in the condensed consolidated interim statement of financial position at the respective period ends.

In the normal course of business, during 2019 the Company retained certain contractors with specialized skills and knowledge to assist the Company in its operations. These contractors were retained from other entities controlled by ESW Capital. The costs of these contractors are nil for the three months ended March 31, 2020 respectively (three months ended March 31, 2019 – expense of \$35,832) and have been recorded in general and administrative expense in the condensed consolidated interim statements of comprehensive income (loss). Amounts owing to these entities as of March 31, 2020 aggregated to \$65,692 (December 31, 2019 - \$65,692). They are included in accrued liabilities in the condensed consolidated interim statement of financial position.