

3 March 2022

Darktrace plc

Results for the Six-Months Ended 31st December 2021

Strong operating and financial performance resulting in significant growth

52.3% year-on-year revenue growth
39.6% year-on-year growth in customer base
Increasing expectations for FY 2022

Darktrace plc (DARK.L) (together with its subsidiaries, "Darktrace" or "the Group") a global leader in cyber security AI, today provides its results for the six months ended 31 December 2021.

Financial Performance

	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	%
Revenue (\$'000)	192,642	126,514	52.3%
Gross margin (%)	89.3%	90.2%	-0.9%
EBIT or operating profit/(loss) (\$'000)	8,648	(4,881)	n/a
Net profit/(loss) (\$'000)	5,917	(48,411)	n/a
EBITDA* (\$'000)	34,845	14,268	144.2%
Adjusted EBITDA* (\$'000)	46,702	20,797	124.6%
Cash inflow before financing activities (\$'000)	43,298	16,732	158.8%

See "Alternative Performance Measures Definitions" below for the meanings of non-IFRS measures and other key performance indicators

- Strong year-over-year revenue growth across all geographic markets and customer sizes.
- Scale efficiencies created by a multi-year contract model continued to drive improvement across all earnings measures.
- Operating expense growth remained below expectations largely because travel and entertainment, and return to office-related expenses, while increasing, have been doing so at a slower than planned rate. Consistent with its stated goal of expanding core research and product development capacity, however, Darktrace continued to increase its investment in R&D during the period.
- Recent growth in EBITDA and adjusted EBITDA have been higher than expected because of continuing pandemic-related suppression of key costs. These costs are expected to return over the intermediate term, but scale efficiencies continue to support expected long-term steady state margins.
- Increase in cash inflow before financing activities resulted from increases in all earnings measures combined with improvement in accounts receivables collections rates.

Operating Performance

	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	%
Constant currency ARR at 31 Dec (\$'000)	427,267	293,716	45.5%
Net constant currency ARR Added (\$'000)	69,925	47,028	48.7%
One year constant currency ARR gross churn at 31 Dec	6.4%	8.0%	n/a
Net constant currency ARR retention rate at 31 Dec (%)	105.1%	99.9%	n/a
Number of customers at 31 Dec	6,531	4,677	39.6%

Remaining US\$ performance obligations (RPO) at 31 Dec
(\$'000)

876,751 612,313 43.2%

See "Alternative Performance Measures Definitions" below for the meanings of non-IFRS measures and other key performance indicators

- Strong growth in constant currency ARR and net constant currency ARR added driven primarily by the year-over-year addition of 1,854 net new customers, 926 of which were added in the first six months of FY 2022.
- Also contributing to ARR growth was a 4.2% year-over-year increase in average contract ARR. This increase was driven by both new and existing customer activity, with the average ARR of new contracts increasing by more than 15%, and average ARR uplift per existing customer more than tripling, compared to the prior year period.
- One-year constant currency gross ARR churn improved year-over-year by 1.6 percentage points, driven by continuing stabilisation in the customer base following early pandemic effects and the impact of consistent customer success efforts.
- The combined impact of a reduction in one-year gross ARR churn and a continued focus on upsell activities resulted in a 5.2 percentage point year-over-year improvement in net ARR retention rate.
- RPO, representing contracted revenue backlog, continues to expand as Darktrace enters and expands multi-year contracts with new and existing customers. A significant portion of Darktrace's revenue is already contracted and in RPO at the beginning of each period, providing significant revenue visibility.

FY 2022 Outlook (Unaudited)

Darktrace is increasing its expectations for FY 2022 from those presented in its 1H FY 2022 trading update on 11 January 2022. The Group now expects a year-over-year increase in constant currency ARR of between 38.5% and 40% (previously 37% to 38.5%), implying a year-over-year increase in net constant currency ARR added of between 24% and 29% (previously 19% to 24%). Driven in part by these increased ARR expectations, the Group now expects year-over-year revenue growth of between 44.5% and 46.5% (previously 42% to 44%). This increase is also partly driven by lower than previously predicted forecasts for foreign exchange headwinds, which accelerates the conversion of constant currency ARR to US dollar denominated revenue.

Following the recent acquisition of Cybersprint B.V., Darktrace has incorporated the expected impact of this transaction into its guidance. Given the size of the acquired company and timing of the acquisition, the business combination has no material impact on the Group's FY 2022 revenue expectations. However, approximately 1 percentage point of the increase in expected year-over-year ARR growth, and approximately 3.5 percentage points of the increase in expected net ARR added, are related to the acquisition of Cybersprint. The expected dollar value of the organic Net ARR to be added in 2H FY 2022 should be distributed according to the Group's normal quarterly seasonality patterns, including typically softer third-quarter sales within the second half of the financial year.

The Group continues to balance strong sales momentum trends with potential temporary sales productivity impacts that may occur as it evolves ways to expand and optimise its salesforce structure. These efforts, which are intended to support anticipated growth and continued scaling of its business, began in the second quarter of FY 2022 and are expected to continue through 2H FY 2022. Additionally, the Group continues to forecast an impact from having a salesforce with lower average tenure as it works to recover from pandemic-related salesforce hiring delays.

Consistent with prior expectations, Darktrace continues to forecast that, relative to 1H FY 2022, the Group's cost structure will increase as a percent of revenue in 2H FY 2022. This increase is largely due to the extrapolation of trends being seen related to the return of travel and entertainment expense. The Group is also incorporating into its expectations, the impact of recent and ongoing hiring, increases in facilities costs as employees return to the office and, in key locations, the Group moving to larger premises. While the return of these costs may temporarily flatten margin growth in the short to intermediate term, scale efficiencies continue to support expected long-term steady state margins.

Furthermore, Darktrace continues to expect higher-than-typical share-based payment and associated employer tax charges resulting from making the transition to listed company equity compensation plan structures, expected to continue through FY 2023. Incorporating its first half results and plans for the

remainder of the year, Darktrace now expects an adjusted EBITDA margin for the year of between 10% and 12% (previously 3% to 6%). Given the size of Cybersprint, and timing of the acquisition, the business combination should not have a material impact on the Group's FY 2022 adjusted EBITDA expectations.

Analyst and Investor Webcast

Management will hold an analyst and investor webcast to review its 1H FY2022 results on 3 March 2022 at 13:00 GMT / 08:00 ET.

<https://webcasting.brrmedia.co.uk/broadcast/621cfb9625681c6aa1cdb4b7>

Prior to this webcast, management's results presentation will be available to view from 07:30 GMT / 02:30 ET at <https://webcasting.brrmedia.co.uk/broadcast/621f2ca8fa16d9059b8401a8> or <https://ir.darktrace.com/financial-results>.

About Darktrace

Darktrace (DARK:L), a global leader in cyber security AI, delivers world-class technology that protects over 6,500 customers worldwide from advanced threats, including ransomware and cloud and SaaS attacks. Darktrace's fundamentally different approach applies Self-Learning AI to enable machines to understand the business in order to autonomously defend it. Headquartered in Cambridge, UK, Darktrace has over 1,700 employees and over 30 offices worldwide. Darktrace was named one of TIME magazine's 'Most Influential Companies' for 2021.

Cautionary Statement

This announcement contains certain forward-looking statements, including with respect to the Group's current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations, made in good faith and based on the information available to them at the time of the announcement. Such statements involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement and should be treated with caution. Any forward-looking statements made in this announcement by or on behalf of Darktrace speak only as of the date they are made. Except as required by applicable law or regulation, Darktrace expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Important Information

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation (EU) No. 596/2014 (as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018). Upon publication of this announcement, this information is now considered in the public domain.

Alternative Performance Measures Definitions

Alternative Performance Measures (APMs) are used by Darktrace management and Board of Directors to understand and manage performance. These are not defined under IFRS and are not intended to be a substitute for any IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable IFRS financial measures, in assessing the underlying performance. Wherever appropriate and practical, we provide reconciliations to relevant IFRS measures.

The basis of calculation of the Alternative Performance Measures and a reconciliation to the IFRS measures, as applicable, is included in the financial review section below. Below is the definition of each APM.

ARR (see definition below) is a key alternative performance measure for Darktrace because as an indicator of future revenues it allows the growth of the business and the success of its sales strategy to be measured by the board in conjunction with metrics such as number of customers and net constant currency ARR added which allows performance to be compared period-over-period.

The use of other metrics such as one-year constant currency ARR gross churn rate and net constant currency ARR retention rate allows the board to measure both the success of the business in controlling customer churn and growing its retained customer base through product and coverage expansion. These measures are critical in assessing the efficiency of Darktrace to grow and maintain its customer base, and the resulting RPO or contract back log allows visibility of future revenues which gives additional support on the long-term stability of the business.

Definitions

EBIT	Earnings before interest and taxes, or EBIT is the Group's operating profit or (loss).
Adjusted EBIT	Adjusted EBIT is the Group's EBIT adjusted to remove share-based payment (SBP) charges and share option-related employer tax charges, both net of the amortisation on those charges.
EBITDA	EBITDA is the Group's earnings before interest, taxation, depreciation and amortisation.
Adjusted EBITDA	Adjusted EBITDA is the Group's EBITDA, but including appliance depreciation attributed to cost of sales, adjusted to remove share-based payment charges and employee share plan-related employer tax charges.
Annual Recurring Revenue (ARR)	The sum of all ARR, at the period's constant currency rate, for customers as of the measurement date. The ARR for each customer is the annual committed subscription value of each order booked for which it will be entitled to recognise revenue. In the small number of cases where a customer has an opt-out within six months of entering a contract, Darktrace does not recognise ARR on that contract until after that opt-out period has passed.
Net constant currency ARR added	New customer constant currency ARR added, plus the net impact of upsell, down-sell, and churn activity in the existing customer base, in the same constant currency, for a period.
One-year constant currency ARR gross churn rate	Constant currency ARR value of customers lost from the existing customer cohort one year prior to the measurement date, divided by the total ARR value of that existing customer cohort. This churn rate reflects only customer losses and does not reflect customer expansions or contractions.
Net constant currency ARR retention rate	Current constant currency ARR value for all customers that were customers one year prior to the measurement date, divided by their ARR in the same constant currency one year prior to the measurement date. This retention rate reflects customer losses, expansions, and contractions.
Constant currency rates	Rates established at the start of each year and used for reporting ARR and related measures without the impact of foreign exchange movements. For FY 2022, constant currency rates were 1.3835 and 1.1878 for the British Pound and the Euro, respectively.
Number of customers	Count of contracting entities that are generating ARR at the measurement date.
Remaining performance obligations (RPO)	Represents committed revenue backlog. RPO is calculated by summing all committed customer contract ARR values that have not yet been

	recognised as revenue, valued at the exchange rates on the last day of the reporting period.
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Enquiries

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CEO Statement

I am pleased to report that Darktrace has continued to deliver strong growth across our customer base, ARR and revenue, as well as strengthening our key customer and contract metrics. Further, we have done so while moving along the path to sustainable profitability, demonstrating our commitment to providing value to all our stakeholders.

Our business thrived during the first half of FY 2022. We achieved a key milestone during the period with an on-time pre-release of the first Attack Path Modelling module in our newest product family, Prevent. Further expanding our capabilities, both in Prevent and across our product platform, I was also excited to recently announce that we have completed the first acquisition in our history with the purchase of Netherlands-based Cybersprint, an attack surface management company that provides automated discovery and assessment of brand-specific vulnerabilities.

While Darktrace has historically built an “inside-out” understanding of an organization’s digital infrastructure, Cybersprint’s “outside-in” technology identifies online and internet-facing assets related to an organisation’s brand. The combination of Darktrace’s internal and Cybersprint’s external views will allow us to provide customers with an even more comprehensive understanding of threats to their overall digital environment.

Further, by leveraging Darktrace’s large customer base and global sales force, we can accelerate adoption of this vital technology across the broad range of customers who rely on us for cyber defence. We are also extremely pleased to be expanding the depth and breadth of our development function by welcoming a talented team of Cybersprint developers, who will continue to work out of what is now our new European R&D centre in The Hague.

The current geopolitical situation has heightened the urgency for businesses and governments to improve cyber resilience. We are laser-focused on our mission to protect organisations around the world from cyber-attacks, and on our ambition to create a continuous AI loop for our customers. Adding another AI-powered capability to our product suite with the first Prevent’s module, and bringing Cybersprint’s complementary capabilities to our platform, is moving us even closer to completing the loop. We continue to be driven by innovation at our core and are committed to delivering world-class technologies to address today’s complex cyber challenges.

Strategic Performance Review

Key Performance Indicators (KPIs)

Darktrace’s management and board regularly review metrics, including the following KPIs, to assess its performance, identify trends, develop financial projections and make strategic decisions. For a review of the key financial metrics, see the “Financial Review” below.

Annualised Recurring Revenue, or ARR, and related performance metrics are calculated on a constant currency basis and are reported using FY 2022 constant currency rates for 1H FY 2022 and all comparable periods.

Annualised recurring revenue (ARR)

\$'000	31-Dec-21	31-Dec-20
Annualised recurring revenue	427,267	293,716
Year over year growth	45.5%	38.6%

Darktrace increased its ARR by 45.5% year-over-year, driven primarily by the increase in customers from 4,677 to 6,531 over the same period. To a lesser extent, growth was also a result of an increase in upsells to existing customers and a 4.2% year-over-year increase in average contract ARR resulting from both new and existing customer activity. Furthermore, the average ARR of new contracts increased by more than 15%, and average ARR uplift per existing customer more than tripled, compared to the prior year period. Growth in ARR has been across all regions and customer sizes.

	31-Dec-21	31-Dec-20
Less than \$100,000	50.8%	52.1%
Greater than \$100,000	49.2%	47.9%

Compared to the prior year, the distribution of customer contracts above and below \$100,000 in ARR shifted slightly towards larger contract sizes. Whilst the Group continues to add new customers across the entire range of sizes and requirements, upsell sales strategies and increases in platform penetration across the customer base are having an impact.

Net ARR Added

\$'000	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited
Net ARR Added	69,925	47,028
Period-over-period growth	48.7%	33.1%

Net ARR added increased by 48.7% over the prior period. This was primarily driven by the addition of 926 net new customers in 1H FY 2022, a 13% increase over the net new customers added in 1H FY 2021, and with new customers added during the period having an average contract ARR more than 15% higher than those added in the prior year period. Darktrace also more than tripled the value uplift per existing customer it achieved during 1H FY 2022 compared to the prior year period.

For net ARR added, the relationship to hiring, productive sales force growth, proof of values (POVs) as part of the sales process, and conversion rate is influenced by seasonality factors, with Darktrace typically seeing the highest net ARR added in its second and fourth quarters.

One-year Gross ARR Churn Rate

	31-Dec-21 Unaudited	30-Dec-20 Unaudited
One-year gross ARR churn rate	6.4%	8.0%

One-year gross ARR churn improved by 1.6 percentage points from the prior period end. This improvement has been the result of both continuing stabilisation in the customer base following early pandemic effects, particularly at the smaller end of the customer base, and customer success efforts to drive positive customer experience and increase retention made possible by the investments in that function over the past 18 months.

Net ARR Retention Rate

	31-Dec-21 Unaudited	31-Dec-20 Unaudited
Net ARR retention rate	105.1%	99.9%

Net ARR retention rate improved by 5.2 percentage points from the prior period end. This reflects the reduction in one-year gross ARR churn as well as the results of a focus on upsell activity and pricing uplifts upon renewal.

Average Contract ARR

\$'000	31-Dec-21 Unaudited	30-Dec-20 Unaudited	%
Average contract ARR	65,421	62,773	4.2%

Average contract ARR increased by 4.2% from the prior period end as Darktrace's products such as Antigena email progressed through the adoption cycle and are being purchased by larger customers with longer sales lead times, platform penetration rates continue to increase, and the Group maintains its focus on upsells to the existing customer base.

Number of customers

	31-Dec-21 Unaudited	31-Dec-20 Unaudited	%
Number of customers	6,531	4,677	39.6%

Darktrace grew its customer base by 39.6% year-over-year. It added 926 net new customers in the six-months ended 31 December 2021, for a total of 1,854 net new customers added over the prior year period. Growth in new customers remains the primary driver of ARR and net ARR added growth.

Operating profit or (loss)/EBIT

\$'000	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	%
EBIT	8,648	(4,881)	n/a

The \$13.5 million period-over-period increase in operating profit was primarily due to a period-over-period increase in gross profit of \$57.9 million, driven by revenue growth. This was partially offset by a period-over-period increase in operating costs of \$44.9 million, largely resulting from a 27.4% increase in average headcount and the resulting 42.4% increase in non-equity related compensation costs, as well as a \$9.4 million increase in share-based payment and related employment tax costs.

Adjusted EBIT

\$'000	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	%
Adjusted EBIT	28,880	7,451	287.6%

The \$21.4 million period-over-period increase in adjusted EBIT was driven primarily by the factors driving the increase in EBIT described above. Reconciling EBIT to adjusted EBIT for 1H FY 2022, the Group added back \$13.1 million of share-based payment charges, \$5.8 million of associated employer tax charges and \$1.4 million of amortisation related to capitalised share-based payments and associated tax charges. Please refer to the intangible asset paragraph for details.

EBITDA

\$'000	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	%
EBITDA	34,845	14,268	144.2%

The \$20.6million increase in EBITDA was driven primarily by the factors driving the increase in EBIT described above, with this measure adjusting for depreciation and amortisation charges of \$26.2 million and \$19.1 million in 1H FY 2022 and 1H FY 2021, respectively.

Adjusted EBITDA

	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	
\$'000			%
Adjusted EBITDA	46,702	20,797	124.6%

The \$25.9 million increase in adjusted EBITDA was driven primarily by the factors driving the increase in EBITDA described above. Reconciling EBITDA to adjusted EBITDA for 1H FY 2022, the Group added back \$18.9 million in share compensation-related charges as described in adjusted EBIT above and deducted \$7.0 million of appliance depreciation included in cost of sales for appliances used to deploy our software at customer sites.

Remaining Performance Obligations (RPO)

	31-Dec-21 Unaudited	31-Dec-20 Unaudited	
\$'000			%
RPO	876,751	612,313	43.2%

At 31 December 2021, RPO was 43.2% higher than it was one year prior, with the increase driven primarily by new customer acquisition under long-term contracts.

Darktrace's multi-year contract strategy, and the resulting RPO, creates significant revenue visibility.

	31-Dec-21 Unaudited	31-Dec-20 Unaudited
\$'000		
Within 12 months	377,695	263,724
Between 1 - 2 years	273,009	183,592
Between 2 - 3 years	167,195	109,085
Between 3 - 4 years	54,071	45,841
Over 4 years	4,781	10,071
Total	876,751	612,313

Financial Review

	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	
\$'000			%
Revenue	192,642	126,514	52.3%
Gross profit	171,991	114,115	50.7%
Operating profit / (loss)	8,648	(4,881)	n/a
Net profit / (loss)	5,917	(48,411)	n/a

	31-Dec-21 Unaudited	30-Jun-21 Audited	
\$'000			%
Cash and cash equivalents	365,766	342,358	6.8%
Total assets	574,960	555,415	3.5%
Deferred revenue	(197,439)	(187,864)	5.1%
Net assets	266,873	258,258	3.3%

Cash inflow before financing activities	43,298	16,732	158.8%
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At 52.3%, Darktrace has delivered strong period-over-period revenue growth. This was driven primarily by growing the customer base 39.6% year-over-year which, along with a slight shift towards higher average contract values, resulted in a 45.5% year-over-year increase in constant currency ARR.

The Group continued to invest for future ARR and revenue growth by continuing to hire employees in its technical teams (63% increase in developers average headcount period-over-period) to drive research and development leading to new products. Similarly, to increase market penetration, investment in marketing and expanding the sales force continued. Group-wide, Darktrace's total number of employees increased by 22.0% from 1,441 at 31 December 2020 to 1,758 at 31 December 2021.

As a direct result of Darktrace's listing on the London Stock Exchange in May 2021, particular cost areas are either new or have notably increased. These include directors' and officers' insurance costs, audit and tax fees and other professional costs. Additionally, Darktrace recognised increased share-based payment charges and related employer tax charges that were either triggered by the IPO process or the result of transitioning its equity compensation plans to listed company structures.

Travel and Entertainment (T&E) costs remained lower than pre-pandemic levels as travel remained restricted and difficult, and customers and prospects continued to be out of offices. T&E expenses did increase period-over-period, however, as there was a notable increase in activity in the later part of calendar 2021.

In the period ended 31 December 2020, the Group recognised \$42.7 million in non-cash finance costs for convertible loan notes issued to certain investors in July 2020; there were no comparable costs in the 1H FY 2022 period. The proceeds of these notes were primarily used to fund a share buy back as part of a restructuring of the Group's ownership ahead of the IPO. These charges were the primary reason for the Group's loss before taxation increasing to \$47.9 million in that period. These finance costs ceased when the loan notes were converted shortly before the IPO and so do not impact the six months to December 2021.

Below a table with a reconciliation of the reported income statement for the periods and the adjusted results:

\$'000	Six-months ended 31-Dec-21 Reported Unaudited	Total Adjustments	Six-months ended 31-Dec-21 Adjusted Unaudited	Six-months ended 31-Dec-20 Reported Unaudited	Total Adjustments	Six-months ended 31-Dec-20 Adjusted Unaudited
Revenue	192,642	-	192,642	126,514	-	126,514
Cost of sales	(20,651)	-	(20,651)	(12,399)	-	(12,399)
Gross Profit	171,991	-	171,991	114,115	-	114,115
Sales and marketing costs	(107,858)	21,514	(86,344)	(86,738)	15,128	(71,610)
Administrative expenses						
- Research and development costs	(15,653)	5,171	(10,482)	(10,657)	5,553	(5,104)
- Other administrative expenses	(40,576)	11,369	(29,207)	(21,500)	4,997	(16,503)
- Expected credit loss charge	(103)	-	(103)	(423)	-	(423)
Other operating income	847	-	847	322	-	322
Operating profit/(loss)	8,648	38,054		(4,881)	25,678	
Adjusted EBITDA			46,702			20,797

Revenue

Revenue increased by \$66.1 million, or 52.3%, to \$192.6 million for 1H FY 2022, as compared to \$126.5 million for 1H FY 2021. This increase was primarily attributable to a 39.6% net increase in unique customers between 31 December 2020 and, to a lesser extent, a 4.2% year-over-year increase in average contract ARR resulting in 45.5% increase in constant currency ARR. Over 99.2% of all revenue is from recurring subscriptions contracts with customers, that typically average 36 months. This results in significant RPO of \$876.8m, remaining to convert to revenue in future years. Subscription revenue is recognised on a straight-line basis over the service period, from commencement date to termination date.

Cost of sales

Cost of sales increased by \$8.3 million, or 66.6%, to \$20.7 million for 1H FY 2022, as compared to \$12.4 million for 1H FY 2021. This increase was primarily attributable to the increase in total customer deployments between the two financial periods; particularly hosting fees, which increased by \$4.0 million in the period, from \$0.9 million in 1H FY2021 to \$4.9 million in 1H FY2022. The remaining components of cost of sales scaled largely in line with revenue growth, resulting in gross margins of 89.3% and 90.2% for 1H FY 2022 and 1H FY 2021, respectively. Cost of sales include all costs relating to the deployment of Darktrace's software, whether through physical appliances or in the cloud, and for providing both customer support and supplementary monitoring and response capabilities.

Below is a breakdown of operating costs by function:

\$000	Six-months ended 31-Dec-21 Unaudited	% of Revenue	Six-months ended 31-Dec-20 Unaudited	% of Revenue	%
Sales and marketing costs					
Non T&E operating	99,004	51.4%	81,529	64.4%	21.4%
Travel and Entertainment (T&E)	1,402	0.7%	782	0.6%	79.3%
Share-based payment (SBP) charges	6,216	3.2%	2,767	2.2%	124.6%
SBP related employer tax charges	1,236	0.6%	1,660	1.3%	-25.5%
Total sales and marketing costs	107,858	56.0%	86,738	68.6%	24.3%
Research and development costs					
Non T&E operating	14,402	7.5%	6,628	5.2%	117.3%
Travel and Entertainment (T&E)	67	0.0%	28	0.0%	139.3%
Share-based payment (SBP) charges	491	0.3%	940	0.7%	-47.8%
SBP related employer tax charges	693	0.4%	3,061	2.4%	-77.4%
Total research and development costs	15,653	8.1%	10,657	8.4%	46.9%
Other administrative					
Non T&E operating	29,198	15.2%	17,954	14.2%	62.6%
Travel and Entertainment (T&E)	1,243	0.6%	65	0.1%	1,812.3%
Share-based payment (SBP) charges	6,384	3.3%	2,103	1.7%	203.6%
SBP related employer tax charges	3,854	2.0%	1,801	1.4%	114.0%
Total other administrative	40,679	21.1%	21,923	17.3%	85.6%
Finance costs	1,360		43,044		-96.8%

Sales and marketing costs

Sales and marketing costs increased by \$21.1 million, or 24.3%, to \$107.9 million for 1H FY 2022, as compared to \$86.7 million for 1H FY 2021. The increase was primarily attributable to a \$13.4 million increase in staffing costs. There was a \$5.9 million or 23.4% increase in salaries as a result of the 23.2% growth in the average number of employees in sales and marketing in 1H FY 2021. Growth in average number of employees was largely from increases in sales personnel to drive customer acquisition. There was an increase in bonus and commission of \$9.4 million to \$28.2 million in 1H FY 2022 mainly driven by the increase in commission cost from \$17.9 million to \$26.7 million due to the increase in sales. Furthermore, there was a \$1.8 million increase in other employment costs. Sales and marketing cost includes appliances depreciation of \$1.9 million (\$1.8 million in 1H FY2021). For details

of the commission cost capitalised and related amortisation for the period please refer to the capitalised commission paragraph.

Increase in direct recruitment expense also contributed to the increase in sales and marketing costs for 1H FY 2022. Direct recruitment expense increased by \$2.0 million period-on-period, to \$4.9 million as a result of increased head count in the period.

Research and development costs

Research and development costs increased by \$5.0 million, or 46.9%, to \$15.7million for 1H FY 2022, as compared to \$10.7 million for 1H FY 2021. The increase in non-T&E operating expenses of \$4.9 million included a \$3.9 million or 70.6% increase in research and development staffing costs, made up of an increase of 61.1% or \$2.7 million in gross pay as well as an increase in bonuses of \$0.8 million or 196% to \$1.2 million in 1H FY 2022. This was mainly driven by a 63.1% increase in average number of employees in the core development team, as the Group expanded its technical departments focused on research and new product development efforts to expand its product offerings, as well as an 10.7% increase in average salary per head. There was also a \$2.4 million or 146.4% increase in amortisation costs compared to \$1.6 million in H1 FY2021 due to the release of new features to the platform (version 5) in January 2021 following completion of the development phase. See note 6 for further details on the amounts capitalised during the period.

Other administrative expenses

Other administrative expenses increased by \$18.8 million, or 86.5%, to \$40.7 million for 1H FY 2022, as compared to \$21.9 million for 1H FY 2021. There was a \$11.2 million increase in non-T&E operating expenses, of which \$9.0 million was a result of increased staff costs. Gross pay increased by \$5.6 million, or 81% which was mainly driven by a 41.8% increase in average headcount period-on-period. The hiring of more senior team members of the legal, finance and HR functions as a result of the IPO process resulted in an increase of total gross pay by \$3.0 million whilst the increase in the Customer Success team headcount resulted in an increase in the overall gross pay by \$1.8 million. In these functions, the new hires resulted in an average salary increase of 5%. There was an increase in bonuses of \$1.6 million, or 130.4%, to \$2.9 million in H1 FY 2022. Employment costs includes payroll taxes, payroll fees, training costs, employee benefits and 100% of apprenticeship levy costs; they increased by \$1.9 million, or 106.7%, to \$3.7 million in the period. During H1 FY 2022, a receivable for an apprenticeship levy of \$0.6 million has been written off as a result of the assessment of recoverability of the amount which has contributed to the increase in employment costs. The remaining increase in employment costs have moved in line with gross pay. Additionally, there was a \$2.3 million increase in all other operating costs, including rents as well as professional and consultancy fees.

Share-based payment (SBP) and related employer tax charges increased significantly in the period as shown by the table below:

	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Audited	Variance	%
Sales and marketing costs	6,216	2,767	3,449	124.6%
Research and development costs	3,148	940	2,208	234.9%
Capitalised development cost	(2,657)	-	(2,657)	n/a
Other administrative expenses	6,384	2,103	4,281	203.6%
Total Share-based payment (SBP) charges	13,091	5,810	7,281	125.3%
Sales and marketing costs	1,236	1,660	(424)	-25.5%
Research and development costs	896	3,061	(2,165)	-70.7%
Capitalised development cost	(202)	-	(202)	n/a
Other administrative expenses	3,854	1,801	2,053	114.0%
Total SBP related employer tax charges	5,784	6,522	(738)	-11.3%

SBP charges for 1H FY2022 relate mainly to the new granted awards in the eight months since IPO, with a large portion of the charge from the 'top-up awards' granted at IPO which vest over a one-year vesting period which is shorter compared to most of the other awards granted under the Darktrace Awards Incentive Plan (AIP). The SBP-related employer tax charge recognised in 1H FY2021 related mainly to share options and growth shares awarded in previous years to UK employees for which the liability was recognised for the first time for in H1 FY 2021. The capitalised development cost includes \$2.4 million of share-based payment and related tax charges linked to projects completed in prior years not previously capitalised. With the associated amortisation recognised in the period of \$1.4 million, the net increase in intangible assets related to prior years' completed development projects is \$1.0 million.

Finance costs

\$'000	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited	%
Finance costs	(1,360)	(43,044)	-96.8%

Finance costs decreased by \$41.7 million to \$1.4 million for 1H FY 2022, as compared to \$43.0 million for 1H FY 2021. This decrease was due to the conversion of \$162.8 million of convertible loan notes (CLNs) concurrent with the IPO. The loan notes carried an annual interest rate of 9%, compounded monthly and were in place for the entire FY 2021 comparative period; there have been no CLN-related charges since the 4 May 2021 conversion date.

Operating profit/(loss) or EBIT, EBITDA and Adjusted EBITDA

\$'000	Six-months ended 31-Dec-21 Unaudited	Six-months ended 31-Dec-20 Unaudited
Net Profit / (Loss)	5,917	(48,411)
Taxation	1,439	545
Finance income	(68)	(59)
Finance costs	1,360	43,044
Operating profit/ (loss)/EBIT	8,648	(4,881)
Depreciation & Amortisation	26,197	19,149
EBITDA	34,845	14,268
Appliance depreciation in Cost of sales	(7,018)	(5,803)
Share-based payment (SBP) charges	13,091	5,810
SBP related employer tax charges	5,784	6,522
Adjusted EBITDA	46,702	20,797

Darktrace generated a net profit of \$5.9 million, compared to a net loss of \$48.4 million in the prior period. For comparison, that prior period was impacted by \$42.7 million of non-recurring finance costs largely related to convertible loan notes eliminated in the intervening period. At the EBIT, or operating profit level, the Group generated a profit of \$8.6 million, a \$13.5 million increase from a \$4.9 million loss in the prior period. This improvement was primarily the result of increased head count and is driven by period-over-period revenue growth of over 52.3% outpacing the growth in operating costs.

EBITDA for the 1H FY 2022 period was \$34.8 million compared to \$14.3 million in the prior year period, an increase of \$20.6 million. In calculating EBITDA from EBIT, Darktrace deducts depreciation and amortisation, which increased by \$7.0 million period-over-period. Depreciation of property plant and equipment increased by \$1.6 million, because of increased depreciation of appliances on customer sites, the deployment of which have scaled with the customer base. Amortisation of capitalised development costs increased by \$2.2 million as additional internally generated software features were completed and amortisation over a three-year period begun. Amortisation of capitalised commissions increased by \$3.4 million period-over- period as commissions scaled in line with ARR growth.

At \$46.7 million, Adjusted EBITDA was \$25.9 million greater than the prior period. In calculating Adjusted EBITDA from EBITDA, Darktrace deducts the depreciation related to appliances used to deliver Darktrace software to customers that is reflected in cost of sales. This is done to provide comparability to companies that may sell appliances for this purpose. For 1H FY 2022, there was a \$1.2 million year-over-year increase in depreciation of appliances allocated to cost of sales, reflecting the increase in customer deployments. Darktrace also deducts share-based payment and related employer tax charges as a result of equity schemes in place prior to IPO and new schemes set up as part of the transition to being a public company. These charges increased by \$6.5 million period-over-period.

Cash and cash equivalents

The Group had cash and cash equivalents at 31 December 2021 of \$365.8 million, an increase of \$23.4 million from 30 June 2021. The increase in cash was mostly as a result of the \$57.1 million cash generated from operating activities in the period. This was somewhat offset by cash outflows on investing and financing activities, partially as a result of using \$13.5 million to execute a share buyback in December 2021.

Intangible assets

The Group capitalises allowable costs related to the development of new products and related significant functional enhancements to its Cyber AI platform. In the period, the Group capitalised \$3.5 million of development costs, in line with the previous period.

Of \$3.5 million cost capitalised in the period (\$2.5 million in H1 FY 2021), Darktrace has included share-based payment cost and related tax charges related to the employees working on development projects that meet capitalisation criteria. This includes \$2.4 million of share-based payment and related tax charges linked to projects completed in prior years not previously capitalised, with associated amortisation of \$1.4 million for a net increase in intangible assets of \$1.0 million related to prior years completed development projects. As the directors consider the amount in relation to prior years to be immaterial, no prior year adjustment has been made but instead a catchup adjustment has been recognised in the current year.

Capitalised development costs are amortised on a straight-line basis over a three-year period, resulting in an amortisation charge in the period of \$3.1 million, a year-over year increase of \$2.2 million. At 31 December 2021, the Group had \$7.4 million of intangible assets, increased by \$0.3 million from \$7.1 million at 31 June 2021.

Capitalised commission

Most sales commissions are paid in two instalments, the first being when the contract is signed and the second upon the earlier of payment for the entire contract value or one year from the date of sale. For the first instalment, the Group capitalises sales commissions and the associated payroll taxes, as required under IFRS 15, and amortises them over the related contract term. As there are continued employment and customer service obligations required to receive the second instalment, these commissions are not eligible for capitalisation. Capitalised commissions on the Group's Statement of Financial Position increased by 17.2% to \$45.7 million at 31 December 2021 from \$39.0 million at 30 June 2021, as a result of continuing sales growth. This increase was driven by additions of \$17.2 million (\$9.4 million in H1 FY 2021) offset by amortisation and impairment of \$10.5 million (\$6.4 million in H1 FY 2021).

Deferred revenue

Total deferred revenue increased by 5.1% to \$197.4 million at 31 December 2021 from \$187.9 million at 30 June 2021. This resulted from the increase in the Group's invoicing driven by a higher number of customers in the period and a continued transition to annual invoicing for customers.

Equity

As a result of transactions with shareholders, the Group had an increase in equity of \$2.6 million during 1H FY 2022 driven by:

- \$15.6 million increase in stock compensation reserve related to grants made under employee equity schemes.
- \$0.6 million increase in equity as a result of exercised options during the period.

- \$13.6 million reduction in equity following the company purchasing 2,460,678 shares on-market in December 2021 to satisfy, in part, Darktrace's pre-existing obligations arising from its share incentive programmes. The shares were acquired at an average price of £4.11 (\$5.47) per share, with prices ranging from £3.90 (\$5.19) to £4.31 (\$5.74). The total cost of \$13.6 million, including transaction costs, was deducted from equity.

The share-premium cancellation received shareholder approval prior to the IPO on 29 April 2021. The share premium was cancelled on 28 September 2021 following the registration of the order of the High Court of Justice (Chancery Division) by the Registrar of Companies. The total amount of share premium at the time of cancellation has been reclassified to retained earnings.

Cash flow from operating and financing activities

The Group had cash flow from operating activities of \$57.1 million in 1H FY 2022, a 126.0% increase from \$25.3 million in 1H FY 2021.

Cash generated from operating activities before working capital movements has improved to \$54.3 million, compared to \$19.3 million in the prior period. Meanwhile working capital movements reflect the increased scale of the business and continuing sales growth with a \$4.2 increase in cash from working capital. This movement was predominantly as a result of \$9.6 million cash increase from deferred revenues and a \$8.9 million cash increase in trade and other receivables, largely offset by a \$17.2 million cash decrease from capitalised commissions.

Cash outflow from financing activities of \$16.9 million was mostly as a result of the re-purchase of shares for \$13.5 million in December 2021.

Going Concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. At the end of the reporting period, the Group had \$365.8 million of available liquidity considering cash and cash equivalents and generating cash in the period after financing activities of \$26.4 million. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the interim financial statements. Accordingly, the Directors are of the view that the preparation of the consolidated interim financial statements on a going concern basis continues to be appropriate and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Principal and Emerging Risks

The principal risks and uncertainties faced by Darktrace and its approach to internal control and risk management are set out on pages 57 to 59 of the 2021 Annual Report which is available on the Group's website at www.darktrace.com. The principal risks and uncertainties, as set out below, have been reassessed and the Directors expect them to remain materially the same as those reported in the 2021 Annual Report during the remaining six months of the financial year.

Risk Title	Risk Description
Technology and products	<p>The Group's ability to penetrate its target market and continue to grow is based on the effectiveness of its products in protecting its customers against the impacts of a rapidly evolving cyber security threat environment.</p> <p>The Group may be unable to develop and enhance its platform to adapt to the increasingly sophisticated nature of cyber-attacks.</p>
Market and competitive environment	<p>Darktrace operates in a competitive marketplace where other companies seeking to compete may be larger, better funded and have more resources.</p> <p>If the Group is unable to develop and enhance its platform to adapt to the increasingly sophisticated nature of cyber-attacks, it could negatively impact the Group's business, results of operations, financial condition and prospects.</p> <p>The Group may be unable to develop and enhance its platform to meet the changing cyber protection demands of its customers.</p>

	<p>Failure by the Group or, in certain markets, its channel partners, to maintain sufficient levels of customer support could have a material adverse effect on its business, results of operations, financial condition and prospects.</p>
People and partners	<p>The Group relies on the talents of highly skilled personnel, including its senior management and its technologists.</p> <p>Additionally, Darktrace relies on both its own employees and a network of reseller partners to acquire new customers, service existing customers and increase both market penetration and product uptake.</p> <p>The Group's customers depend on the continuous availability of its Cyber AI Platform. Darktrace-controlled cloud-hosted products are expected to grow in materiality and importance. Consequently, the Group may be subject to service disruptions as well as failures to provide adequate support for reasons from its third-party data centres that are outside of its direct control.</p> <p>The global COVID-19 outbreak and the global response to this outbreak could affect the Group's business and operations.</p>
Brand and reputation	<p>The Group's brand and reputation relies on a variety of factors including the effectiveness of its products to protect its customers against risks, its ability to protect its intellectual property, the actions of its people and the nature of its business associations., e.g. such as coverage of criminal or civil litigation or related asset enforcement proceedings, or adverse comments in the civil judgment on the evidence of current, or past, Group directors or employees, could adversely affect the Group's reputation in the cyber security, financial, investment and other communities, and could also adversely affect the Group.</p> <p>As a provider of security solutions, the Group has in the past been, and may in the future be, specifically targeted by bad actors for attacks intended to circumvent the Group's own security capabilities.</p> <p>If the Group is unable to maintain and enhance its brand or if the Group's reputation and business is harmed by news or social media coverage it could negatively impact the Group's business, results of operations, financial condition and prospects</p>

Statement of Directors' Responsibility

The directors confirm that these unaudited interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- related-party transactions in the first six months and that have materially affected the financial position or the performance of the Group during that period and any changes in the related-party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

The maintenance and integrity of the Darktrace plc website is the responsibility of the Directors; the work carried out by the authors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

The directors of Darktrace plc are listed in the Darktrace plc annual report for 30 June 2021.

A list of current Directors is maintained on the Darktrace plc website: www.darktrace.com/en/board-of-directors

On behalf of the Board

Catherine Graham
Chief Financial Officer
2 March 2022

Independent auditor's review report to the members of Darktrace plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Darktrace plc (the 'company') for the six months ended 31 December 2021 which comprises the Consolidated Unaudited Interim Statement of Comprehensive Income, Consolidated Unaudited Interim Statement of Financial Position, Consolidated Unaudited Interim Statement of Changes in Equity and Consolidated Unaudited Interim Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 1 the annual financial statements of the company are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties arising from the UK exiting the European Union on our review

Our review of the condensed set of financial statements in the half-yearly financial report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. Such reviews assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no review

of interim financial information should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom
2 March 2022

Consolidated Unaudited Interim Statement of Comprehensive Income

	Notes	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Revenue	4	192,642	126,514
Cost of sales		(20,651)	(12,399)
Gross profit		171,991	114,115
Sales and marketing costs		(107,858)	(86,738)
Administrative expenses			
Research and development costs		(15,653)	(10,657)
Other administrative expenses		(40,576)	(21,500)
Expected credit loss charge		(103)	(423)
Other operating income		847	322
Operating profit /(loss)	6	8,648	(4,881)
Finance costs	5	(1,360)	(43,044)
Finance income	5	68	59
Profit/(loss) for the year before taxation	6	7,356	(47,866)
Taxation	7	(1,439)	(545)
Net profit / (loss) for the year attributable to the equity shareholders of Darktrace plc		5,917	(48,411)

Items that are, or may be, subsequently reclassified to profit or loss:

Other comprehensive income/ (loss) - -

Total comprehensive profit/ (loss) for the period		5,917	(48,411)
Earnings per share			
Basic profit/(loss) per share	8	\$0.01	\$(0.10)
Diluted profit/(loss) per share	8	\$0.01	\$(0.10)

Consolidated Unaudited Interim Statement of Financial Position

	Notes	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Non-current assets			
Intangible assets		7,438	7,087
Property, plant and equipment		54,334	52,896
Right-of-use assets		27,342	29,421
Capitalised commission		26,255	22,711
Deferred tax asset		691	544
Deposits		5,743	6,109
		121,803	118,768
Current assets			
Trade and other receivables		66,122	76,867
Capitalised commission		19,459	16,303
Tax receivable		1,810	1,119
Cash and cash equivalents	9	365,766	342,358
		453,157	436,647
Total assets		574,960	555,415
Current liabilities			
Trade and other payables		(49,768)	(51,100)
Deferred revenue	4	(167,957)	(158,265)
Lease liabilities		(4,486)	(4,285)
Provisions	10	(26,291)	(22,430)
		(248,502)	(236,080)
Non-current liabilities			
Deferred revenue	4	(29,482)	(29,599)
Lease liabilities		(28,514)	(30,963)
Provisions	10	(1,589)	(515)
		(59,585)	(61,077)
Total liabilities		(308,087)	(297,157)
Net assets		266,873	258,258
Equity			
Share capital	11	9,777	9,756
Share premium	11	335	224,782
Merger reserve	11	305,789	305,789
Foreign currency translation reserve	11	(4,398)	(4,398)
Stock compensation reserve	12	51,471	35,723
Treasury shares	11	(14,265)	(761)
Retained loss		(81,836)	(312,633)

Total equity attributable to equity shareholders of Darktrace plc	266,873	258,258
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These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2022. They were signed on its behalf by:

Catherine Graham
Chief Financial Officer
Company No. 13264637

Consolidated Unaudited Interim Statement of Changes in Equity

	Note	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Stock compensation reserve \$'000	Treasury Shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 Jul 20 Audited		29	170,402	-	(4,398)	20,868	-	(163,045)	23,856
Net loss		-	-	-	-	-	-	(48,411)	(48,411)
Total comprehensive loss		-	-	-	-	-	-	(48,411)	(48,411)
Shares issued	11	-	212	-	-	-	-	-	212
Share cancellation	11	(2)	(127,061)	-	-	-	-	-	(127,063)
Credit to equity for share based compensation	12	-	-	-	-	5,810	-	-	5,810
Transactions with shareholders		(2)	(126,849)	-	-	5,810	-	-	(121,041)
Balance at 31 Dec 20 Unaudited		27	43,553	-	(4,398)	26,678	-	(211,456)	(145,596)
Balance at 1 Jan 21		27	43,553	-	(4,398)	26,678	-	(211,456)	(145,596)
Net loss		-	-	-	-	-	-	(101,177)	(101,177)
Total comprehensive loss		-	-	-	-	-	-	(101,177)	(101,177)
Convertible loan conversion	11	1,076	269,016	-	-	-	-	-	270,092
Shares issued	11	1,872	238,294	-	-	-	-	-	240,166
Transaction costs	11	-	(13,511)	-	-	-	-	-	(13,511)
Share for share exchange with Darktrace Holdings Limited	11	6,781	(312,570)	305,789	-	-	-	-	-
Treasury shares	11	-	-	-	-	-	(761)	-	(761)
Credit to equity for share based compensation charge	12	-	-	-	-	9,045	-	-	9,045
Transactions with shareholders		9,729	181,229	305,789	-	9,045	(761)	-	505,031
Balance at 30 Jun 21 Audited		9,756	224,782	305,789	(4,398)	35,723	(761)	(312,633)	258,258
Balance at 1 Jul 21		9,756	224,782	305,789	(4,398)	35,723	(761)	(312,633)	258,258
Net profit		-	-	-	-	-	-	5,917	5,917
Total comprehensive profit		-	-	-	-	-	-	5,917	5,917
Shares issued	11	21	335	-	-	-	-	-	356
Share premium cancellation	11	-	(224,838)	-	-	-	-	224,838	-
Options exercised	11	-	56	-	-	-	21	131	208
Shares buyback	11	-	-	-	-	-	(13,525)	-	(13,525)

Transaction costs	11	-	-	-	-	-	-	(89)	(89)
Credit to equity for share based compensation charge	12	-	-	-	-	15,748	-	-	15,748
Transactions with shareholders		21	(224,447)	-	-	15,748	(13,504)	224,880	2,698
Balance at 31 Dec 21 Unaudited		9,777	335	305,789	(4,398)	51,471	(14,265)	(81,836)	266,873

Consolidated Unaudited Interim Statement of Cash Flows

	Notes	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Cash generated from operations			
Profit/(Loss) for the period after tax	6	5,917	(48,411)
Adjustments for:			
Depreciation of PPE and Right-of-use Assets		13,241	11,795
Amortisation of intangible assets		3,138	949
Amortisation of capitalised commission		9,818	6,405
Impairment of capitalised commission		707	-
Impairment of PPE		-	90
Loss on disposal of PPE		1,399	244
Unrealised foreign exchange differences		5,032	(1,176)
Credit loss charge		103	423
Share based compensation charge		13,091	5,810
Finance costs	5	1,360	1,382
Charge for convertible loan (host contract)	5	-	14,302
Charge for convertible loan (embedded derivative)	5	-	27,360
Finance income	5	(68)	(59)
Other operating income		(847)	(322)
Taxation	7	1,439	545
Operating cash flows before movements in working capital		54,330	19,337
Decrease/(Increase) in trade and other receivables		8,929	(7,248)
(Increase) in capitalised commission		(17,225)	(9,414)
(Decrease)/Increase in trade and other payables		(1,770)	6,960
Increase in provisions	10	4,733	-
Increase in deferred revenue	4	9,575	16,404
Net cash flow from operating activities before tax		58,572	26,039
Tax (paid)		(1,430)	(756)
Net cash inflow from operating activities		57,142	25,283
Investing activities			
Development costs capitalised		(630)	(2,473)
Purchase of property, plant and equipment		(13,282)	(6,137)
Finance income	5	68	59
Cash outflow from investing activities		(13,844)	(8,551)
Financing activities			
Proceeds from share issues	11	356	212
Proceeds for options exercised	11	187	-
Shares buy-back	11	(13,525)	-
Transaction costs paid in relation to shares buy-back	11	(89)	-
Repurchase of shares for cancellation	11	-	(127,063)
Proceeds from convertible loan	5	-	162,821
Repayment of lease liabilities		(2,525)	(2,642)
Payment of interest on lease liabilities		(1,318)	(1,382)
Cash (outflow)/inflow from financing activities		(16,914)	31,946
Net changes in cash and cash equivalents	9	26,384	48,678
Cash and cash equivalents, beginning of the period	9	342,358	53,944
Unrealised exchange difference on cash and cash equivalents		(2,976)	1,292

Cash and cash equivalents, end of period	9	365,766	103,914
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Notes to the Consolidated Unaudited Interim Financial Statements

1 General information

These unaudited interim financial statements were approved for issue on 2 March 2022. These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2021 were approved by the board of directors on 15 September 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The interim results for the six months ended 31 December 2021 and the comparatives are unaudited, yet have been reviewed by the independent auditor.

Company information

Darktrace plc (the Company) is a company incorporated in England and Wales under company number 13264637. The principal place of business is Maurice Wilkes Building, St John's Innovation Park, Cowley Road, Cambridge, CB4 0DS. Its shares are listed on the London Stock Exchange.

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021, which has been prepared in accordance with both "International Accounting Standards in conformity with the requirements of the Companies Act 2006" and "International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union", and any public announcements made by Darktrace plc during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group.

Going concern assessment

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. At the end of the reporting period the Group had \$365.8 million of available liquidity considering cash and cash equivalents and generating cash in the period after financing activities of \$26.4 million. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the interim financial statements.

Accordingly, the Directors are of the view that the preparation of the consolidated interim financial statements on a going concern basis continues to be appropriate and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

2 Key judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2021.

3 Operating segment

The Group has concluded that it operates only one operating segment as defined by IFRS 8 Operating Segments being the development and sale of cyber-threat defence technology. The information used by the Group's Chief Operating Decision Makers (the "CODMs"), which include the Executive Directors and certain Senior Managers, to make decisions about the allocation of resources and to assess performance is presented on a consolidated Group basis. Accordingly, no segment analysis is presented. Refer to note 4 for disaggregated analysis on revenue from contract with customers.

No single customer accounted for more than 10% of revenue in any of the periods presented.

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Non-current assets by geographical market		
United Kingdom	36,682	36,193
USA and Canada	44,426	39,286
Europe	19,771	17,712
Rest of world	20,924	25,033
	121,803	118,224

USA non-current asset is \$38.8 million (as at 30 June 2021 \$38.4 million).

4 Revenue from contract with customers

Disaggregation of revenue

Revenue recognised at a point in time is not significant to the reported results in any period. This includes revenue generated by separate contracts for training and sale of appliances. For the period this revenue amounted to \$0.6 million (prior period ended 31 December 2020 \$0.1 million).

Management has assessed that the single performance obligation that it is providing to customers is access to products, primarily software, within the Darktrace Cyber AI platform to protect customers' digital estates from the impact of cyber threats.

	Six-months ended 31-Dec-21 Unaudited \$'000	%	Six-months ended 31-Dec-20 Unaudited \$'000	%
USA and Canada	73,454	38.1%	49,908	39.5%
United Kingdom	32,932	17.1%	22,907	18.1%
Europe	45,618	23.7%	25,961	20.5%
Rest of World	40,638	21.1%	27,738	21.9%
	192,642	100%	126,514	100%

Revenue from customers has been attributed to the geographic market based on contractual location. USA generated \$66.3 million (for the period ended 31 December 2020 \$45.2 million) but above are the regions that the business is managed by.

Contract assets and liabilities related to contracts with customers

The following table provides information on accrued income and deferred revenue from contracts with customers.

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Accrued income	3,637	1,713
Total accrued income	3,637	1,713
Current deferred revenue	167,957	158,265
Non-current deferred revenue	29,482	29,599
Total deferred revenue	197,439	187,864

Deferred revenue has continued to increase as the number of customers has increased resulting in increased revenue combined with an ongoing shift towards annual invoicing.

Contracts are invoiced between one month and more than three years in advance, with the majority of contracts being invoiced annually in advance. Deferred revenue reflects the difference between invoicing and associated payment terms, and fulfilment of the performance obligation.

Revenue recognised in relation to deferred revenues (contract liabilities)

The following table shows how much revenue recognised in each reporting period related to brought-forward contract liabilities:

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	158,265	71,205
% of Revenue	82.2%	56.3%

Revenue expected to be recognised

The following are the aggregated amounts of future revenues that relate to contracts that are unsatisfied or partially unsatisfied:

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Due within 12 months	385,074	261,264
Due within 1-2 years	275,783	184,585
Due within 2-3 years	169,902	109,575
Due within 3-4 years	55,383	46,465
Due over 4 years	5,072	10,036
	891,214	611,925

5 Finance costs and finance income

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Finance costs		
Total interest on financial liabilities measured at amortised cost (CLNs – host contract)	-	15,291
Fair value movement on derivative (CLNs – embedded derivative)	-	27,360
Interest on lease liabilities	1,360	1,382
Capitalised borrowing costs	-	(989)
Total Finance costs	1,360	43,044

Finance income

Interest income from cash and cash equivalents	68	59
Total Finance income	68	59

As described in the 2021 Annual Report, the CLNs transaction was negotiated on the basis of an IPO in the short term, which took place on 6 May 2021 and for which the CLNs conversion happened on 4 May 2021, two days before the completion of the IPO. The fair value movement on derivative for prior period, represents the increase in value from 1 July 2020 (inception) to 31 December 2020, substantially due to the increase in likelihood of IPO and related weight in the calculation of the fair value.

The CLNs were recorded in the statement of financial position as follows:

	31-Dec-20 Unaudited \$'000	01-Jul-20 Audited \$'000
Value of derivative	106,895	79,535
Host loan	98,577	83,286
Total loan note value	205,472	162,821

Fair value hierarchy

The following details the judgements and estimates made in determining the fair value of the CLN embedded derivative that was recognised and measured at fair value in the financial statements in the prior period. To provide an indication about the reliability of the inputs used in determining fair value, Darktrace classifies financial instruments into the three levels prescribed under the accounting standards.

Darktrace policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in measuring the value of the CLN embedded derivative that is classified at level 3:

01-Jul-20 Audited			31-Dec-20 Unaudited		
IPO Time period	Probabilities	Discount rate (Ke)	IPO Time period	Probabilities	Discount rate (Ke)
10.5 months	60%	40%	4.5 months	65%	40%
1.5 years	10%	Discount rate (Cash loan)	1 year	10%	Discount rate (Cash loan)
2 years	0%	40%	1.5 years	5%	40%
2.5 years	0%	EIR (Cash loan)	2 years	0%	EIR (Cash loan)
4 years	30%	41.60%	3.5 years	20%	41.60%

Valuation process used

- Determine the cash-based return, and separately the equity-based return, over a spectrum of time between 10.5 months from the July Valuation Date (i.e. the expected IPO date as at the

- Valuation Date) and 4 years from the July Valuation Date,
- Discount the cash redemption amount (\$332.7 million) to the expected conversion date at a market yield that assumes there is no conversion feature. There are a number of observable IRRs depending upon the time period, ranging from c.20% to c.80%. Taking a mid-point of 40% is considered a reasonable market participant yield on a straight-debt position,
- Compute the notional gain on the equity conversion, being the additional return over and above the cash-based return. This notional gain is a function of
 - the lower interest rate (9%) accrued on an equity-conversion (compared to 18% on a cash-conversion), and
 - the gross-up of 35% on an equity-conversion (that beyond one year increases by 1% per month to a maximum gross-up of 55%),
- Discount the notional gain to its net present value, over the estimated time period using the discount rate noted above,
- Probability-adjust the outcomes based upon the following time horizon: IPO or equity event after 10.5 months to 2 years; and Cash repayment after 4 years undiscounted, and
- Take the weighted average outcome as the fair value of the embedded derivative.

6 Profit for the period before taxation

The Group has identified a number of items which are material due to the significance of their nature and or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

The profit for the period for the Group is stated after charging/(crediting):

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
<u>Research and development:</u>		
Payroll cost	9,479	8,619
Share-based payment charge (note 12)	15,748	5,810
Share-option related employer tax charges	5,986	6,522
Capitalised cost (intangible assets)	(3,489)	(2,473)
Other legal and professional fees	3,417	3,486
Short term property and low value lease rentals	1,795	1,395
<u>Depreciation and Amortisation:</u>		
Intangible assets	3,138	949
Right-of-use assets	2,789	2,919
Capitalised commission	9,818	6,405
Property, plant and equipment	10,453	8,876
<u>Other:</u>		
US sales tax	52	1,294
Credit loss charge	103	423
Net foreign exchange losses	1,438	691

Research and development costs increase was primarily attributable to an increase in related staffing to expand the Group's technical departments focused on research and new product development efforts to enhance its existing product offerings.

Darktrace has included in the cost capitalised, the amount related to the share-based payment cost and related tax charges attributable to the people working on the development projects that meet the capitalisation criteria. The total amount capitalised in the current period includes a catch up of \$2.4 million of share-based payment and related tax charges linked to projects completed in prior years not previously capitalised with associated amortisation of \$1.4 million for a net increase in intangible assets of \$1.0 million related to prior years completed development projects.

The depreciation and amortisation charges for Right-of use assets and Property plant and equipment, have been made in the consolidated statement of comprehensive income within the following functional areas:

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Property, plant and equipment		
Cost of sales	7,018	5,803
Sales and marketing	2,423	2,232
Research and development	440	194
Other administrative	572	647
	10,453	8,876
Right-of-use assets		
Cost of sales	-	-
Sales and marketing	1,821	1,967
Research and development	410	409
Other administrative	558	542
	2,789	2,918

US Sales tax was related to underpayment of sales taxes in previous years. The Group has now obtained, or is in the process of obtaining, registrations in the relevant US states in which historically an obligation to collect and remit taxes existed.

7 Tax expense

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Profit / (Loss) for the period before taxation	7,356	(47,866)
Tax using the UK corporation tax rate of 19 %	1,398	(9,095)
Effect of tax rates in foreign jurisdictions	236	176
Non-deductible expenses	171	449
Interest non-deductible on CLN	-	7,913
Research and development tax credit	161	60
Current year deferred tax asset not recognised	(211)	1,064
Foreign tax deducted at source being expensed	338	58
Fixed Asset Differences - Ineligible depreciation	(570)	15
Overprovided in prior years	(84)	(95)
Total tax expense	1,439	545

Tax charged within the 6 months ended 31 December 2021 has been calculated by applying the effective rates of tax which are expected to apply to the Group for the period ending 30 June 2022 using rates substantively enacted by 31 December 2021 as required by IAS 34 'Interim Financial Reporting'. Where appropriate we have estimated and applied separate annual effective income tax rate for each jurisdiction and category of income, where appropriate.

At the end of December 2021, the Group has significant tax losses in the UK available for offset against future taxable profits. The Group has not recognised a deferred tax asset related to Fixed Asset timing differences, short term temporary differences, losses and share based payments of approximately \$106.4m (30 June 2021: \$97.2m) as there is sufficient uncertainty whether the losses will be utilised

in the foreseeable future. The tax rate applied considers 25% for UK and 27% for US as these are tax rate expected to be applicable by the time the loss will be unwound.

8 Earnings per share ("EPS")

Basic earnings per share

The calculation of basic EPS has been based on the following profit/(loss) attributable to ordinary shareholders and weighted-average number of ordinary and preference shares outstanding. Preference shares have been included in EPS as they rank pari-passu with ordinary shares in respect of dividend and voting rights.

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Profit/(Loss) attributable to ordinary shareholders (basic)	5,917	(48,411)
Weighted-average number of ordinary shares (basic)	31-Dec-21 Unaudited	31-Dec-20 Unaudited
Issued ordinary shares at beginning of the period (note 11)	697,680,127	531,470,750
Effect of share options exercised (shares issued during the period)	100,399	24,000
Effect of share buyback	(48,974)	-
Shares cancelled during period	-	(41,299,000)
Weighted-average number of shares for calculating basic earnings per share at period end	697,731,552	490,195,750
Potentially dilutive share awards:		
Outstanding awards at period end	22,406,412	-
Weighted-average number of shares for calculating diluted earnings per share at period end	720,137,964	490,195,750

The number of shares presented in prior year has been adjusted to reflect the conversion of shares that took place during the year, prior to IPO. See note 11 for further details.

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Basic earnings/(loss) per share	\$0.01	\$(0.10)
Diluted earnings/(loss) per share	\$0.01	\$(0.10)

Diluted earnings per share

Options, growth shares and share awards

In 1H FY 2021 these were represented by growth shares and options while in 1H FY 2022 this considers the share awards under the 2021 AIP schemes (note 12). Growth shares converted into shares before IPO (note 11).

Awards granted after IPO

Awards granted to employees under the 2021 AIP Scheme are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The awards have not been included in the determination of basic earnings per share. Details relating to the awards are set out in note 12. The awards granted in the

period are not included in the calculation of diluted earnings per share, because they are antidilutive for the period ended 31 December 2021. These awards could potentially dilute basic earnings per share in the future.

9 Cash and Cash equivalents

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Cash at bank and in hand	285,737	278,208
Deposits at call	80,029	64,150
Cash and cash equivalents	365,766	342,358

Deposits at call are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

10 Provisions

	Provision for share-based payment tax \$'000	Other provision \$'000	31-Dec-21 Total Unaudited \$'000	Provision for share-based payment tax \$'000	30-Jun-21 Total Audited \$'000
Opening provision	22,945	-	22,945	-	-
Reclassification from accruals	-	-	-	1,418	1,418
Accrual for the year	5,986	732	6,718	21,527	21,527
Utilisation	(1,783)	-	(1,783)	-	-
Closing provision	27,148	732	27,880	22,945	22,945
Current	26,291	-	26,291	22,430	22,430
Non-current	857	732	1,589	515	515
Total provision	27,148	732	27,880	22,945	22,945

The Group accounts for a provision on tax payments when employer has primary liability to pay for social security-type contribution on share-based payments at the time of exercise.

Other provision includes an estimate of tax charges related to new permanent establishments in countries where Darktrace does not currently have a subsidiary. The estimate includes an amount representing expected interest and penalty (total estimated penalty and interest amounts to \$0.3 million) and is the result of the assessment of the potential historical impact arising as a consequence of Darktrace's continuous international expansion into new jurisdiction.

11 Share capital and share premium

	Number of ordinary shares of £0.01 each	Number of preference shares of £0.01 each	Number of deferred shares of £0.01 each	Number of growth shares of £0.01 each	Total number of shares	Share capital \$'000	Share premium \$'000	Merger reserve \$'000
Share capital								
At 1 Jul 20	1,761,619	364,264	119,288	32,225	2,277,396	29	170,402	-
Share cancellation	(177,343)	-	-	-	(177,343)	(2)	(127,061)	-
Shares issued in the period	225	-	-	37,100	37,325	-	212	-
Transfers	-	-	575	(575)	-	-	-	-

At								
31 Dec 20	1,584,501	364,264	119,863	68,750	2,137,378	27	43,553	-
At 1 Jan 21	1,584,501	364,264	119,863	68,750	2,137,378	27	43,553	-
Shares issued in the period	50	-	-	-	50	-	-	-
Growth shares issued in the period	-	-	-	38,325	38,325	-	-	-
Growth shares converted into preference shares	-	-	200	(200)	-	-	-	-
Conversion of preference shares into ordinary	364,264	(364,264)	-	-	-	5	-	-
Share subdivision	485,254,934	-	-	-	485,254,934	-	-	-
Conversion of growth shares into ordinary shares	3,101,843	-	-	(106,875)	2,994,968	43	-	-
Convertible loan conversion	77,475,499	-	-	-	77,475,499	1,076	269,016	-
Share issued at incorporation of Darktrace plc	1	50,000	-	-	50,001	69	-	-
Share for share exchange	-	-	-	-	-	6,733	(312,569)	305,789
Shares issued at IPO	129,849,035	-	-	-	129,849,035	1,803	224,782	-
At								
30 Jun 21	697,630,127	50,000	120,063	-	697,800,190	9,756	224,782	305,789
At 1 Jul 21	697,630,127	50,000	120,063	-	697,800,190	9,756	224,782	305,789
Options exercised	-	-	-	-	-	-	56	-
Share premium cancellation	-	-	-	-	-	-	(224,838)	-
Shares issued	1,581,578	-	-	-	1,581,578	21	335	-
At								
31 Dec 21	699,211,705	50,000	120,063	-	699,381,768	9,777	335	305,789

The preference shares are not redeemable. The holders of preference shares are not entitled to receive preferential dividends and are entitled to one vote per share.

All shares rank pari-passu in all respects except deferred shares hold no voting rights or rights to distribution and are entitled to receive £1.00 for the entire class in preference to any payment to the ordinary shares on liquidation, and preference shares have a liquidation preference up to their subscription price.

Share cancellation

On 14 July 2020 the share capital of Darktrace Holdings Limited was reduced with reference to the shares held by ICP Darktrace Holdings Limited.

CLNs conversion

On 30 April 2021, each of the Convertible Note Holders agreed that the CLNs would convert into ordinary shares in Darktrace Holdings Limited on 4 May 2021, two days prior to the Admission Date.

Group reorganisation

During the year, the Company carried out a reorganisation of its share capital to facilitate a listing to the premium segment of the official list of the Financial Conduct Authority and to trade on the London Stock Exchange Main Market for listed securities. This is described as follows:

Share conversion and CLN conversion

On 4 May 2021, the Preferred Shares and Growth Shares in Darktrace Holdings Limited automatically converted into ordinary shares in Darktrace Holdings Limited. Later on 4 May 2021, the CLNs converted into ordinary shares in Darktrace Holdings Limited as described above.

Shares Sub-Division

At 11.59pm on 4 May 2021, shortly following the Share Conversion and the Convertible Loan Note Conversion, the Ordinary Shares (being the entire outstanding Darktrace Holdings Limited Shares other than the Company Deferred Shares and the Company Redeemable Preference Shares) were subdivided by 250.

As a result of the share sub-division and subsequent share exchange, the number of options outstanding at the time of share exchange has also been subdivided by 250 to mirror the new shares which issued in relation to the exercise of the options itself.

Share for share exchange

On 4 May 2021, after the share conversion and the subdivision, each of the Shareholders of Darktrace Holdings Limited transferred the Darktrace Holdings Limited Shares it held as at the Completion Date (as stated in the Company's register of members) to Darktrace plc, and Darktrace plc allotted and issued an equivalent number of shares, credited as fully paid, in consideration for the transfer of such Shares. The shares were exchanged as follows: 1 Darktrace plc Ordinary Share for 1 Darktrace Holdings Limited Ordinary Share and 1 Darktrace plc Deferred Share for 1 Company Deferred Share (as applicable).

As the Company issued equity shares in consideration for securing a holding of 100% of the nominal value of each class of equity in Darktrace Holdings Limited, the application of merger relief is compulsory. Merger relief is a statutory relief from recognising any share premium on shares issued. Instead, a merger reserve is recorded equal to the value of share premium which would have been recorded if the provisions of section 612 of the Companies Act 2006 had not been applicable. The value of the merger relief for the Company is \$55.2 million.

As management has used the retrospective presentation method, the equity structure (that is, the issued shares capital) would reflect that of the new entity (Darktrace plc), with other amounts in equity (such as revaluation, retained earnings and cumulative translation reserve) being those from the consolidated financial statements of the previous Group holding entity (Darktrace Holding Limited). The resulting difference has been recognised as a component of the equity as a merger reserve (\$250.6 million).

Share premium cancellation

The share-premium cancellation received shareholder approval prior to the IPO on 29 April 2021. The share premium was cancelled on 28 September 2021 following the registration of the order of the High Court of Justice (Chancery Division) by the Registrar of Companies. The total amount of share premium at the time of cancellation has been reclassified to retained earnings.

Share buy back

During December 2021 the company purchased 2,460,678 shares on-market to satisfy, in part, Darktrace's pre-existing obligations arising from its share incentive programmes. The shares were acquired at an average price of £4.11 (\$5.47) per share, with prices ranging from £3.90 (\$5.19) to £4.31 (\$5.74). The total cost of \$13.6 million, including transaction costs, was deducted from equity.

Treasury shares

The directors have determined that they do control a company called Equiniti Trust (Jersey) Limited, even though Darktrace plc owns 0% of the issued capital of this entity. Equiniti Trust (Jersey) Limited holds shares (53,299,571) of Darktrace plc for the purpose of fulfilling the requirement of the stock options plan issued before IPO. Those shares are treated as treasury shares in the consolidated financial statements.

12 Share based payments

Share based payment charges have been made in the Consolidated Statement of Comprehensive income within the following functional areas.

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Sales and marketing	6,216	2,767
Research and development	3,148	940
Other administrative	6,384	2,103
Total share-based payment expense	15,748	5,810

\$2.7 million of the share-based payment expense has been capitalised as intangible assets.

Option scheme issued before IPO

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	WAEP \$	Six-months ended 31-Dec-2021 Options Number	WAEP \$	Six-months ended 31-Dec-2020 Options Number
Outstanding at 1 Jul - Audited	1.56	54,970,631	0.92	55,719,575
Granted	-	-	2.87	2,939,003
Lapsed	4.09	(336,571)	2.87	(53,834)
Exercised	0.17	(3,138,725)	-	-
Outstanding at 31 Dec - Unaudited	1.63	51,495,335	0.96	58,604,744
Exercisable at 31 Dec - Unaudited	1.12	43,267,210	0.66	49,932,333

The table below presents the weighted average remaining contractual life ('WACL') and the price range for the options outstanding at each period end:

Range of exercise prices	WACL \$	31-Dec-21 Options Number Unaudited	WACL \$	30-Jun-21 Options Number Audited
\$0.00 to \$0.23	1.39	19,924,978	1.40	22,627,078
\$0.41 to \$0.67	2.68	6,574,965	3.19	6,945,465
\$1.37 to \$1.45	3.94	3,627,845	4.45	3,654,320
\$2.09 to \$2.21	4.39	2,453,032	4.89	2,475,711
\$2.76 to \$2.87	3.33	12,389,515	3.84	12,549,307
\$5.20 +	3.21	6,525,000	3.71	6,718,750
	3.24	51,495,335	3.70	54,970,631

Awards issued at IPO

	Tranche 1 Performance awards	Tranche 2 Performance awards	Executive Awards	Top Up Awards	Time based awards
Grant date	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21
Share price at grant date	£2.5 (\$3.46)	£2.5 (\$3.46)	£2.5 (\$3.46)	£2.5 (\$3.46)	£2.5 (\$3.46)
Exercise price	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)
Fair value per option	£1.5 (\$2.08)	£1.59 (\$2.20)	£1.59 (\$2.20)	£0.77 (\$1.07)	£2.5 (\$3.46)
Expected life in years	2.17	3.17	3.17	1	n/a
Expected Volatility	40%	40%	40%	50%	n/a
Risk free interest rate	0.03%	0.14%	0.14%	0.00%	n/a
Cancellation rate	10%	10%	10%	10%	n/a
Dividend yield	0%	0%	0%	0%	n/a
Correlation	10%	10%	10%	10%	n/a
Number of awards issued	450,656	901,313	775,000	19,741,840	151,101

Number of awards outstanding at 31 Dec 21	450,656	901,313	775,000	19,156,503	138,081
Number of awards exercisable at 31 Dec 21	-	-	-	-	13,000

Awards issued during the period

The fair value of share-based payments has been calculated using the Monte Carlo option pricing model. Monte Carlo models are used to simulate a distribution of TSRs/share prices. The model utilises random number generation with the distribution determined by volatility, risk free rate and expected life.

The Performance Awards carry market-based vesting criteria which must be incorporated into the valuation. Vesting is dependent upon the Company's TSR performance ranked against the constituents of the FTSE 350 (ex. investment trusts) ('FTSE Index'). TSR is defined as the change in Net Return Index for a company over a relevant period. The Net Return Index is equal to the index that reflects movements in share price over a period, plus dividends which are assumed to be reinvested on a net basis in shares on the ex-dividend date.

TSR is calculated over the 'Performance Period' using the following formula: $(TSR2 - TSR1) / TSR1$.

- TSR1 is the Net Return Index at admission date
- TSR 2 is the average Net Return Index over each weekday during the three months period ending on the last day of the TSR performance period.

Given the same market-based criteria applies to both Tranche 2 of the Performance Awards and the Executive Awards, the same model and core inputs are used to value both of these Grants. A correlation coefficient is included to model the way in which the price of a listed company's stock tends to move in relation to the stock of other listed companies. Expected volatility was determined based on the historic volatility of comparable companies. The expected life is the expected period from grant to exercise based on management's best estimate.

The following assumptions were used in the valuation of the awards issued in August and November:

	Tranche 1 Performance awards	Tranche 2 Performance awards	Tranche 1 Performance awards	Tranche 2 Performance awards	Time based awards
Grant date	23-Aug-21	23-Aug-21	05-Nov-21	05-Nov-21	05-Nov-21
Share price at grant date	£5.78 (\$7.87)	£5.78 (\$7.87)	£5.78 (\$7.84)	£5.78 (\$7.84)	£5.78 (\$7.84)
Exercise price	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)
Fair value per option	£5.19 (\$7.07)	£4.93 (\$6.71)	£3.68 (\$5.00)	£3.83 (\$5.17)	£5.78 (\$7.84)
Expected life in years	1.85	2.85	2.00	3.00	n/a
Expected volatility	40%	40%	40%	40%	n/a
Risk free interest rate	0.84%	0.70%	0.34%	0.40%	n/a
Cancellation rate	10%	10%	10%	10%	n/a
Dividend yield	0%	0%	0%	0%	n/a
Correlation	15%	15%	15%	15%	n/a
Number of awards	50,461	100,923	196,333	392,667	321,250
Number of awards outstanding at 31 Dec 21	50,461	100,923	193,833	387,667	321,250
Number of awards exercisable at 31 Dec 21	-	-	-	-	-

The following assumptions were used in the valuation of the awards issued in December:

	Time based awards	Tranche 1 Performance awards	Tranche 2 Performance awards	Time based awards
Grant date	13-Dec-21	31-Dec-21	31-Dec-21	31-Dec-21

Share price at grant date	£3.92 (\$5.20)	£4.21 (\$5.67)	£4.21 (\$5.67)	£4.21 (\$5.67)
Exercise price	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)	£0.0 (\$0.0)
Fair value per option	£3.92 (\$5.20)	£2.72 (\$3.67)	£2.78 (\$3.75)	£4.21 (\$5.67)
Expected life in years	n/a	2.00	3.00	n/a
Expected volatility	n/a	40%	40%	n/a
Risk free interest rate	n/a	0.60%	0.70%	n/a
Cancellation rate	n/a	10%	10%	n/a
Dividend yield	n/a	0%	0%	n/a
Correlation	n/a	15%	15%	n/a
Number of awards issued	1,400,190	24,482	38,624	17,031
Number of awards outstanding at 31 Dec 21	1,387,170	24,482	38,624	17,031
Number of awards exercisable at 31 Dec 21	-	-	-	-

Time-based Awards vest according to time only. There is no strike price, no market-based vesting criteria and no expectation of dividends. The fair value of the time-based awards will simply be the value of the underlying equity at the time they were granted.

13 Changes in liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Lease liabilities \$'000	Convertible loan (host contract) \$'000	Convertible loan (embedded derivative) \$'000	Total \$'000
At 1 Jul 20 - Audited	(35,546)	-	-	(35,546)
Changes from financing cash flows				
Proceeds from issue of convertible bonds	-	(83,286)	(79,535)	(162,821)
Repayment of lease liabilities	2,641	-	-	2,641
Interest payment	1,383	-	-	1,383
Other changes				
Interest expense	(1,383)	-	-	(1,383)
New leases	(4,038)	-	-	(4,038)
Change in fair value	-	-	(27,360)	(27,360)
Effective interest rate on host loan	-	(15,291)	-	(15,291)
Foreign exchange movements	(1,768)	-	-	(1,768)
At 31 Dec 20 - Unaudited	(38,711)	(98,577)	(106,895)	(244,183)
At 1 Jul 21 - Audited	(35,248)	-	-	(35,248)
Changes from financing cash flows				
Repayment of lease liabilities	2,525	-	-	2,525
Interest payment	1,318	-	-	1,318
Other changes				
Interest expense	(1,318)	-	-	(1,318)
New leases	(708)	-	-	(708)
Foreign exchange movements	431	-	-	431
At 31 Dec 21 - Unaudited	(33,000)	-	-	(33,000)

The Group entered a multi-currency \$25.0 million Revolving Credit Facility agreement with Silicon Valley Bank on 15 January 2021 with a maturity date of 15 January 2023. Borrowings under the Facility are secured pursuant to various security agreements, mortgages and other collateral granted to the

Lender. Interest is charged subject to an all-in floor of 3.75% and the facility contains a letter of credit sublimit of \$10.0 million equivalent. Letters of credit totalling \$1.0 million have been provided in relation to lease agreements, which reduce the balance available to draw. As at 31 December 2021, \$24.0 million is available to draw on the facility.

14 Related party transactions and controlling related party

In line with the significant judgement documented in the 2021 Annual Report, the Directors consider that the Company and the Group had no ultimate controlling party.

There were no related party transactions with Directors to disclose in any of the years presented.

Key management remuneration

The Group considers to be part of the key management personnel the members of the board and three senior managers also executive directors of the Group, who exert control over the strategy and direction of the Group. Their costs in the period were as follows:

	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000
Wages and salaries	1,541	918
Social security costs	306	131
Pension costs	31	20
Share-based payment charge	3,397	1,049
Share-option related employer tax charges	2,281	-
	7,556	2,118

Short term employee benefits of the Group's key management personnel include salaries and non-cash benefits. Long term benefits include payments to defined contribution pension scheme only.

Other related party disclosures

Management has disclosed details of all transactions with ICP London Limited and its affiliated companies, Luminance Technologies Ltd and Neurence Limited, as companies under common directorship up to 4 May 2021, for comparative reasons.

	Transaction value		Balances outstanding	
	Six-months ended 31-Dec-21 Unaudited \$'000	Six-months ended 31-Dec-20 Unaudited \$'000	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Fees for management support services	-	1,559	-	-
Recharge of staff expenditure	-	100	-	-
Income from recharge of office space	(270)	(92)	102	255
Revenue received	-	-	-	-
Recharge of legal fees	-	326	-	-
Hosting fees	3	-	-	1
	(267)	1,893	(102)	256

Income from recharge of office space included income from Luminance Technologies Ltd. This contract has been terminated effective from 3 October 2021.

The Group has earned the following revenues from investors and affiliated companies:

	Transaction value		Balances outstanding	
	Six-months ended 31-Dec-21	Six-months ended 31-Dec-20	31-Dec-21	30-Jun-21

	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Revenues received from investors	(197)	(113)	(265)	-
Revenues received from affiliated entities of investors	(418)	(14)	(903)	(154)
	(615)	(127)	(1,168)	(154)

No guarantees have been provided to or received from these parties.

Please refer to the 2021 Annual Report and to note 18 for information in relation to the CLNs conversion into shares as at 4 May 2021.

15 Risk management objectives and policies

The Group's financial risk management is controlled by a central treasury department ("Group treasury") under policies approved by the Board of Directors. Group treasury identifies and evaluates financial risks in close co-operation with the Group's CFO and other Executive Directors and Senior Managers. The Board authorises written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Foreign exchange risk

The table below details the Group's exposure to foreign currency risk, in currencies different from the Group's functional currency, for periods in which the functional currency was USD:

	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	Other \$'000	Total \$'000
At 31 Dec 21							
Unaudited							
Trade receivable	864	1,999	11,177	9,421	19	1,195	24,675
Deposits	257	107	157	3,829	74	615	5,039
Cash and cash equivalents	3,394	4,441	12,097	20,540	173	1,097	41,742
Trade payables	(81)	(88)	(1,163)	(2,819)	(152)	(229)	(4,532)
Total	4,434	6,459	22,268	30,971	114	2,678	66,924
At 30 Jun 21							
Audited							
Trade receivable	1,386	1,302	14,485	12,280	30	1,360	30,843
Deposits	125	27	-	2,366	-	472	2,990
Cash and cash equivalents	1,328	2,332	15,045	20,174	600	1,551	41,030
Trade payables	(196)	(52)	(1,442)	(5,529)	(169)	(258)	(7,646)
Total	2,643	3,609	28,088	29,291	461	3,125	67,217

The aggregate net foreign exchange loss recognised in other administrative expenses are:

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Net foreign exchange gain/(loss)	1,438	(845)

As shown in the table above, the Group is primarily exposed to changes in USD/GBP and USD/EUR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD or GBP denominated financial assets and liabilities.

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
USD/EUR exchange rate +/- 10% (loss)/gain	(2,024) / 2,474	(2,553) / 3,121

USD/GBP exchange rate +/- 10% (loss)/gain	(2,816) / 3,441	(2,663) / 3,255
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The Group operates a natural hedging strategy where possible to mitigate its foreign exchange risk.

Price risk

The Group has no significant exposure to equity securities price risk.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a Group basis. Significant partners are independently rated through credit agencies, if there is no independent rating an internal review is carried out. The Credit manager assesses the credit quality of the partner, taking into account its financial position, as well as experience for customers and partners in the same region. There are no significant concentrations of credit risk, whether through exposure to individual customers or partners, specific industry sectors or regions.

The Group's main financial assets that are subject to the expected credit loss model are trade receivables from the sale of software products and, to a lesser extent, related services. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Board approved Treasury policy governs the credit limits for deposits with banks and financial institutions. Credit ratings and limits are reviewed on monthly basis by Group Treasury.

Trade receivables are fully provided where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 6 months past due. The general credit loss provision will begin to be provided from thirty days past due based on the historic default rates adjusted for regional performance. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities, to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining both liquid cash and availability under committed credit lines.

Maturity of financial liabilities

The table below presents the Group's financial liabilities by relevant maturity Grouping, based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities for financial liabilities	Less than 12 months \$'000	Between 1 - 2 years \$'000	Between 2 - 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
Trade payables	10,094	-	-	-	10,094
Accruals	9,797	-	-	-	9,797
Lease liabilities	4,486	4,936	14,228	9,350	33,000
At 31 Dec 21 - Unaudited	24,377	4,936	14,228	9,350	52,891
Trade payables	12,566	-	-	-	12,566
Accruals	6,053	-	-	-	6,053

Lease liabilities	4,285	5,202	13,897	11,864	35,248
At 30 Jun 21 - Audited	22,904	5,202	13,897	11,864	53,867

16 Summary of financial assets and liabilities by category

The carrying amounts of the assets and liabilities as recognised at the statement of financial position date of the years under review may also be categorised as follows:

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Financial assets at amortised cost		
Deposits	5,743	6,109
Trade receivables	46,987	58,482
Accrued income	3,637	1,713
Cash and cash equivalents	365,766	342,358
Total financial assets at amortised cost	422,133	408,662
Financial liabilities at amortised cost		
Trade and other payable	(10,094)	(18,619)
Lease liabilities	(33,000)	(35,248)
Total financial liabilities at amortised cost	(43,094)	(53,867)

17 Capital management policies and procedures

The Group's objectives when managing capital are to:

- safeguard the ability to continue as a going concern, to provide adequate returns for shareholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. The Group monitors capital based on the carrying amount of the equity less cash and cash equivalents as presented on the face of the statement of financial position.

	31-Dec-21 Unaudited \$'000	30-Jun-21 Audited \$'000
Capital		
Total equity	266,873	258,258
Less cash and cash equivalents	(365,766)	(342,358)
Total capital	(98,893)	(84,100)
Overall financing		
Total equity	266,873	258,258
Less leasing liabilities, borrowings and other financing liabilities	(33,000)	(35,248)
Total financing	233,873	223,010

18 Capital commitments

The Group had no capital commitments at 31 December 2021 or 30 June 2021.

19 Post balance sheet events

Cybersprint acquisition

On 22 February 2022 Darktrace entered into a definitive agreement to acquire the entire issued share capital of Cybersprint B.V. ("Cybersprint"), an attack surface management company that provides

continuous, real-time insights from an outside-in perspective to eliminate blind spots and detect risks. The acquisition of Cybersprint is aligned with Darktrace's vision of delivering a 'Continuous Cyber AI Loop' and complements its Self-Learning technology and inside-out view.

Darktrace is acquiring Cybersprint for €47.5 million (\$53.7 million) to be paid approximately 75% in cash and 25% in equity. The completion date of 1 March 2022 is when control has been obtained. Cybersprint's results of operations are not expected to be material to Darktrace's results for the remainder of FY 2022.

The Purchase Price Allocation exercise required under IFRS 3 (Business combinations) will be substantially completed by the year end.

New lease agreement

On 1 March 2022 a new lease agreement for around 28 thousand sq ft office space with a ten-year term, a break clause after 5 years and rental costs of approximately £2.2 million (\$3.0 million) per year was agreed. This agreement is expected to result in the recognition of a right-of-use asset of £6.3 million (\$8.5 million) million and the recognition of a lease liability of £7.3 million (\$9.7 million) at inception date.