

8 March 2023

Darktrace plc

Results for the Six Months Ended 31 December 2022

Strong operating and financial performance amidst challenging macro headwinds

35.8% year-on-year revenue growth
24.4% year-on-year growth in customer base
Confirming FY 2023 ARR, revenue and margin expectations

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 2022.

1H FY 2023 Highlights

Darktrace delivered continued high revenue and constant currency ARR growth in the period, underpinned by its multi-year contract model. This growth was achieved despite a noticeable second quarter slowdown in new customer additions resulting from the current macro-economic environment. To offset this new customer slowdown, the Group leveraged its past and ongoing investments in customer success, and increased focus on larger account sales and upsells, to drive increases in both average new contract and existing customer contract ARR.

As it continues to generate cash, Darktrace is well positioned to continue investing in its product pipeline and go-to-market strategy, and is pleased to welcome new Chief Revenue Officer, Denise Walter, to develop revenue generation strategies for its next phase of growth. Leveraging its solid financial and operating base, the Group believes it can emerge from this uncertain macro-economic environment in an even stronger position.

With results for the first two months of 2H FY 2023 being as expected, Darktrace is reiterating the FY 2023 guidance for ARR, net ARR added, revenue, and adjusted EBITDA provided in its 11 January 2023 1H FY 2023 trading update.

Financial Highlights

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
Revenue	259,259	190,873	35.8%
Gross margin (%)	89.7%	89.2%	n/a
EBIT	577	6,879	-91.6%
Adjusted EBIT	32,430	25,754	25.9%
Net profit	581	4,148	-86.0%
EBITDA	36,092	33,076	9.1%
Adjusted EBITDA	59,691	44,934	32.8%
Net cash inflow from operating activities	27,094	57,142	-52.6%

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

There was a restatement of revenue to FY 2021 that had an impact on the 1H FY 2022 disclosed revenue. Refer to note 1 in the consolidated unaudited interim financial statements for more details.

- Continued strong year-over-year revenue growth across all geographic markets and customer sizes amidst a challenging macro-economic environment, including a comparatively unfavourable foreign exchange rate environment.
- 99.3% of revenue from recurring subscription-based contracts that continue to average approximately 36 months.
- Operating profit (EBIT) decreased \$6.3 million between periods to \$0.6 million primarily due to elevated share-based payment and associated employer tax charges related to vesting of a

significant block of grants made at IPO; share-based payment charges are expected to normalise in 2H FY 2023.

- Continued investment in product pipeline and go-to-market strategy, as well as the impact of inflation on its cost base, also contributed to the EBIT decrease. The Group expects to continue investments in 2H FY 2023 as well as incur certain one-time review, legal and communications costs.
- Adjusted EBIT (not impacted by share-based payment and related employer tax charges) increased \$6.7 million between periods, though comparatively slower revenue growth resulted in a 1.0 percentage point decrease in margin.
- Adjusted EBITDA (further deducts appliance depreciation allocated to cost of sales) increased \$14.8 million between periods, and in parallel with adjusted EBIT, resulted in a 0.5 percentage point decrease in margin.
- At \$27.1 million, net cash inflows from operating activities represented a decrease of \$30.0 million from the prior period due to the expected \$20.7 million increase in employer taxes related to the vesting of employee share grants, as well as accelerated go-to-market investments.

Operating Highlights

\$000	Six-months ended 31-Dec-22	Six-months ended 31-Dec-21	% Change
	Unaudited	Unaudited	
Constant currency (CC) ARR at 31 Dec ¹	556,604	407,578	36.6%
Net CC ARR Added	71,725	66,876	7.3%
One-year CC ARR gross churn at 31 Dec (%)	6.5%	6.3%	n/a
Net CC ARR retention rate at 31 Dec (%)	105.1%	105.2%	n/a
Number of customers at 31 Dec (#)	8,178	6,573	24.4%
Remaining US\$ performance obligations at 31 Dec	1,117,390	880,863	26.9%

¹Darktrace's USD ARR at 31st December 2022 was \$558.7 million, representing year-over-year growth of 31.7%.

Customers, ARR and ARR-related measures have been re-cast to treat Cybersprint as though it had been owned in all periods presented.

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

- Strong year-over-year growth in CC ARR supported by Darktrace's multi-year contract model, despite a noticeable late second quarter slowdown in new customer additions.
- Year-over-year net CC ARR added growth driven primarily by the addition of 1,605 net new customers, of which 741 were added in 1H FY 2023.
- A year-over-year increase in average contract ARR of 9.8% partially offset lower gross ARR added related to reduced new customer additions. This increase is reflected in both average new contract ARR (up 17.7% period-over-period) and average existing customer ARR (up 12.4% year-over-year for customers of at least one year), from the increased focus the Group has put on expanding its capabilities in larger account sales and upsells.
- Maintained stability in its customer and ARR bases during 1H FY 2023, by leveraging multi-year investments made in its customer success function, with one-year gross ARR churn and net ARR retention rates largely in line with prior year.
- Remaining performance obligations (RPO), representing contracted revenue backlog, expanded to over \$1.1 billion through acquiring new, and expanding existing, multi-year contracts.
- A substantial portion of Darktrace's revenue is contracted and in RPO prior to the beginning of each period, providing significant revenue visibility.

FY 2023 Outlook (Unaudited)

Darktrace communicated expectations for the current financial year on 11 January 2023, in its 1H FY 2023 trading update. Results for January and February were in line with these expectations, so it is reiterating the FY 2023 guidance and related commentary it provided for ARR, net ARR added, revenue, and adjusted EBITDA.

It is, however, updating its expectation for free cash flow, solely to reflect the accounting treatment for the net settlement of tax obligations that arose in 1H FY 2023 from the vesting of certain IPO-related share awards for its two Executive Directors. As a part of the Group's 1H FY 2023 financial review, it determined that the taxes paid on behalf of these Directors should be classed as an operating cash

outflow in the period, not the financing cash outflow that would have arisen had these executives executed open market “sell to cover” transactions. The offset to this operating cash reduction, however, is that Darktrace issued fewer shares to these Executives, reducing the dilution related to the vesting of their grants.

Solely because of this net settlement accounting, Darktrace is lowering its FY 2023 guidance range for free cash flow and now expects this measure to be approximately 50% to 55% of adjusted EBITDA (previously 60% to 65%). As a reminder, the Group was already predicting FY 2023 free cash flow to be lower than typically expected due to high employer tax payments related to the vesting of grants made to a broad group of employees at IPO. As this was an unusually large block of grants that is now fully vested and converted to shares, employer tax payments should normalise, and the Group expects its future annual free cash flow calculation to move back to its more normal 75% to 105% range, where movements are primarily impacted by variable trends in invoicing, collections, share option exercise timing influenced by share price, and other cash flow timings.

Cybersecurity Landscape

Today, organisations are dealing with a rapidly shifting threat landscape. “Hactivist” threats are on the rise and within ransomware, Ransomware-as-a-Service is now the dominant operating model with tools widely sold to would-be threat actors. Against this backdrop, governments such as those in the U.S. and the EU are legislating to impose additional requirements on the private sector to ensure they implement robust cyber protections for their increasingly digital environments.

The launch of ChatGPT has also ignited a conversation about the implications of generative AI for cyber security. Darktrace does not believe that ChatGPT has yet lowered barriers to entry for threat actors significantly, but it does believe that it may have helped increase the sophistication of phishing emails, enabling adversaries to create more targeted, personalised, and ultimately, successful attacks. Darktrace has found that while the number of email attacks across its own customer base remained steady since ChatGPT’s release, those that rely on tricking victims into clicking malicious links have declined, while linguistic complexity, including text volume, punctuation, and sentence length among others, have increased. This indicates that cyber-criminals may be redirecting their focus to crafting more sophisticated social engineering scams that exploit user trust.

Against this evolving backdrop, Darktrace continues to advance its product portfolio. Since the start of this calendar year, it has launched two exciting new capabilities: Darktrace PREVENT/OT, which identifies the paths adversaries may take to disrupt the operations of critical infrastructure, and Darktrace Newsroom, an AI-driven tool that monitors open-source intelligence sources for new critical vulnerabilities and assesses each organisation’s exposure based on its unique external attack surface. Looking ahead, the Group’s R&D teams are working hard to bring the next component of the Darktrace Cyber AI Loop, HEAL, to the market in calendar year 2023 and it is already with early adopter customers. Together, Darktrace PREVENT, DETECT, RESPOND, and soon, HEAL, will reinforce each other, continuously learning, adapting, and strengthening security across the entire digital ecosystem through the power of the Darktrace Cyber AI Loop.

Poppy Gustafsson, CEO, said:

“Our business continues to deliver against a challenging macro-economic backdrop, with continued strong year-on-year revenue growth. Although there has been a slowdown in new customer wins, I am pleased that our investments in retaining customers and increasing the value of both new and existing contracts are paying off. Our strong cash position and ongoing cash generation means that we can continue to invest in expanding our product pipeline and evolving our go-to-market strategies. Making these investments now should not only allow us to successfully navigate this challenging economic period, but set us up for success when economic tides eventually begin to turn.

From our beginnings ten years ago, we’ve built our entire approach around defending our customers against the threat of AI and automation being leveraged by attackers. We’ve built our whole product set around the notion of defending against threats never seen before through our AI’s bespoke understanding of each individual organisation. So, from increases in Ransomware-as-a-Service to the rise of generative AI, Darktrace ensures that our customers are resilient not only in the face of today’s threats, but also the emerging threats of tomorrow.”

Third-party Review

On 20 February 2023 Darktrace announced that it had appointed Ernst & Young LLP ('E&Y') to provide an additional independent third-party review of the key financial processes and controls outlined in its statement on 1 February 2023. E&Y has commenced this review process and Darktrace will report the key findings of the E&Y review once it is complete.

Analyst and Investor Webcast

Management will hold an analyst and investor webcast to review its 1H FY2023 results on 8 March 2023 at 13:00 GMT / 08:00 ET. Please register at - https://brrmedia.news/Darktrace_HYResults

About Darktrace

Darktrace, a global leader in cyber security artificial intelligence is on a mission to free the world of cyber disruption. Breakthrough innovations in the Darktrace Cyber AI Research Centre in Cambridge, UK have resulted in over 130 patent applications filed and research published to contribute to the cyber security community. Rather than study attacks, Darktrace's technology continuously learns and updates its knowledge of 'you' and applies that understanding to optimise your state of optimal cyber security. Darktrace is delivering the first ever Cyber AI Loop, fuelling a continuous end-to-end security capability that can autonomously spot and respond to novel in-progress threats within seconds. Darktrace employs over 2,200 people around the world and protects over 8,200 customers globally from advanced cyber threats. Darktrace was named one of TIME magazine's 'Most Influential Companies' in 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.

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Performance Review

Darktrace's management and board regularly review metrics, including the following Key Performance Indicators (KPIs) and Alternative Performance Measures (APMs), to assess its performance, identify

trends, develop financial projections, and make strategic decisions. Definitions for each of the Group's KPIs and APMs are provided at the end of this Performance Review section.

APMs are not defined under IFRS and are not intended to be a substitute for any IFRS measures of performance. Darktrace includes them in its reporting as management considers them to be important to investors' understanding of its business, and alongside the comparable IFRS financial measures, in assessing the performance and cash flows. APMs do not have standardised definitions and therefore may not be comparable to similar measures presented by other entities.

ARR, and related performance metrics are calculated on a constant currency basis and are herein reported for the six-month period ended 31 December 2022 and all comparable periods using the FY 2023 constant currency rates. The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar functional and reporting currency. Additionally, customer, ARR and ARR-related measures have been re-cast to reflect Cybersprint (acquired in March 2022) as though it had been owned in all periods presented.

Constant Currency Annualised Recurring Revenue (ARR)

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited
ARR	556,604	407,578
Year-over-year growth	36.6%	46.0%

Darktrace increased its ARR by 36.6% year-over-year, driven primarily by a 24.4% year-over-year increase in customers. Supported by Darktrace's multi-year contract model, high ARR growth continued despite a noticeable late second quarter slowdown in new customer and related gross ARR additions. A year-over-year increase in average contract ARR of 9.8% across Darktrace's total customer base also partially offset lower gross ARR added related to the lower new customer additions.

Net ARR Added

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited
Net ARR Added	71,725	66,876
Period-over-period growth	7.3%	50.7%

Net ARR added increased by 7.3% over the comparable prior year period, despite the period-over-period slowdown in new customer additions resulting from a challenging macro-economic environment. Continued growth was enabled by increasing ARR values across both new and existing contracts. New customers added in 1H FY 2023 had average contract ARR that was 17.7% higher than those added in the comparable prior year period, reflecting the emphasis Darktrace has put on expanding its capabilities in larger account sales. For existing contracts in place at both December 2022 and December 2021, average contract ARR increased 12.4% year-over-year, driven by an increased focus on expanding upsell opportunities and capabilities.

Customer Distribution by ARR

	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited
Customers with ARR greater than \$100,000	51.8%	47.4%
Customers with ARR of less than \$100,000	48.2%	52.6%

In parallel with the year-over-year increase in average contract ARR, and the underlying increases in both new and existing contract ARR values, the distribution of customer contracts above and below \$100,000 in ARR also shifted slightly towards larger contract sizes.

Average Contract ARR

\$	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited	% Change
Average contract ARR	68,061	62,008	9.8%

Average contract ARR increased by 9.8% from the prior period end as Darktrace has continued to use new product releases to expand both new and upsell opportunities, and focused on expanding its capabilities in larger account sales.

One-year Gross ARR Churn

%	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited
One-year gross ARR churn	6.5%	6.3%

Despite the current macro-economic environment creating challenges for our customers, one-year gross ARR churn increased by only 0.2 percentage points year-over-year. The broad stability in Darktrace's customer and ARR bases has been enabled by leveraging the multi-year investments made in its customer success function.

Net ARR Retention Rate

%	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited
Net ARR retention rate	105.1%	105.2%

Net ARR retention rate decreased by 0.1 percentage points year-over-year. This reflects the small increase in one-year gross ARR churn, as outlined above, partially offset by increased upsells and price uplifts resulting from management's increased focus in these areas.

Number of Customers

	31-Dec-22 Unaudited	30-Jun-22 Unaudited	31-Dec-21 Unaudited
Number of customers	8,178	7,437	6,573

Darktrace grew its customer base by 24.4% year-over-year, with a total of 1,605 net new customers added since 31 December 2021. The Group added 741 net new customers in the six-months ended 31 December 2022, reflecting a noticeable late second quarter slowdown in new customer additions. While growth in new customers remains the primary driver of net ARR added, increases to average contract ARR for both new and existing customers partially offset lower gross ARR added related to reduced new customer additions.

Operating Profit (EBIT)

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
Operating profit (EBIT)	577	6,879	-91.6%

The period-over-period decrease in operating profit and related 3.4 percentage point period-over-period decrease in operating margin, was due to growth in operating costs outpacing comparatively slower revenue growth. This resulted largely from an \$11.9 million, or 62.9%, increase in share-based payment and related employer taxes to \$30.8 million, related to the vesting of grants made to a broad group of employees at IPO. As this unusually large block of grants is now fully vested and converted to shares, employer tax payments should normalise in the second half of the financial year.

This higher growth in operating expenses was also due to the Group's continued investment in product pipeline and go-to-market strategy, as well as the return of travel, facilities and other costs suppressed by the pandemic in the prior period, and further burdened by a high inflationary environment. Detail on how these investments and costs have trended by function is provided in the Financial Review below.

Adjusted EBIT

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
Adjusted EBIT	32,430	25,754	25.9%

Adjusted EBIT (adds back uncapitalised share-based payment and related employer tax charges, and certain one-off charges including the impairment of right-of-use assets) increased by \$6.7 million over the prior period. The adjusted EBIT margin for the period decreased 1.0 percentage points to 12.5% of revenue, reflecting the growth in non-share-based payment operating expenses outlined above.

Reconciling EBIT to adjusted EBIT for 1H FY 2023, the Group added back \$27.7 million of share-based payment charges and \$3.1 million of associated employer tax charges, and a one-off right-of-use asset impairment charge of \$1.1 million relating to the current assessment of the cost that will be incurred to resolve a lease contract on unused space.

EBITDA

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
EBITDA	36,092	33,076	9.1%

EBITDA (adds back all depreciation and amortisation to EBIT), increased \$3.0 million in the period. As a percentage of revenue, EBITDA decreased 3.4 percentage points compared to the prior period, mirroring the Group's operating margin trend.

In reconciling to EBITDA from EBIT, Darktrace deducts depreciation and amortisation charges, which increased by \$9.3 million, or 35.6%, between periods, to \$35.5 million. Additional appliances on customer sites resulted in a \$1.2 million increase in depreciation, and \$4.7 million came from the amortisation of increased capitalised commission balances. Amortisation of right-of-use assets also increased by \$3.4 million following the lease commencements for the Group's new Los Angeles, New York and London offices.

Adjusted EBITDA

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
Adjusted EBITDA	59,691	44,934	32.8%

Adjusted EBITDA (adds back to EBITDA uncapitalised share-based payment and related employer tax charges, and certain one-off charges including the impairment of right-of-use assets, but also deducts appliance depreciation attributed to cost of sales) increased by \$14.8 million over the prior period.

Adjusted EBITDA as a percentage of revenue decreased by 0.5 percentage points compared to the prior period to 23.0%. Since appliance depreciation attributed to cost of sales grew more slowly than overall depreciation and amortisation, the period-over-period decrease in adjusted EBITDA margin was less pronounced than that of adjusted EBIT.

Reconciling EBITDA to adjusted EBITDA for 1H FY 2023, the Group added back \$30.7 million in net share-based payment (SBP) and related employer tax charges, an increase of \$11.9 million in the period. This increase was primarily due to a \$6.9 million SBP charge related to the 2H FY 2022 modification of awards made at the time of IPO. As these awards are now fully vested, this modification charge will not continue into future periods. Further contributing to the increase was a \$3.2 million increase in SBP charges related to grants issued alongside the March 2022 Cybersprint acquisition.

The Group also added back a right-of-use asset impairment charge of \$1.1 million reflecting its current assessment of the cost to be incurred to exit a lease contract on now unused space. It then deducted \$8.3 million of appliance depreciation included in cost of sales for appliances used to deploy our software at customer sites, as a means of proving comparability with companies that may sell appliances for this purpose. For 1H FY 2023, there was a \$1.2 million period-over-period increase in depreciation of appliances allocated to cost of sales, reflecting new, on-premise customer deployments. Appliance depreciation attributed to cost of sales grew more slowly than might be expected considering the Group's rate of revenue growth as more customers choose to have products deployed virtually, and as Darktrace sells more products that are only deployed virtually.

Reconciliation of Net Profit to Adjusted EBITDA

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
Net profit	581	4,148	-86.0%
Taxation	1,354	1,439	-5.9%
Finance income	(3,091)	(68)	4445.6%
Finance cost	1,733	1,360	27.4%
Operating profit (EBIT)	577	6,879	-91.6%
Depreciation & Amortisation	35,515	26,197	35.6%
EBITDA	36,092	33,076	9.1%
Appliance depreciation in cost of sales	(8,254)	(7,018)	17.6%
Impairment of right-of-use asset	1,105	-	n/a
Share-based payment (SBP) charges	27,670	13,091	111.4%
SBP related employer tax charges	3,078	5,785	-46.8%
Adjusted EBITDA	59,691	44,934	32.8%

See "KPI and APM Definitions" below

Adjusted EBITDA reconciliation by function

\$000	Six-months ended 31-Dec-22 Unaudited	Adjustment to EBITDA	Six-months ended 31-Dec-22 Unaudited Adjusted	Six-months ended 31-Dec-21 Unaudited Restated	Adjustment to EBITDA	Six-months ended 31-Dec-21 Unaudited Restated Adjusted
Revenue	259,259	-	259,259	190,873	-	190,873
Cost of Sales	(18,376)	-	(18,376)	(13,633)	-	(13,633)
Depreciation and amortisation	(8,254)	-	(8,254)	(7,018)	-	(7,018)
Total cost of sales	(26,630)	-	(26,630)	(20,651)	-	(20,651)
Gross Profit	232,629	-	232,629	170,222	-	170,222
Sales and marketing (S&M) costs	(108,311)	-	(108,311)	(86,344)	-	(86,344)

SBP* and related taxes	(11,144)	11,144	-	(7,452)	7,452	-
Depreciation and amortisation	(20,128)	20,128	-	(14,062)	14,062	-
Total S&M costs	(139,583)	31,272	(108,311)	(107,858)	21,514	(86,344)
Research and development (R&D) costs	(15,386)	-	(15,386)	(10,481)	-	(10,481)
SBP* and related taxes	(5,629)	5,629	-	(1,185)	1,185	-
Depreciation and amortisation	(4,695)	4,695	-	(3,987)	3,987	-
Total R&D costs	(25,710)	10,324	(15,386)	(15,653)	5,172	(10,481)
General and administrative (G&A) costs	(46,349)		(46,349)	(27,872)	-	(27,872)
SBP* and related taxes	(13,976)	13,976	-	(10,239)	10,239	-
Depreciation, amortisation and ROU asset impairment	(3,542)	3,542	-	(1,130)	1,130	-
Total G&A costs	(63,867)	17,518	(46,349)	(39,241)	11,369	(27,872)
Foreign exchange differences	(3,618)	-	(3,618)	(1,438)	-	(1,438)
Other operating income	726		726	847		847
Operating profit (EBIT)	577			6,879		
Adjusted EBITDA			59,691			44,934

*SBP: share-based payment charge

Remaining Performance Obligations (RPO)

\$000	31-Dec-22 Unaudited	30-Jun-22 Unaudited	31-Dec-21 Unaudited
RPO	1,117,390	1,003,932	880,863

At 31 December 2022, RPO was 11.3% higher than it was at 30 June 2022, and 26.9% higher than at 31 December 2021, with the increase driven primarily by the acquisition of new customers with multi-year contracts.

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

\$000	31-Dec-22 Unaudited	30-Jun-22 Unaudited	31-Dec-21 Unaudited
Within 12 months	500,328	438,043	380,678
Between 1 – 2 years	355,665	316,752	274,042
Between 2 – 3 years	193,085	187,844	167,292
Between 3 – 4 years	63,005	57,193	54,071
Over 4 years	5,307	4,100	4,780
Total	1,117,390	1,003,932	880,863

KPI and APM Definitions

The Directors believe that EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are key metrics as they allow the Group to evaluate its underlying operating performance by including or excluding certain items that the Group does not consider indicative of, or that may impair period-to-period comparability of, its core operating performance. In addition, the Group uses EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA in developing its internal budgets, forecasts and strategic plan, in analysing the effectiveness of the Group's business strategies, to evaluate potential acquisitions, in making compensation decisions and in communications with the Directors concerning the Group's financial performance.

The main difference between the Group's adjusted and non-adjusted EBIT and EBITDA metrics is the treatment of share-based payments and the associated employer tax charges. Due to the often-unpredictable nature of these non-cash charges and the fact that a core component of the charge, the associated employer tax charges, is driven by movements in the Group's share price and is therefore outside of the Group's control, these costs are excluded from the Group's costs in deriving both adjusted

EBIT and EBITDA. In doing so, this treatment can improve period-to-period comparison of the Group's core operating performance and is consistent with the Group's peers in the European and US software industries, many of which treat share-based payment charges in a comparable fashion. Darktrace also excludes from adjusted EBIT and adjusted EBITDA certain one-off charges, such as the impairment of right-of-use assets, that might otherwise distort trends and impair the value of period-to-period comparisons. Meanwhile, for adjusted EBITDA, the appliance depreciation that runs through the Company's Cost of Sales is deducted in the calculation of this metric. This portion of appliance depreciation is restored to reflect our actual gross margin on contracts and to better compare to software companies that do not use hardware to deploy their software or to companies that sell hardware and recognise those direct cash costs.

As adjusted results exclude significant costs (such as share-based payment and related tax charges, depreciation and amortisation), they should not be regarded as a complete picture of Darktrace's financial performance, which is presented in its IFRS financial results. The exclusion of other adjusting items may result in adjusted earnings being higher or lower than IFRS earnings. In particular when significant share-based payment charges and related taxes are excluded, adjusted earnings will be higher than IFRS earnings.

Wherever appropriate and practical, we provide reconciliations to relevant IFRS measures, the calculation of the APMs is included in the financial review above. 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 the 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 uncapitalised share-based payment (SBP) charges and related employer tax charges, and certain one-off charges including the impairment of right-of-use assets.
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 uncapitalised share-based payment charges and related employer tax charges, as well as certain one-off charges including the impairment of right-of-use assets.
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.
Average contract ARR	Average contract ARR is defined as the total ARR at the measurement date, divided by the number of customers at that measurement date.
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 2023, constant currency rates were 1.2146 and 1.0450 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. For clarity, any contracted amounts that are subject to opt-out or other cancellation provisions are not included in RPO.
Free Cash Flow (FCF) [presented annually]	Net cash from operating activities less purchases (other than purchases made in connection with business combinations) of intangible assets and property plant and equipment (PPE), and payments for leases.

APMs do not have a standardised meaning and therefore might not be comparable to similar measure presented by other entities.

Financial Review – Consolidated Income Statement

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated	% Change
Revenue	259,259	190,873	35.8%
Gross profit	232,629	170,222	36.7%
Gross margin (%)	89.7%	89.2%	n/a
Operating profit (EBIT)	577	6,879	-91.6%
Net profit	581	4,148	-86.0%

Revenue

Revenue increased by \$68.4 million, or 35.8%, to \$259.3 million for the period. This increase was primarily attributable to a 24.4% net increase in new customers since 31 December 2021 and, to a lesser extent, a 9.8% year-over-year increase in average contract ARR in the same period, each of which have driven the increases to annual recurring revenue over the last 12 months.

Over 99.3% of all revenue came from recurring subscriptions contracts with customers, that typically average 36 months. This results in significant contracted revenue expected to convert to revenue in future years (see note 4). Subscription revenue is recognised in line with IFRS 15 on a straight-line basis over the service period, from commencement date to termination date.

As a part of its FY 2022 year-end processes, Darktrace determined that for certain contracts, a portion of the revenue it was recognising in FY 2022 should have been recognised in prior periods. Darktrace concluded that \$3.8 million of revenue it had been recognising in FY 2022, which included \$1.8 million recognised and reported in its unaudited 1H FY 2022 results, should have been recognised in FY 2021. The restated 1H FY 2022 revenue is now presented in this report. For further details of the prior year adjustment refer to the FY 2022 Annual Report and note 1 to the consolidated unaudited interim financial statements below.

Cost of sales

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited	% Change
Employment costs	(8,459)	(5,943)	42.3%
Hosting costs	(8,165)	(4,852)	68.3%
Appliance depreciation	(8,254)	(7,018)	17.6%
Shipping & other direct costs	(1,752)	(2,838)	-38.3%
Total Cost of sales	(26,630)	(20,651)	29.0%

Cost of sales includes 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.

Cost of sales increased by \$6.0 million, or 29.0%, to \$26.6 million in the period. This increase was primarily due to a \$3.3 million increase in hosting fees in the period to \$8.2 million, driven by additional virtual deployments for new and existing customers in the period. Correspondingly, appliance depreciation attributed to cost of sales grew \$1.2 million to \$8.3 million for the period; more slowly than might be expected considering the Group's rate of revenue growth as more customers chose to have products deployed virtually, and Darktrace now sells more products that are only deployed virtually. Volume-based discount plans helped to partially offset the increase in hosting costs related to the increase in virtual deployment instances for customers.

On a percentage of revenue basis, the decrease in appliance depreciation attributed to cost of sales, along with a decrease in shipping and other carriage costs related to fewer physical deployments, more than offset the increase in hosting fees as a percentage of revenue. This resulted in a 0.5 percentage point improvement in gross margin to 89.7% for the period. The remaining components of cost of sales, such as salary-related costs for customer support and monitoring services, largely scaled in line with revenue growth.

S&M costs

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited	% Change
Employment costs	(87,341)	(65,009)	34.4%
Other operating costs	(27,685)	(25,561)	8.3%
Travel and entertainment	(3,525)	(1,402)	151.4%
Facilities costs	(9,888)	(8,433)	17.3%
Share-based payment (SBP) charges	(10,404)	(6,217)	67.3%
SBP related employer tax charges	(740)	(1,236)	-40.1%
Total S&M costs	(139,583)	(107,858)	29.4%

Sales and marketing (S&M) costs increased by \$31.7 million, or 29.4%, to \$139.6 million for the period. This increase was largely attributable to a \$22.3 million, or 34.4%, increase in employment costs (excluding share-based compensation) to \$87.3 million. This was driven in part by a 31.9% increase in average headcount during the period. This headcount included, for the first time, full time equivalent (FTE) headcount of Customer Success Managers (CSMs), related to that team assuming new commercial renewal and upsell responsibilities from 1 July 2022. Given this change, Darktrace now

apportions CSM headcount on an FTE basis, as well as the pro rata costs associated with these new commercial responsibilities, to S&M, where in prior periods, all CSM employees and-related costs were reflected in the general and administrative category.

Of the \$22.3 million period-over-period increase in S&M employment costs, \$6.3 million, or 28.3% of the increase, was related to the first-time inclusion of CSM salaries, commissions and related employment costs. This included \$3.7 million of a total \$10.2 million increase in salary-related costs and \$1.6 million of a total \$9.6 million in commissions costs. The remaining increases were the result of additional hiring in sales and marketing, in-period commissions costs and the amortisation of prior period capitalised commissions, and increased recruitment costs related to the hiring or planned hiring of senior S&M roles.

The largest component of other operating costs is direct marketing costs, which declined by \$0.3 million period-over-period to \$17.8 million. As a percentage of revenue, direct marketing costs declined to 6.9% of revenue, from 9.5% in the prior year period, as a result of efforts to increase the efficiency and effectiveness of its direct marketing. Other operating costs also included a \$1.7 million increase in depreciation and amortisation to \$5.9 million, mostly driven by a \$1.3 million increase in the amortisation of IFRS 16 lease assets, largely as a result of new office leases in London, New York and Los Angeles.

The Group also saw the further return of travel, facilities and other costs suppressed by the pandemic in the prior period, amplified by a high inflationary environment. Share-based payment charges increased by \$4.2 million to \$10.4 million for the period, which was primarily attributable to the costs associated with the 2H FY 2022 modification of awards made at the time of IPO. As those awards are now fully vested and converted to shares, this modification-related cost will not continue into future periods.

R&D costs

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited	% Change
Employment costs	(13,665)	(9,685)	41.1%
Other operating costs	(3,592)	(2,823)	27.2%
Travel and entertainment	(513)	(67)	665.7%
Facilities costs	(2,312)	(1,894)	22.1%
Share-based payment (SBP) charges	(4,650)	(491)	847.0%
SBP related employer tax charges	(978)	(693)	41.1%
Total R&D costs	(25,710)	(15,653)	64.2%

Research and development (R&D) costs increased by \$10.1 million, or 64.2%, to \$25.7 million in the period. Employment costs increased by \$4.0 million, or 41.1%, to \$13.7 million, primarily driven by a 36.4% increase in average number of R&D employees (8.9 percentage points of which was directly attributable from the acquisition of Cybersprint in 2H FY 2022), as the Group expanded focus on fundamental research and new product development. The increase in employment costs is also a result of an increase in average salaries resulting both from an increase in newly hired senior roles and implementing salary increases for existing employees.

Share-based payment costs increased by \$4.2 million period-over-period, to \$4.7 million, which was primarily attributable to costs associated with the 2H FY 2022 modification of awards made at the time of IPO. As those awards are now fully vested and converted to shares, this modification-related cost will not continue into future periods.

G&A costs

\$000	Six-months ended 31-Dec-22 Unaudited	Six-months ended 31-Dec-21 Unaudited	% Change
Employment costs	(30,546)	(19,920)	53.3%
Other operating costs	(14,163)	(5,252)	169.7%

Travel and entertainment	(2,225)	(1,243)	79.0%
Facilities costs	(2,958)	(2,588)	14.3%
Share-based payment (SBP) charges	(12,616)	(6,384)	97.6%
SBP related employer tax charges	(1,359)	(3,854)	-64.7%
Total G&A costs	(63,867)	(39,241)	62.8%

General and administrative (G&A) costs increased by \$24.6 million, or 62.8%, to \$63.9 million for the period. The largest portion of this increase was in employment costs, which increased \$10.6 million, or 53.3%, in the period, despite only having a 29.7% increase in average headcount (after apportioning to G&A, only the Customer Success Managers (CSMs) FTE headcount proportional to their non-commercial responsibilities).

The disproportionate increase in employment costs was largely the result of bonus costs increasing by \$5.7 million period-over-period, to \$8.6 million. This increase was driven by growth in CSM bonus costs as a part of their transition to dual support and commercial responsibilities. All other employment costs largely increased in line with headcount growth.

The increase in other operating costs is largely driven by a \$6.3 million period-over-period increase in professional, legal, and consulting fees, to \$9.8 million. This increase was the result of consulting fees relating to the deployment of a new ERP system and the expansion of Darktrace's recently established Federal entity, as well as project specific legal costs. The increase in other operating costs also reflects a \$1.1 million increase in bad debt provision to \$1.4 million, as the Group reflects the potential impact of current macro-economic uncertainty on its collection expectations.

The Group also saw the further return of travel, facilities and other costs suppressed by the pandemic in the prior period, amplified by a high inflationary environment. Share-based payment charges increased by \$6.2 million period-over-period, to \$12.6 million, which was primarily attributable to costs associated with the 2H FY 2022 modification of awards made at the time of IPO. As those awards are now fully vested and converted to shares, this modification-related cost will not continue into future periods.

Exchange differences

\$000	Six-months ended	Six-months ended	% Change
	31-Dec-22 Unaudited	31-Dec-21 Unaudited	
Exchange differences	(3,618)	(1,438)	151.6%

This has increased by \$2.2 million in 1H FY 2023 as a result of increased foreign exchange volatility impacting the translation of monetary assets and liabilities denominated in foreign currencies.

Statement of financial position analysis

\$000	31-Dec-22 Unaudited	30-Jun-22 Audited	31-Dec-21 Unaudited Restated
Total assets			
Goodwill	38,164	38,164	-
Intangible assets	13,455	15,649	7,438
Property, plant and equipment	63,743	61,001	54,334
Right-of-use assets	53,738	58,160	27,342
Capitalised commission	63,572	57,154	45,714
Deferred tax asset	1,799	1,041	691
Deposits	5,728	9,260	5,743
Trade and other receivables	98,373	95,481	66,122
Tax receivable	1,757	2,828	1,810
Cash and cash equivalents	374,915	390,623	365,766
Total liabilities			

Trade and other payables	(78,449)	(81,690)	(49,768)
Deferred revenue	(259,434)	(251,851)	(195,448)
Lease liabilities	(64,364)	(63,840)	(33,000)
Provisions	(8,805)	(17,292)	(27,880)
Equity			
Share capital	10,030	9,812	9,777
Share premium	16,117	16,117	335
Merger reserve	305,789	305,789	305,789
Foreign currency translation reserve	(8,126)	(8,126)	(4,398)
Stock compensation reserve	43,829	74,883	51,471
Treasury shares	(40,139)	(11,683)	(14,265)
Retained earnings	(23,308)	(72,104)	(79,845)

Cash and cash equivalents

The Group had cash and cash equivalents at 31 December 2022 of \$374.9 million, a decrease of \$15.7 million from 30 June 2022. This decline is primarily attributable to the Group repurchasing \$33.9 million (£30 million) of its shares in 1H FY 2023.

The balance includes deposits at call of \$170.7 million (\$233.7 million at 30 June 2022) presented as cash equivalents.

Goodwill

Goodwill arose upon the acquisition of Cybersprint on 1 March 2022, which is recognised as an asset at the date control is acquired.

Intangible assets

In the period, the Group capitalised \$1.1 million of development costs. In the previous period the total amount capitalised in the period (\$3.5 million) included \$2.4 million share-based payment and related tax charges related to projects completed in prior years and which were not previously capitalised.

Capitalised development costs are amortised on a straight-line basis over a three-year period and acquired third party software is amortised over a period of five years, resulting in an amortisation charge in the period of \$3.3 million, in line with previous period. At 31 December 2022, the Group had \$13.5 million of intangible assets, a decrease of \$2.1 million from \$15.6 million at 30 June 2022.

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 for the employee to receive the second instalment, these commissions are not eligible for capitalisation under IFRS 15 and are expensed over the one-year term until they are paid.

Capitalised commissions on the Group's Statement of Financial Position increased by 11.2% to \$63.6 million at 31 December 2022, from \$57.2 million at 30 June 2022, as a result of continuing sales growth. This increase in capitalised commissions was driven by additions of \$21.8 million (\$17.2 million in H1 FY 2022) offset by amortisation and impairment of \$15.4 million (\$10.5 million in H1 FY 2022).

Deferred revenue

Total deferred revenue increased by 3.0% to \$259.4 million at 31 December 2022 from \$251.9 million at 30 June 2022, and increased by 32.8% from \$195.4 million at 31 December 2021. This year-over-year growth was a result of the increases in invoicing driven by growth in contracted revenues. In recent years Darktrace has typically raised between 41 to 44% of its total invoicing in the first half of the financial year, with a higher proportion of invoices raised in the second half while new business continues to grow. The impact on deferred revenue is that significantly more of the growth in deferred revenue occurs in the second half of the financial year, and it is therefore more representative to look at year-over-year growth to interpret underlying trends in deferred revenue.

As the Group rarely invoices its multi-year contracts more than a year in advance, growth in deferred revenue is typically driven by movements in current deferred revenue, rather than non-current deferred revenue. Occasionally, customers will pay full contract values in advance but because this has become increasingly infrequent, and represents an increasingly small proportion of the Group's total invoicing, growth in non-current deferred revenue balances will lag those of current deferred revenue. At \$30.4 million at 31 December 2022, growth in non-current deferred revenue was therefore less pronounced than current deferred revenue, increasing by 3.4% from June 2022 and 3.2% from December 2021. Meanwhile, current deferred revenue was \$229.0 million at 31 December 2022, an increase of 3.0% from 30 June 2022, and 38.0% from \$166.0 million at 31 December 2021.

Equity

As a result of transactions with shareholders, the Group had a decrease in equity of \$10.5 million during 1H FY 2023 driven by:

- \$33.9 million reduction in equity following the Darktrace Employee Benefit Trust ('EBT') purchasing 8,308,451 ordinary shares during the period. Shares purchased under the EBT Market Purchase Programme will be used to satisfy existing, planned and anticipated options and awards under Darktrace's employee share schemes, or as otherwise permissible within the terms of the EBT trust deed. The shares were acquired at an average price of £3.58 (\$4.07) per share, with prices ranging from £2.94 (\$3.28) to £3.98 (\$4.58). The total cost of \$33.9 million (£30.0 million), including transaction costs, was deducted from equity.
- The decrease was offset by \$26.0 million increase in stock compensation reserve related to AIP awards granted in the period.
- \$3.1 million decrease in equity as a result of exercised options and awards vested during the period: this includes the effect of the net-settled IPO related awards that vested for two executive directors in the period, which resulted in a cash outflow for the Company (see note 13 for further detail) for \$9.7 million.

Statement of cash flows analysis

	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited Restated \$000
Operating cash flows before movements in working capital	57,536	52,561
Net cash inflow from operating activities	27,094	57,142
Cash outflow from investing activities	(11,152)	(13,844)
Cash outflow from financing activities	(31,179)	(16,914)
Net changes in cash and cash equivalents	(15,237)	26,384
Cash and cash equivalents, beginning of period	390,623	342,358
Unrealised exchange difference on cash and cash equivalents	(471)	(2,976)
Cash and cash equivalents, end of period	374,915	365,766

Cash inflow from operating activities before working capital

Cash generated from operating activities before working capital movements increased by \$5.0 million, or 9.5%, compared to the prior period, as a result of the Group's continued revenue growth and preservation of profitability.

Net cash inflow from operating activities

The Group had a net cash inflow from operating activities of \$27.1 million in the period, a 52.6% decrease from \$57.1 million in 1H FY 2022.

This \$30.0 million reduction in the net cash inflows from operating activities was primarily due to a \$36.1 million decrease in cash from working capital. This movement was predominantly as a result of a \$13.2 million cash decrease from provisions in particular the payment of share-based payment tax related to awards vested in the period, a \$4.6 million decrease from the movement in capitalised commission, a \$14.6 million decrease from the movement in trade receivables and payments, and a \$3.8 million cash decrease from the movement in deferred revenue.

Cash outflow from investing activities

The Group had cash outflows from investing activities of \$11.2 million, a decrease of \$2.7 million on the prior period. This decrease in cash outflows was primarily a result of a \$3.0 million increase in finance income, due to increases in interest receivable on the Group's cash deposits.

Cash outflow from financing activities

During the period the group had a \$14.3 million increase in cash outflows from financing activities, which comprised mainly of a \$20.4 million increase in cash outflow for the share buyback in the period compared to previous period.

Going Concern

At the end of the reporting period the Group had \$374.9 million of cash and cash equivalents. After considering the first half FY 2023 performance, the Group's principal risks and uncertainties in the current operating environment, and the continued relevance of the scenario analyses designed, as part of the FY 2022 year-end audit, to evaluate the capacity of the Group to withstand a prolonged period of adverse financial conditions, the Directors are satisfied 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.

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 52 to 59 of the 2022 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 as those reported in the 2022 Annual Report during the remaining six months of the financial year, except for the COVID-19 Risk which has been reassessed to be a lower business operational risk now, and removed from the principal risks.

Risk Title	Risk Description
Cyber-attack or systems failure	The Group could be negatively impacted by the failure of its systems or compromise of its data, through cyber-attack, cyber intrusion, insider threats or otherwise.
Intellectual Property Theft or Exposure	The Group may be unable to adequately protect its intellectual property proprietary rights and prevent others from making unauthorised use of its platform and technologies, which could harm the Group's financial results.
Unable to develop Darktrace products to mitigate evolving cyber threat landscape	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.
Unable to meet customer requirements within the product line.	The Group may be unable to develop and enhance its platform to meet the changing cyber protection demands of its customers (e.g. customer features requests, integrations, Darktrace service improvements, etc.).
Insufficient Customer Support Resources	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.
Reliance on Partners and Resellers to generate new business	The Group relies on channel partners, including resellers and referral partners, to generate a significant portion of its revenue. If the Group fails to maintain successful relationships with its channel partners, or if its channel partners fail to perform, its ability to market, sell and distribute its solution will be limited, and its business, financial position and results of operations will be harmed.
Reliance on outsourced hosting for services	The Group relies on third-party data centres, such as Amazon Web Services ("AWS"), and its own data servers to host and operate an increasing number of deployments of or offerings in its Cyber AI Platform, and any disruption of or interference with its use of these facilities may negatively affect its ability to maintain the performance

	and reliability of its Cyber AI Platform which could cause its business to suffer.
Employee retention and recruitment	The Group relies on the performance of highly skilled personnel including the senior management team. The Group's future success depends, in part, on its ability to continue to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of the organisation, particularly technical professionals.
Brand and Reputation	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.

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 2022. On 7 December 2022 Vanessa Colomar resigned as a director of Darktrace plc and was replaced by Patrick Jacob. 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
7 March 2023

Independent auditor's review report on Interim Financial Information to Darktrace plc

Conclusion

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 2022 which comprises the consolidated interim statement of comprehensive income, consolidated interim statement of financial position, consolidated interim statement of changes in equity, consolidated interim statement of cash flows, and related explanatory notes.

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) (ISRE (UK)) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE (UK) 2410). A review of interim financial information consists of making inquiries,

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.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE UK, however future events or conditions may cause the entity to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's business model arising from current macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period.

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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

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.

Our conclusion, including our Conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the company, as a body, in accordance with ISRE (UK) 2410. 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
7 March 2023

Consolidated Unaudited Interim Statement of Comprehensive Income

	Notes	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited Restated \$000
Revenue	4	259,259	190,873
Cost of sales		(26,630)	(20,651)
Gross profit		232,629	170,222
Sales and marketing costs		(139,583)	(107,858)
Research and development costs		(25,710)	(15,653)
General and administrative costs		(63,867)	(39,241)
Foreign exchange differences		(3,618)	(1,438)
Other operating income		726	847
Operating profit		577	6,879
Finance costs		(1,733)	(1,360)
Finance income		3,091	68
Profit before taxation		1,935	5,587
Taxation		(1,354)	(1,439)
Net profit attributable to shareholders of Darktrace plc		581	4,148
<i>Items that are, or may be, subsequently reclassified to profit or loss:</i>			
Other comprehensive (loss)/income		-	-
Total comprehensive profit for the period		581	4,148
Earnings per share			
Basic earnings per share	14	\$0.00	\$0.01
Diluted earnings per share	14	\$0.00	\$0.01

Consolidated Unaudited Interim Statement of Financial Position

	Notes	31-Dec-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited Restated \$000
Non-current assets				
Goodwill	7	38,164	38,164	-
Intangible Assets	8	13,455	15,649	7,438
Property, plant and equipment		63,743	61,001	54,334
Right-of-use assets		53,738	58,160	27,342
Capitalised commission		35,601	32,519	26,255
Deferred tax		1,799	1,041	691

Deposits		5,728	9,260	5,743
		212,228	215,794	121,803
Current assets				
Trade and other receivables	9	98,373	95,481	66,122
Capitalised commission		27,971	24,635	19,459
Tax receivable		1,757	2,828	1,810
Cash and cash equivalents	10	374,915	390,623	365,766
		503,016	513,567	453,157
Total assets				
		715,244	729,361	574,960
Current liabilities				
Trade and other payables		(78,449)	(81,690)	(49,768)
Deferred revenue		(229,005)	(222,419)	(165,966)
Lease liabilities		(6,063)	(3,710)	(4,486)
Provisions	11	(7,604)	(15,954)	(26,291)
		(321,121)	(323,773)	(246,511)
Non-current liabilities				
Deferred revenue		(30,429)	(29,432)	(29,482)
Lease liabilities		(58,301)	(60,130)	(28,514)
Provisions	11	(1,201)	(1,338)	(1,589)
		(89,931)	(90,900)	(59,585)
Total liabilities				
		(411,052)	(414,673)	(306,096)
Net Assets				
		304,192	314,688	268,864
Equity				
Share capital	12	10,030	9,812	9,777
Share premium	12	16,117	16,117	335
Merger reserve		305,789	305,789	305,789
Foreign currency translation reserve		(8,126)	(8,126)	(4,398)
Stock compensation reserve	13	43,829	74,883	51,471
Treasury shares	12	(40,139)	(11,683)	(14,265)
Retained earnings		(23,308)	(72,104)	(79,845)
Total equity attributable to equity shareholders of Darktrace plc				
		304,192	314,688	268,864

These financial statements were approved by the Board of Directors and authorised for issue on 7 March 2023. They were signed on its behalf by:

Catherine Graham
Chief Financial Officer
Company No. 13264637

Consolidated Unaudited Interim Statement of Changes in Equity

Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Stock compensation reserve	Treasury Shares	Retained earnings	Total equity
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	Note	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
1-Jul-21									
Audited		9,756	224,782	305,789	(4,398)	35,723	(761)	(308,873)	262,018
Profit for the period		-	-	-	-	-	-	4,148	4,148
Other comprehensive (loss)/income		-	-	-	-	-	-	-	-
Total comprehensive profit		-	-	-	-	-	-	4,148	4,148
Options exercised	13	21	335	-	-	-	21	187	564
Share premium cancellation	12	-	(224,782)	-	-	-	-	224,782	-
Shares buyback	12	-	-	-	-	-	(13,525)	(89)	(13,614)
Share-based payment charge	13	-	-	-	-	15,748	-	-	15,748
Transactions with shareholders		21	(224,447)	-	-	15,748	(13,504)	224,880	2,698
31-Dec-21									
Unaudited Restated		9,777	335	305,789	(4,398)	51,471	(14,265)	(79,845)	268,864
Loss for the period		-	-	-	-	-	-	(2,691)	(2,691)
Other comprehensive (loss)/income		-	-	-	(3,728)	-	-	-	(3,728)
Total comprehensive loss		-	-	-	(3,728)	-	-	(2,691)	(6,419)
Options exercised	13	1	-	-	-	(6,609)	2,582	10,432	6,406
Share-based payment charge	13	-	-	-	-	30,021	-	-	30,021
Shares issued on acquisition	12	34	15,782	-	-	-	-	-	15,816
Transactions with shareholders		35	15,782	-	-	23,412	2,582	10,432	52,243
30-Jun-22									
Audited		9,812	16,117	305,789	(8,126)	74,883	(11,683)	(72,104)	314,688
Profit for the period		-	-	-	-	-	-	581	581
Other comprehensive (loss)/income		-	-	-	-	-	-	-	-
Total comprehensive profit		-	-	-	-	-	-	581	581
Options exercised /awards vested	13	218	-	-	-	(57,019)	5,487	48,215	(3,099)
Share buyback	12	-	-	-	-	-	(33,943)	-	(33,943)
Share-based payment charge	13	-	-	-	-	25,965	-	-	25,965
Transactions with shareholders		218	-	-	-	(31,054)	(28,456)	48,215	(11,077)
31-Dec-22									
Unaudited		10,030	16,117	305,789	(8,126)	43,829	(40,139)	(23,308)	304,192

Consolidated Unaudited Interim Statement of Cash Flows

	Note	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited Restated \$000
Cash generated from operations			
Profit for the period after tax		581	4,148
Depreciation of PPE* and Right of Use Assets	5	17,676	13,241
Amortisation of intangible assets	8	3,336	3,138
Amortisation of capitalised commission		14,502	9,818
Impairment of capitalised commission and Right of Use Assets		1,983	707
Loss on disposal of PPE* and Right of Use Assets		616	1,399
Unrealised foreign exchange differences		197	5,032
Credit loss charge		1,401	103
Share based compensation charge	13	27,670	13,091
Net settled share-based payment	13	(9,696)	-
Finance costs		1,733	1,360
Finance income		(3,091)	(68)
Other operating income		(726)	(847)
Taxation		1,354	1,439
Operating cash flows before movements in working capital		57,536	52,561
(Increase)/Decrease in trade and other receivables		(2,406)	8,929
Increase in capitalised commission		(21,798)	(17,225)
Decrease in trade and other payables		(5,019)	(1,770)
(Decrease)/Increase in provisions from payments	11	(8,487)	4,733
Increase in deferred revenue		7,583	11,344
Net cash flow from operating activities before tax		27,409	58,572
Tax paid		(315)	(1,430)
Net cash inflow from operating activities		27,094	57,142
Investing activities			
Development costs capitalised		(691)	(630)
Purchase of property, plant and equipment		(13,552)	(13,282)
Finance income		3,091	68
Cash outflow from investing activities		(11,152)	(13,844)
Financing activities			
Proceeds from share issues and exercises		6,596	454
Shares buyback	12	(33,943)	(13,525)
Payment of interest on lease liabilities		(2,099)	(2,525)
Repayment of lease liabilities		(1,733)	(1,318)
Cash outflow from financing activities		(31,179)	(16,914)
Net changes in cash and cash equivalents		(15,237)	26,384
Cash and cash equivalents, beginning of period		390,623	342,358
Unrealised exchange difference on cash and cash equivalents		(471)	(2,976)
Cash and cash equivalents, end of period		374,915	365,766

*Property plant and equipment

Notes to the Consolidated Unaudited Interim Financial Statements

1 General information

These unaudited interim financial statements were approved for issue on 7 March 2023. 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 2022 were approved by the board of directors on 7 September 2022 and delivered to the Registrar of Companies. The independent audit report 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 2022 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 2022 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 2022, which has been prepared in accordance with both UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, 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 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods on foreseeable future transactions.

Going concern assessment

At the end of the reporting period the Group had \$374.9 million of cash and cash equivalents. After considering the first half FY 2023 performance, the Group's principal risks and uncertainties in the current operating environment, and the continued relevance of the scenario analyses designed, as part of the FY 2022 year-end audit, to evaluate the capacity of the Group to withstand a prolonged period of adverse financial conditions, the Directors are satisfied 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.

Prior period adjustment

Darktrace's 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 notes for the period

ended 31 December 2021 have been restated to reflect the appropriate timing of revenue recognition for certain contracts. As a part of its FY 2022 close process, Darktrace determined that for certain contracts, a portion of revenue it was recognising in FY 2022 should have been recognised in prior periods.

Darktrace concluded that \$3.8 million of revenue it had been recognising in FY 2022, including \$1.8 million recognised and reported in its unaudited 1H FY 2022 results, should appropriately have been recognised in FY 2021.

For further details of the prior year adjustment refer to the Annual Report 2022.

Darktrace's consolidated unaudited interim statement of comprehensive income for the six-months period ended 31 December 2021 has been restated to reflect a decrease in revenue of \$1.8 million. Its consolidated unaudited interim statement of financial position has also been restated to reflect a decrease of \$1.9 million in the current portion of deferred revenue and an increase to retained earnings also included in the consolidated unaudited interim statement of changes in equity. The total cash flows from operating, investing, and financing activities for remain unchanged. The Board supports management's continuous enhancements of its systems, processes, and controls as Darktrace ensures its ability to grow and scale effectively.

A reconciliation of the adjustments making up the re-statement of the six-month period ended 31 December 2021 consolidated unaudited interim statement of comprehensive income and consolidated unaudited interim statement of financial position is provided below:

	Six-months ended 31-Dec-21 Unaudited As originally presented \$000	Decrease in revenue \$000	Six-months ended 31-Dec-21 Unaudited Restated \$000
Revenue	192,642	(1,769)	190,873
Cost of sales	(20,651)	-	(20,651)
Gross Profit	171,991	(1,769)	170,222
Operating profit	8,648	(1,769)	6,879
Profit for the period before taxation	7,356	(1,769)	5,587
Net profit for the period attributable to shareholders of Darktrace plc	5,917	(1,769)	4,148
Total comprehensive profit for the period	5,917	(1,769)	4,148
	31-Dec-21 Unaudited As originally presented \$000	Decrease in deferred revenue \$000	31-Dec-21 Unaudited Restated \$000
Deferred revenue - current	(167,957)	1,991	(165,996)
Net assets	266,873	1,991	268,864
Retained earnings	(81,836)	1,991	(79,845)

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 2022.

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 (CODMs) 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 contracts with customers. The non-current assets presented below exclude any deferred tax assets and deposits.

Non-current assets by geographical market	31-Dec-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited \$000
USA	63,855	63,408	38,765
United Kingdom	79,670	83,223	36,682
Europe	34,097	34,357	19,771
Rest of World	27,079	24,505	26,585
	204,701	205,493	121,803

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 \$0.2 million (1H FY 2022 \$0.6 million).

Management has assessed that the single performance obligation is providing to customers the first ever Cyber AI Loop, fuelling a continuous end-to-end security capability that can autonomously prevent, detect, and respond to novel, in-progress threats in real time.

	Six-months ended 31-Dec-22 Unaudited \$000	% of revenue	Six-months ended 31-Dec-21 Unaudited Restated \$000	% of revenue
USA	89,354	34.5%	65,482	34.3%
United Kingdom	40,874	15.8%	32,502	17.0%
Europe	63,845	24.6%	45,212	23.7%
Rest of World	65,186	25.1%	47,677	25.0%
	259,259	100%	190,873	100%

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-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited Restated \$000
Accrued income	4,692	4,152	3,637
Total accrued income	4,692	4,152	3,637

Current deferred revenue	229,005	222,419	165,966
Non-current deferred revenue	30,429	29,432	29,482
Total deferred revenue	259,434	251,851	195,448

Deferred revenue has continued to increase as the number of customers has grown, resulting in additional 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-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited Restated \$000
Revenue recognised that was included in the contract liability balance at the beginning of the period	222,419	154,505
% of revenue	85.8%	80.9%

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-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited Restated \$000
Due within 12 months	518,009	385,074
Due within 1-2 years	359,063	275,783
Due within 2-3 years	195,872	169,902
Due within 3-4 years	65,014	55,383
Due over 4 years	5,626	5,072
	1,143,584	891,214

5 Material profit and loss items

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-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited \$000
Legal, professional and consultancy fees	9,754	3,417
Commission expense	36,837	27,530
Commission amortisation and impairment	15,380	10,525
Capitalised commission	(21,799)	(17,225)

Legal and professional fees include amount of \$2.8 million (31 December 2021: \$nil) in relation to legal expenses for ongoing matters pending outcome and consultancy fees of \$2.4 million (31 December 2021: \$nil) for the new ERP implementation and Darktrace Federal Inc. Remaining expenses relate to audit fees of \$0.7 million (31 December 2021: \$0.6 million), accounting advise and valuations of \$0.6 million (31 December 2021: \$0.8 million), professional and legal fees in relation to corporate finance activities, including the equity transaction of the period, for a total amount of \$3.3 million (31 December 2021: \$1.9 million).

Commission expense and capitalised commission and related amortisation increased in line with increase in customers' number.

Depending on their role in sales, staff receive either the first 50% or 100% of commission at the point of contract signing, which is deemed to meet the criteria of being incurred solely to acquire the contract. These transaction related commission costs, including related social security and similar contributions, are therefore capitalised and amortised over the customer contract term, with the amortisation being recognised as above. Commissions paid to referral partners are also capitalised and amortised to sales and marketing costs over the life of the related contracts.

The remaining 50% of sales staff commission is paid on the earlier of the full contract value being paid, or, most frequently, after one year. Because these commissions have additional service and performance requirements, they are not eligible to be capitalised under IFRS 15. Instead, the commission and associated social security costs are accrued based on the expected period between the sale and payment, then the accrual is released when the commission is paid or earlier if commission is recouped due to the customer defaulting on payments or salesperson ceases to be employed prior to the commission becoming payable.

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

	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited \$000
Property, plant and equipment		
Cost of sales	8,254	7,018
Sales and marketing	2,490	2,422
Research and development	659	440
Other administrative	1,072	572
	12,475	10,452
Right-of-use assets		
Cost of sales	-	-
Sales and marketing	3,135	1,821
Research and development	793	410
Other administrative	1,273	558
	5,201	2,789

6 Tax expense

Tax charged within the six-months ended 31 December 2022 has been calculated by applying the effective rates of tax which are expected to apply to the Group for the year ending 30 June 2023 using rates substantively enacted by 31 December 2022 as required by IAS 34 'Interim Financial Reporting'. Where appropriate, the Group has estimated and applied separate annual effective income tax rates for each jurisdiction and category of income.

At the end of December 2022, 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 \$82.2 million (30 June 2022: \$93.2 million) as there is sufficient uncertainty whether the losses will be utilised in the foreseeable future. The tax rate applied for the recognised and unrecognised deferred tax assets, considers 25% for UK and 27% for US as these are tax rate expected to be applicable by the time the loss or temporary difference will be unwound.

7 Goodwill

	31-Dec-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited \$000
Opening balance	38,164	-	-
Business combination	-	40,877	-
Foreign exchange difference	-	(2,713)	-
Closing balance	38,164	38,164	-

Goodwill arose upon the acquisition of Darktrace Netherlands BV (former Cybersprint BV) during FY 2022. The asset is allocated to both Cybersprint and Darktrace CGUs combined (corresponding to the single operating segment) and is monitored, therefore at the consolidated group level. IAS 36 requires management to perform impairment tests annually for goodwill and indefinite lived assets. Management performed an impairment test at 30 June 2022. No indicators of impairment have been noted in the current period. Since 1 July 2022 Darktrace Netherlands functional currency has been determined to be the same currency as the Group i.e. USD and therefore there will be no foreign exchange differences going forward on goodwill.

8 Intangible assets

Software consists of capitalised development costs being an internally generated intangible asset and acquired software intangible asset from acquisition of Darktrace Netherlands BV (former Cybersprint BV) (at 31 December 2022 this asset has a net book value of \$7.5 million and remaining useful economic life of 4.2 years). The Group has not identified any impairments to the intangibles.

Version 4 of Cyber AI Platform and related products (\$7.0 million) was released in December 2019 when the related cost has been reclassified as software, the amortisation been completed in the period. Version 5 was launched in January 2021 when the related cost (\$6.0 million) has been reclassified and amortisation started. Darktrace for Endpoint (\$0.9 million) launched in March 2022 when amortisation started and Darktrace Prevent (\$1.0 million) was launched and started amortisation in September 2022.

	Customer Relationship \$000	Software \$000	Software under development \$000	Total \$000
Cost				
1-Jul-21 Audited	-	13,286	-	13,286
Additions	-	2,390	1,099	3,489
31-Dec-21 Unaudited	-	15,676	1,099	16,775
Amortisation				
1-Jul-21 Audited	-	(6,199)	-	(6,199)
Charge for the year	-	(3,138)	-	(3,138)
31-Dec-21 Unaudited	-	(9,337)	-	(9,337)
NBV* at 31-Dec-21 Unaudited	-	6,339	1,099	7,438
Cost				
1-Jan-22 Unaudited	-	15,676	1,099	16,775
Additions	-	-	1,269	1,269
Business combinations	930	9,647	-	10,577

Reclassification	-	851	(851)	-
Foreign exchange difference	(61)	(640)	-	(701)
30-Jun-22 Audited	869	25,535	1,517	27,921
Amortisation				
1-Jan-22 Unaudited	-	(9,337)	-	(9,337)
Charge for the year	(26)	(2,909)	-	(2,935)
30-Jun-22 Audited	(26)	(12,246)	-	(12,272)
NBV* at 30-Jun-22 Audited	843	13,289	1,517	15,649
Cost				
1-Jul-22 Audited	869	25,535	1,517	27,921
Additions	-	-	1,142	1,142
Reclassification	-	1,034	(1,034)	-
31-Dec-22 Unaudited	869	26,569	1,625	29,063
Amortisation				
1-Jul-22 Audited	(26)	(12,246)	-	(12,272)
Charge for the year	(36)	(3,300)	-	(3,336)
31-Dec-22 Unaudited	(62)	(15,546)	-	(15,608)
NBV* at 31-Dec-22 Unaudited	807	11,023	1,625	13,455

*Net book value

All amortisation of intangible assets is charged to the consolidated unaudited interim statement of comprehensive income and is included within research and development costs.

9 Trade and other receivables

	31-Dec-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited \$000
Trade receivables	69,287	63,907	46,987
Prepayments	19,046	25,955	14,144
Accrued income	4,692	4,152	3,637
Deposits	5,064	1,082	1,346
Other receivables	284	385	8
Total trade and other receivables	98,373	95,481	66,122

Trade receivables are presented net of a bad debt provision of \$3.6 million (30 June 2022: \$3.1 million, 31 December 2021: \$3.8 million). Increase in debtors is on account of timing of invoices and increase in business. Deposits primarily relate to cash deposits in connection to leases for the Group's offices.

The decrease in prepayments is due primarily to the unwinding of the equity-based bonus pre-payment arising from the Cybersprint purchase.

10 Cash and Cash equivalents

	31-Dec-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited \$000
Cash at bank and in hand	204,230	156,912	285,737
Deposits at call	170,685	233,711	80,029
Cash and cash equivalents	374,915	390,623	365,766

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.

11 Provisions

	31-Dec-22 Unaudited			30-Jun-22 Audited			31-Dec-21 Unaudited		
	Share based payment tax \$000	Other \$000	Total provision \$000	Share based payment tax \$000	Other \$000	Total provision \$000	Share based payment tax \$000	Other \$000	Total provision \$000
Opening provision	15,192	2,100	17,292	22,945	-	22,945	22,945	-	22,945
Accrual for the period	3,145	1,859	5,004	(1,526)	2,100	574	5,986	732	6,718
Utilisation	(12,831)	(660)	(13,491)	(6,227)	-	(6,227)	(1,783)	-	(1,783)
Closing provision	5,506	3,299	8,805	15,192	2,100	17,292	27,148	732	27,880
Current	4,305	3,299	7,604	14,654	1,300	15,954	26,291	-	26,291
Non-current	1,201	-	1,201	538	800	1,338	857	732	1,589
Total provision	5,506	3,299	8,805	15,192	2,100	17,292	27,148	732	27,880

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:

- \$2.3 million (30 June 2022: \$0.7 million, 31 December 2021: \$0.7 million) estimated of corporate tax charge and expected interests and penalties related to permanent establishments in countries where Darktrace plc does not currently have a subsidiary and is the result of the assessment of the potential historical impact arising as a consequence of Darktrace's continuous international expansion into new jurisdictions.
- \$1.0 million (30 June 2022: \$1.3 million, 31 December 2021: \$nil) in relation to legal claims pending outcome. The recognised provision reflects the Directors' best estimate of the most likely outcome. The matters are currently expected to be considered during FY 2023.

12 Share capital and share premium

	Number of ordinary shares of £0.01 each	Number of preference shares of £1 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
At 1-Jul-21 - Audited	697,630,127	50,000	120,063	-	697,800,190	9,756	224,782
Share premium cancellation	-	-	-	-	-	-	(224,782)
Shares issued in the period	1,581,578	-	-	-	1,581,578	21	335
At 31-Dec-21 - Unaudited	699,211,705	50,000	120,063	-	699,381,768	9,777	335
Shares issued for acquisition	2,573,648	-	-	-	2,573,648	35	15,782
At 30-Jun-22 - Audited	701,785,353	50,000	120,063	-	701,955,416	9,812	16,117
Shares issued in the period	17,920,294	-	-	-	17,920,294	218	-
At 31-Dec-22 - Unaudited	719,705,647	50,000	120,063	-	719,875,710	10,030	16,117

The preference shares are redeemable preference shares. These preference shares do not carry any voting rights and are not entitled to any profits of the Company. If there is a return of capital on winding up or otherwise, the assets of the Company available for distribution among the members, the preference shares are second in priority and the holders of preference shares shall share the distribution pro rata to the number of preference shares held. The preference shares may be redeemed by the Company at any time at its option for an amount equal to the redeemable preference share subscription

price per redeemable preference 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 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.

Shares issued

During the periods certain employees have exercised their options (see note 13 for details on share-based payment transactions). These have been satisfied through the issuance of new shares before the shares buy back happened or if Darktrace Employee Benefit Trust (see below) could not satisfy the request for legal reasons.

Shares issued for acquisition

2,573,648 shares in Darktrace plc were issued as part of the Darktrace Netherlands BV (former Cybersprint BV) acquisition. Refer to the Annual Report 2022 for details on the acquisition.

Treasury shares

Company Shares buyback

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.

At 31 December 2022 the company holds 1,490,066 shares in treasury (30 June 2022: 2,038,774; 31 December 2021: nil).

The Directors have determined that they control a company called Darktrace Employee Benefit Trust ('EBT'), even though Darktrace plc owns 0% of the issued capital of this entity. Darktrace Employee Benefit Trust holds shares of Darktrace plc for the purpose of fulfilling the grants made under stock option plans in place prior to the IPO. Those shares are treated as treasury shares in the consolidated financial statements.

EBT Market Purchase Programme

Darktrace Employee Benefit Trust purchased 8,308,451 ordinary shares of £0.01 each in Darktrace ("Shares") from 13 October to 25 November 2022. Shares purchased under the EBT Market Purchase Programme will be used to satisfy existing, planned and anticipated options and awards under Darktrace's employee share schemes, or as otherwise permissible within the terms of the EBT trust deed. The shares were acquired at an average price of £3.58 (\$4.07) per share, with prices ranging from £2.94 (\$3.28) to £3.98 (\$4.58). The total cost of \$33.9m (£30.0 million), including transaction costs, was deducted from equity.

At 31 December 2022 the EBT holds 45,694,709 shares (30 June 2022: 43,900,170; 31 December 2021: 56,329,184).

13 Share based payments

Share based payment (SBP) charges have been made in the consolidated unaudited interim statement of comprehensive income within the following functional areas.

	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited \$000
Sales and marketing	10,404	6,216

Research and development	4,650	491
Other administrative	12,616	6,384
Total share-based payment expense	27,670	13,091

Of the \$14.6 million period-over-period increase in SBP charges in 1H FY 2023 \$6.9 million related to the 2H FY 2022 modification of awards made at the time of IPO. As those awards are now fully vested, this modification charge will not continue into future periods. A further \$3.2 million of the increase relates to shares issued alongside the March 2022 Cybersprint acquisition. \$0.4 million (31 December 21: \$2.7 million) of the share-based payment expense has been capitalised as intangible assets.

SBP are calculated in accordance with IFRS 2 – Share-based Payment. The Company has used a Black-Scholes valuation model to value the options granted up to the IPO and a Monte Carlo Model for the awards granted at and after IPO. Where an option scheme has no market-based performance conditions attached to the award, a Black-Scholes model is typically appropriate.

Option schemes in place 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-22 Options number	WAEP \$	Six-months ended 31-Dec-21 Options number
Outstanding at 1 July - Audited	1.94	38,886,044	1.56	54,970,631
Granted	-	-	-	-
Lapsed	4.95	(104,948)	4.09	(336,571)
Exercised	0.95	(7,916,311)	0.17	(3,138,725)
Outstanding at 31 Dec - Unaudited	2.16	30,864,785	1.63	51,495,335
Exercisable at 31 Dec - Unaudited	2.15	27,543,951	1.12	43,267,210

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-22 Unaudited Options number	WACL	30-Jun-22 Audited Options number	WACL	31-Dec-21 Unaudited Options number
\$0.00 - \$0.23 (£0.00 - £0.18)	1.90	8,503,556	2.40	12,712,035	2.90	19,924,978
\$0.41 - \$0.67 (£0.32 - £0.53)	3.68	2,995,449	4.19	4,032,118	4.68	6,574,965
\$1.37- \$1.45 (£1.07 - £1.13)	4.94	1,993,785	5.45	2,564,592	5.94	3,627,845
\$2.09 - \$2.21 (£1.61 - £1.70)	5.39	2,111,031	5.89	2,270,226	6.39	2,453,032
\$2.76 - \$2.87 (£2.06 - £2.14)	6.47	9,373,958	6.98	11,218,529	7.47	12,389,515
\$5.20 (£3.73)	8.21	5,887,006	8.72	6,088,544	9.21	6,525,000
	6.22	30,864,785	6.72	38,886,044	7.22	51,495,335

AIP awards

	Six-months ended 31-Dec-22 Awards number	Six-months ended 31-Dec-21 Awards number
Outstanding at 1 July - Audited	23,903,647	21,959,096
Granted	7,506,525	-
Lapsed	(720,110)	(537,543)
Exercised	(19,033,298)	-
Outstanding at 31 December - Unaudited	11,656,764	21,421,553
Exercisable at 31 December - Unaudited	258,534	13,000

In the UK, an award of shares or options to an employee gives rise to a personal tax liability for the employee, related to the fair value of the award when it vests. In order to meet this tax liability, two executives surrendered as many shares as are needed to raise proceeds equal to the tax liability ('net settlement'). This tax collection arrangements meant that the equity-settled awards resulted in a cash cost for the Company for the income tax for \$9.7 million and an equal deduction from the equity.

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.

Up to 80% of the Awards will vest in accordance with the conditions of the TSR Tranche and up to 20% in accordance with the conditions of the ARR Tranche.

The Company's annualised recurring revenue (ARR) growth between the basis year (year ended 30 June 2022) and the year ending on the performance period end date.

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 the current period:

	Time based awards	Performance awards
Grant dates	21/09/22 - 21/12/22	21/09/22 - 21/12/22
Share price at grant date	£2.71 (\$3.28) - £3.69 (\$4.25)	£2.71 (\$3.28) - £3.69 (\$4.25)
Exercise price	-	-
Fair value per option	£2.71 (\$3.28) - £3.69 (\$4.25)	£2.71 (\$3.28) - £3.69 (\$4.25)
Expected life in years	N/A	1.78 - 3.00
Expected volatility	N/A	50%
Risk free interest rate	N/A	3.07% - 3.94%
Cancellation rate	N/A	10%
Dividend yield	N/A	0%
Correlation	N/A	25%
Number of awards		
31-Dec-22 Unaudited	4,063,215	3,443,310

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.

Basic earnings per share

The calculation of basic EPS has been based on the following profit 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-22 Unaudited	Six-months ended 31-Dec-21 Unaudited Restated
Profit attributable to ordinary shareholders (\$000)	581	4,148
Weighted average ordinary shares	715,550,399	698,031,722
Effect of treasury shares	(46,885,424)	(55,062,191)
Weighted-average number of shares for calculating basic earnings per share at period end	668,664,975	642,969,531
Add dilutive effect of share-based payment plans	24,613,273	61,564,067
Weighted-average number of shares for calculating diluted earnings per share at period end	693,278,248	704,533,598
Basic earnings per share	\$0.00	\$0.01
Diluted earnings per share	\$0.00	\$0.01

15 Related party transactions

Other than as described elsewhere in these financial statements, there are no material related party transactions requiring disclosure under IAS 24 'Related Party Disclosures' other than compensation of key management personnel, which will be disclosed in the Groups' Annual Report for the year ended 30 June 2023.

16 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 currencies \$000	Total \$000
Trade receivable	1,840	2,756	18,211	11,614	17	962	35,400
Deposits	257	134	245	6,377	63	622	7,698
Cash and cash equivalents	1,226	1,584	6,483	40,471	164	1,698	51,626
Trade payables	(204)	(87)	(579)	(2,313)	(119)	(241)	(3,543)
31-Dec-22 - Unaudited	3,119	4,387	24,360	56,149	125	3,041	91,181
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)
31-Dec-21 - Unaudited	4,434	6,459	22,268	30,971	114	2,678	66,924

Aggregate net foreign exchange losses recognised in the periods:

	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited \$000
Net foreign exchange loss	(3,618)	(1,438)

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.

	Six-months ended 31-Dec-22 Unaudited \$000	Six-months ended 31-Dec-21 Unaudited \$000
USD/EUR exchange +/- 10%	(2,215) / 2,707	(2,024) / 2,474
USD/GBP exchange +/- 10%	(5,110) / 6,246	(2,816) / 3,441

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 the Treasury policy that 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 six 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.

	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	9,670	-	-	-	9,670
Accruals	15,089	-	-	-	15,089
Lease liabilities	9,354	13,422	35,127	18,687	76,590
31-Dec-22 – Unaudited	34,113	13,422	35,127	18,687	101,349
Trade payables	11,206	-	-	-	11,206
Accruals	15,100	-	-	-	15,100
Lease liabilities	7,078	11,179	36,614	22,793	77,664
30-Jun-22 – Audited	33,384	11,179	36,614	22,793	103,970
Trade payables	10,094	-	-	-	10,094
Accruals	9,797	-	-	-	9,797
Lease liabilities	4,486	4,936	14,228	9,350	33,000
31-Dec-21 – Unaudited	24,377	4,936	14,228	9,350	52,891

17 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-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited \$000
Financial assets at amortised cost			
Deposits	5,728	10,342	5,743
Trade receivables	69,287	63,907	46,987
Accrued income	4,692	4,152	3,637
Cash and cash equivalents	374,915	390,623	365,766
Total financial assets at amortised cost	454,622	469,024	422,133
Financial liabilities at amortised cost			
Trade payables	(9,670)	(11,206)	(10,094)
Accruals	(15,089)	(15,100)	(9,797)
Lease liabilities	(64,364)	(63,840)	(33,000)
Total financial liabilities at amortised cost	(89,123)	(90,146)	(52,891)

The Group entered a multi-currency \$25.0 million Revolving Credit Facility (RCF) 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. No drawdowns have been made on the facility as of 31

December 2022. As at 31 December 2022, letters of credit totalling \$5.1 million (30 June 2022: \$4.7 million) have been provided in relation to lease agreements, which reduce the balance available to draw. As at 31 December 2022, \$19.9 million (30 June 2022: \$20.3 million) is available to draw on the facility.

Under the terms of the facility the Group must report certain financial covenants. The Group must meet at least one of the following three covenants:

- An Asset Quick Ratio (AQR = current assets to adjusted total liabilities) minimum 1.20 : 1.00
- Minimum trailing-6-month EBITDA of \$7.5 million
- Unrestricted cash held with Lender of more than \$40.0 million

The Group met all three financial covenants as at 31 December 2022.

18 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-22 Unaudited \$000	30-Jun-22 Audited \$000	31-Dec-21 Unaudited \$000
Capital			
Total equity	304,192	314,688	268,864
Less cash and cash equivalents	(374,915)	(390,623)	(365,766)
Total	(70,723)	(75,935)	(96,902)
Overall financing			
Total equity	304,192	314,688	268,864
Plus leasing liabilities, borrowings and other financing liabilities	(64,364)	(63,840)	(33,000)
Total	239,828	250,848	235,864

19 Capital commitments

The Group had no capital commitments at 31 December 2022, 30 June 2022 or 31 December 2021.

20 Post balance sheet events

RCF Extension

On 11 January 2023 the RCF agreement with Silicon Valley Bank has been extended to have an expiry on 30 June 2023. All other terms and conditions (see note 17) remain unchanged. The company is currently considering the proposals from a number of financial institutions to increase the amount of the facility before the end of the agreement with Silicon Valley Bank.

EBT Market Purchase Programmes

On 12 January 2023 Equiniti Trust (Jersey) Limited, as Trustee of the Darktrace Employee Benefit Trust (the "EBT"), has commenced making market purchases of ordinary shares of £0.01 each in the Company (the "January EBT Market Purchase Programme"). The January EBT Market Purchase Programme completed on 31 January 2023 with the purchase of 10,391,705 shares for a total aggregate consideration of £25.0 million (\$30.3 million inclusive of brokerage and dealing charges).

On 1 February 2023 EBT commenced making new market purchases of ordinary shares of £0.01 each in the Company (the “February EBT Market Purchase Programme”). Purchases under the February EBT Market Purchase Programme are for a maximum aggregate consideration of £25.0 million (inclusive of brokerage and dealing charges). It will complete on or before 30 April 2023, unless extended by Darktrace (subject to applicable law).

Shares purchased under the January EBT Market Programme and February EBT Market Purchase Programme will be used to satisfy existing, planned and anticipated options and awards under Darktrace’s employee share schemes, or as otherwise permissible within the terms of the EBT trust deed.

Share Buyback Programme

On 1 February, 2023, Darktrace commenced a share buyback programme (the “Programme”) of up to 35 million of its ordinary shares (the “Shares”) to be completed no later than 31 October, 2023 (the ‘Buyback Period’). The maximum amount allocated to the Programme is £75.0 million and Darktrace is making and will continue to make appropriate disclosures during the Buyback Period of the number of Shares it has repurchased.

The purpose of the Programme is to reduce Darktrace’s issued share capital and the purchased Shares will be cancelled. The Programme will be conducted within the limitations of the authority granted to the Board of Directors of Darktrace by its shareholders at its Annual General Meeting held on 3 November 2022, pursuant to which the maximum number of Shares that can be bought back by Darktrace is 71,818,380 Shares. Any purchases of Shares by Darktrace in relation to the Programme will be carried out on the London Stock Exchange and/or on Aquis Exchange, Turquoise, CBOE Europe Limited and in accordance with the parameters prescribed by the Market Abuse Regulation 596/2014 (as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018) and Chapter 12 of the Financial Conduct Authority’s Listing Rules and will be discontinued in the event that Darktrace ceases to have the necessary general authority to purchase Shares.