

BMC Software A/S

Borupvang 2 D, 2750 Ballerup

CVR-no. 13 11 58 85

ANNUAL REPORT

1 April 2016 - 31 March 2017

Adopted at the annual general meeting on 7 July 2017

Chairman: Arno Jan ter Avest



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Statement by the supervisory and executive boards on the annual report

Management has reviewed and approved the annual report of BMC Software A/S (the "Company") for the financial year 1 April 2016 - 31 March 2017.

The annual report is prepared in accordance with the Danish Financial Statements Acts.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 March 2017 and of the results of the Company's operations for the financial year 1 April 2016 - 31 March 2017.

In our opinion, the management's review includes a fair review of the matters dealt with.

We recommend the adoption of the annual report at the annual general meeting.

Ballerup, 7 July 2017

Executive board:



Antti Samuli Vilhunen

Supervisory Board :



Arno Jan ter Avest
Chairman



Antti Samuli Vilhunen



Ted Cory Bleuer

Independent auditor's report

To the shareholder of BMC Software A/S

We have audited the financial statements of BMC Software A/S for the financial year 1 April 2016 – 31 March 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2017 and of the results of the Company's operations for the financial year 1 April 2016 – 31 March 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the Management's review.


Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 7 July 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Nørgaard
State Authorised Public Accountant

Management's review

Business activities and mission

BMC Software A/S is a company of the BMC Software Group, that sells software products developed by this group. In addition, BMC Software A/S offers professional services to support the implementation of software products.

BMC Software A/S does not carry out any research or development activities.

Business review

The Company's income statement for the year ended 31 March 2017 shows a net profit of DKK 2 774 320 and the balance sheet at 31 March 2017 shows an equity of DKK 15 722 827.

Post balance sheet events

No events have occurred after the financial year-end which could significantly affect the Company's financial position.

Income statement 1 April - 31 March

	Notes	2016/17 DKK	2015/16 DKK
Revenue		25 877 081	38 226 618
External expenses		<u>-7 932 834</u>	<u>-11 982 418</u>
Gross margin		17 944 247	26 244 200
Staff costs	2	-15 593 261	-24 568 670
Depreciation and write-off's of property, plant and equipment		<u>-138 995</u>	<u>-135 197</u>
Profit before financial income and expenses		2 211 991	1 540 333
Income/(loss) from investments in subsidiaries	5	590 275	854 206
Financial income		0	87 352
Financial expenses		<u>-27 946</u>	<u>-2 379</u>
Profit before tax		2 774 320	2 479 512
Tax for the year	3	<u>0</u>	<u>0</u>
Net profit for the year		<u>2 774 320</u>	<u>2 479 512</u>
Proposal for the distribution of profit			
Proposed dividend distribution		0	0
Reserve for net revaluation under equity method		590 275	854 206
Retained earnings		<u>2 184 045</u>	<u>1 625 306</u>
		<u>2 774 320</u>	<u>2 479 512</u>

Balance sheet at 31 March

	Notes	2017 DKK	2016 DKK
ASSETS			
Leasehold improvements		32 115	45 404
Other fixtures and fittings, tools and equipment		213 677	339 383
Property, plant and equipment	4	<u>245 792</u>	<u>384 787</u>
Investments in subsidiaries	5	4 511 219	3 816 784
Deposits		164 532	159 740
Investments		<u>4 675 751</u>	<u>3 976 524</u>
Total fixed assets		<u>4 921 543</u>	<u>4 361 311</u>
Current assets			
Trade receivables		610 769	1 114 609
Receivables from group enterprises		6 356 779	27 293 049
Other receivables	6	41 970	163 613
Total receivables		<u>7 009 518</u>	<u>28 571 271</u>
Cash and equivalents		11 163 441	982 695
Total current assets		<u>18 172 959</u>	<u>29 553 966</u>
TOTAL ASSETS		<u><u>23 094 502</u></u>	<u><u>33 915 277</u></u>

Balance sheet at 31 March

	Notes	2017 DKK	2016 DKK
EQUITY AND LIABILITIES			
Share capital	7	500 000	500 000
Equity method transfer to net revaluation reserve		2 905 216	2 210 781
Retained earnings		12 317 611	10 133 566
Total equity		<u>15 722 827</u>	<u>12 844 347</u>
Trade payables		81 365	115 191
Payables to group enterprises		2 542 756	15 630 291
Other payables	8	4 747 554	5 325 448
Short-term liabilities		<u>7 371 675</u>	<u>21 070 930</u>
Total liabilities		<u>7 371 675</u>	<u>21 070 930</u>
TOTAL EQUITY AND LIABILITIES		<u>23 094 502</u>	<u>33 915 277</u>
Contingent assets	9		
Contingent liabilities	10		
Related parties	11		

Statement of changes in equity

	Share capital	Equity method transfer to net revaluation reserve	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 April 2016	500 000	1 606 233	8 508 260	10 614 493
Transfer in the year	0	854 206	1 625 306	2 479 512
Exchange rate adjustment	0	-249 658	0	-249 658
Equity at 1 April 2017	500 000	2 210 781	10 133 566	12 844 347
Transfer in the year	0	590 275	2 184 045	2 774 320
Exchange rate adjustment	0	104 160	0	104 160
Equity at 31 March 2017	500 000	2 905 216	12 317 611	15 722 827

Notes

Note 1. Accounting policies

Accounting policies

The annual report of BMC Software A/S (the "Company") has been prepared in accordance with the provisions of the Danish Financial Statements Act Reporting Class B Enterprises.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

Annual assessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment are subject to annual assessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Income statement

Revenue

Income from the sale of services is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be estimated reliably. Revenue also includes sales and marketing activities performed for group enterprises. VAT, indirect taxes and discounts are excluded from revenue.

External expenses

External expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs

Staff costs include wages, commissions, bonuses, holiday pay, pensions fees and employee welfare expenses.

Depreciation and write off's of property, plant and equipment

This item includes depreciation and write-off's of property, plant and equipment. Depreciation is provided on the basis of current assessments of the depreciation profile, useful life and residual value of the assets.

Property, plant and equipment are depreciated to the residual value, based on the cost, measured by reference to the following assessment of useful lives:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Property, plant and equipment are written off to the extent that the carrying amount exceeds the higher of the fair market value and the net selling price. Such assessment is made for individual assets or, if that is not possible, for the smallest group of assets for which a value in use can be determined.

Income/(loss) from investments in subsidiaries

This includes the proportionate share of profit/(loss) after tax of the Company's subsidiaries.

Financial income and expenses

Other financial income and expenses are recognized in the income statement at the amounts that relate to the reporting period. Financial income and expenses include interest income and expenses, realized and unrealized exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognized directly in equity are taken directly to equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment comprise of leasehold improvements and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write-off's.

Investments

Investments comprise of investments in the subsidiary in Norway and deposits.

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such enterprise's equity plus goodwill on consolidation and less intra-group profits and negative goodwill.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. The value is reduced for allowances for bad debt.

Deferred income

Deferred income, included in other payables, is recognized as a liability and comprises payments received for income of future reporting years.

Other liabilities

Other liabilities are measured at the nominal value.

Note 2. Staff costs	2016/17	2015/16
	DKK	DKK
Wages and salaries	14 521 653	23 005 892
Pension costs	821 148	1 357 392
Other social security costs	175 870	119 495
Other staff costs	74 590	85 891
	<u>15 593 261</u>	<u>24 568 670</u>
Average number of employees	<u>12</u>	<u>17</u>

Note 3. Tax for the year

No income taxes were paid or expensed in the year.

Note 4. Property, plant and equipment

	Leasehold improvements	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK
Cost			
Balance at 1 April 2016	59 800	2 710 761	2 770 561
Retirements	0	-1 699 601	-1 699 601
Additions in the year	0	0	0
Cost at 31 March 2017	<u>59 800</u>	<u>1 011 160</u>	<u>1 070 960</u>
Depreciation and write off's			
Balance at 1 April 2016	-14 396	-2 371 378	-2 385 774
Retirements	0	1 699 601	1 699 601
Depreciation in the year	-13 289	-125 706	-138 995
Depreciation and write off's at 31 March 2017	<u>-27 685</u>	<u>-797 483</u>	<u>-825 168</u>
Carrying amount at 31 March 2017	<u>32 115</u>	<u>213 677</u>	<u>245 792</u>
Depreciation rate (straight-line)	20 %	20-33%	20-33%

Note 5. Investments

According to the most recent financial statements, the results of operations and total equity are per 31 March 2017:

Subsidiaries	Percentage interest	Equity DKK	Result of the year DKK
BMC Software AS, Norway	100 %	4 511 219	590 275

Note 6. Other receivables

As per 31 March	2017 DKK	2016 DKK
Prepayments	41 970	163 613
	<u>41 970</u>	<u>163 613</u>

Note 7. Share capital

As per 31 March	2017 DKK	2016 DKK
3 shares of DKK 100 000 each	300 000	300 000
2 shares of DKK 50 000 each	100 000	100 000
2 shares of DKK 25 000 each	50 000	50 000
3 shares of DKK 10 000 each	30 000	30 000
2 shares of DKK 5 000 each	10 000	10 000
10 shares of DKK 1 000 each	10 000	10 000
Total share capital	<u>500 000</u>	<u>500 000</u>

The past five years changes in share capital are as follows:

	2016/2017 DKK	2015/2016 DKK	2014/2015 DKK	2013/2014 DKK	2012/2013 DKK
Balance at 1 April	500 000	500 000	500 000	500 000	500 000
Balance at 31 March	<u>500 000</u>	<u>500 000</u>	<u>500 000</u>	<u>500 000</u>	<u>500 000</u>

No shares carry special voting rights.

Note 8. Other payables

As per 31 March	2017	2016
	DKK	DKK
Deferred income	66 947	176 754
Other payables	4 680 607	5 148 694
	<u>4 747 554</u>	<u>5 325 448</u>

Note 9. Contingent assets

The Company's contingent assets amount to approximately DKK 865 thousand and relate to temporary differences between the carrying amount and the tax base of certain assets and liabilities, which at present are not expected to be utilised via offset against future taxable earnings.

Note 10. Contingent liabilities

The Company entered into a lease concerning premises on 1 September 2014. The lease is non-cancellable until 31 August 2019. The annual rent amounts to DKK 495 thousand.

In addition, the Company has entered into leases concerning cars. The remaining lease payments amount to DKK 312 thousand.

The total lease commitment for premises, car leases and the copy machine amounts to DKK 1 814 thousand (2015/16 DKK 2 897 thousand).

Note 11. Related parties

Related parties having a controlling interest refer to the parent, BMC Software, Inc.

The Company performs extensive sales and marketing activities in Denmark for group enterprises. The costs relating to those activities are reimbursed by a group enterprise and such reimbursement is included in the Company's revenue. Cost reimbursements account for approximately 80% of total revenue.

These financial statements present information about the Company as an individual undertaking and not about its group. The Company has availed of the exception to Paragraph 112 of the Danish Financial Statements Act from preparing and delivering consolidated financial statements. The results of the Company and its subsidiary are included in the consolidated financial statements of BMC Software Finance, Inc., which have been prepared in accordance with U.S. generally accepted accounting principles. The consolidated financial statements of BMC Software Finance, Inc. are available from 2103 CityWest Boulevard, Houston, Texas, 77042, USA.