Sitecore Corporation A/S

Vester Farimagsgade 3, 5, 1606 København V

CVR no. 26 03 25 12

Annual report 2016/17

Approved at the Company's annual general meeting on 30/11 2017

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sitecore Corporation A/S for the financial year 1 July 2016 - 30 June 2017.

The annual report is 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 30 June 2017 and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 30 November 2017
Executive Board:

DocuSigned by: mark frost 672528F525ED49C...	DocuSigned by: Dan Griggs 0C1A6E0FC18A48C...
Mark David Frost CEO	Daniel Edwin Griggs CFO

Board of Directors:

DocuSigned by: D445DA97697547C...	DocuSigned by: Robert Youngjohns 37F9F60A35DC4F5...	DocuSigned by: Sheila Gulati 611149ED91E8467...
Jonas Persson Chairman	Robert Youngjohns	Sheila May Gulati
DocuSigned by: Dominik Stein 527F8B30F27548D...	DocuSigned by: Michael Seifert 1B3C73067582439...	DocuSigned by: F4B58B6D28A84CF...
Dominik Vincent Stein	Michael Seifert	Morten Hummelmose

Independent auditor's report

To the shareholders of Sitecore Corporation A/S

Opinion

We have audited the financial statements of Sitecore Corporation A/S for the financial year 1 July 2016 - 30 June 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 30 June 2017 and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 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 the 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 the 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 the 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 the 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30 November 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised Public Accountant

Kennet Hartmann
State Authorised Public Accountant

Management's review

Company details

Name	Sitecore Corporation A/S
Address, Postal code, City	Vester Farimagsgade 3, 5., 1606 København V
CVR no.	26 03 25 12
Established	26 April 2001
Registered office	København
Financial year	1 July 2016 - 30 June 2017
Website	www.sitecore.net
Telephone	+45 70 23 66 60
Board of Directors	Jonas Persson, Chairman Robert Youngjohns Sheila May Gulati Dominik Vincent Stein Michael Seifert Morten Hummelmose
Executive Board	Mark David Frost, CEO Daniel Edwin Griggs, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

EUR'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	41,286	81,364	63,826	49,891	36,680
Gross margin	22,135	58,222	41,096	30,822	22,477
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	13,858	32,788	5,612	12,567	12,409
Operating profit/loss	10,438	30,769	3,868	11,350	11,486
Net financials	9,965	-4,090	1,824	-873	2,885
Profit/loss for the year	4,822	223,957	4,452	10,229	11,432
Non-current assets	274,048	37,801	50,120	49,776	16,049
Current assets	34,372	267,133	100,962	37,132	41,705
Total assets	308,420	304,934	151,082	86,908	57,754
Investment in property, plant and equipment	718	208	660	1,242	561
Share capital	1,404	1,404	1,404	1,404	1,404
Equity	228,049	260,686	36,587	31,717	22,829
Non-current liabilities other than provisions	3,894	3,055	2,238	10,814	9,972
Current liabilities other than provisions	76,477	41,193	112,258	44,377	24,954
Financial ratios					
Gross margin	53.6%	71.6%	64.4%	61.8%	61.3%
EBITDA-margin	33.6%	40.3%	8.8%	25.2%	33.8%
Return on equity	2.0%	150.7%	13.0%	37.5%	66.7%
Average number of employees	125	130	132	110	103

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management commentary

Business review

For fiscal 2017, Sitecore reported financial results consistent with the continued execution of its long-term plan to transition the business from a traditional perpetual license model to a subscription-based revenue model.
Reflecting on the past year, Sitecore never lost sight of its purpose to enable businesses to connect with their customerswhen and where it matters most.

Sitecore’s strategy and market success is underpinned by our development of one connected platform that delivers one connected experience, empowering marketers to truly put the customer at the heart of every interaction. Amidst a market rife with renaming, repositioning, and repackaging products to suit digital experience requirements, Sitecore has maintained its focus and released numerous new technologies that help provide the best possible shopping experience – one that understands the customer as an individual, simplifies their interaction with the business, and anticipates their needs to provide solutions to everyday challenges.

The company’s advancing competitive position and financial performance is evidence of the success of the innovative products and services we distribute through a partner-focused business model. And while we are proud of our success to date, we believe we are just scratching the surface of our addressable market.

Management's review

Management commentary

Sitecore's strong position

Customer experience is proven as a critical differentiator and driver of company value, yet very few companies are doing it well. The latest version of the Sitecore Experience Platform has dramatically reduced the barriers to customer experience adoption and success by easing the complexity that previously held marketers back. Continuing to progress this simplified and unified approach will position Sitecore as essential to business leaders who value a unified and coordinated means of engaging and interacting with customers.

At Sitecore, success has come from an ability to lead market transitions. We were the first WCM and commerce vendor to see the impact that personalization would have on businesses and, today, Sitecore stands out from the competition due to:

• WCM market leadership. As marketers seek more agility in their customer-facing programs, Sitecore is accelerating the delivery of integration, cloud, and machine learning capabilities that will allow them to achieve more value in a faster, more automated, and more powerful and intelligent way.

• Reinventing the commerce market. Sitecore moves commerce beyond simple transactions to a seamless blend of content, context, and commerce that puts experience first.

• Integrations to line of business and other customerfacing applications. Sitecore is leading the way in the "usability and consumability" of customer information in the moment of engagement, giving organizations an accurate, granular, and real-time understanding of what is going on with their customer interactions, regardless of where they happen.

• Contextual intelligence at scale. Sitecore delivers real-time insights across both native and third-party customer data, enabling marketers to unveil new customer segments and revenue opportunities in real time for exceptional competitive advantage and business results.

• Delivering more flexibility through cloud deployments. Sitecore offers multiple cloud deployment options that give customers the greatest flexibility and choice, from the Sitecore Azure Toolkit for power users who want full control over their deployment to managed cloud offerings for customers who want a fully managed service.

Throughout our history, Sitecore has witnessed many inflection points in the use of digital marketing technologies to reduce buying friction while still offering an engaging, personalized touch that wins hearts, minds, and loyalty. As new types of devices and new modes of interaction emerge, customer experience and Sitecore have never been more relevant or more strategic. In our view, it is clear that the opportunities ahead are even brighter than those of the past.

Management's review

Management commentary

Special risks

Sitecore's short- and long-term outlook is subject to risk and uncertainty that may result in the actual performance differing considerably from expectations. The major factors are assessed to be the following:

As Sitecore's business has expanded globally, the company has increasingly become subject to risks arising from adverse changes in global economic and political situations. The past several years have been characterized by pockets of weak global economic conditions, uncertain political environments, and volatile financial markets. As a result, Sitecore's ability to meet its long-term financial targets may also be adversely affected.

Because the vast majority of Sitecore's business is outside of Denmark and the company makes certain business and resource decisions based on assumptions about foreign currency, the company faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and economic conditions change, and they could have a material adverse impact on Sitecore's financial results and cash flows.

As part of its effort to accommodate customers' needs and demands and the rapid evolution of technology, Sitecore from time to time evolves its product and service offerings and sales initiatives. Market acceptance of any new product or service is dependent on the ability to match customers' needs at the right time and price. Sitecore may have limited prior experience and operating history in these new areas of emphasis, including cloud services. If any assumptions about expenses, revenue, or revenue recognition principles from these initiatives prove to be incorrect, or attempts to improve efficiency are not successful, actual results may vary materially from those anticipated, and financial results will be negatively impacted.

To address the industry transition to subscription licensing and cloud computing, Sitecore has accelerated its move to the cloud and is offering more flexible licensing for products and offerings. While it is expected that total subscription revenue, billings, bookings, ratable, and recurring revenue will increase over time as a result of this business model transition, our ability to achieve these financial objectives is subject to risks and uncertainties. The new offerings require a considerable investment of technical, financial, legal, and sales resources, and a scalable organization. If we are unable to successfully establish these new offerings and navigate our business model transition in light of the foregoing risks and uncertainties, our results of operations could be negatively impacted.

The company's success and ability to invest and grow depend largely on Sitecore's ability to attract and retain highly skilled technical, professional, managerial, sales, and marketing personnel. Historically, competition for these key personnel has been intense. The loss of services of any key talent or executives, the inability to retain and attract qualified personnel in the future, or delays in hiring required personnel, particularly engineering and sales personnel, could make it difficult to meet key objectives, such as timely and effective product introductions and financial goals.

Technological developments may involve a relative deterioration of the technology base for Sitecore's products and services. Sitecore monitors technology developments closely and actively defends its technology leadership. Sitecore also seeks to protect its own innovation through IP protection.

Dissatisfaction among customers can impair Sitecore'scredibility and could, at worst, lead to legal disputes and claims. Sitecore has not had and currently does not have any suchcases, and Sitecore's business model is designed to maintain customers trust.

Management's review

Management commentary

Research and development activities

Sitecore's strategy and market success is underpinned by our development of one connected platform that delivers one connected experience, empowering marketers to truly put the customer at the heart of every interaction. Amidst a market rife with renaming, repositioning, and repackaging products to suit digital experience requirements, Sitecore has maintained its focus and released numerous new technologies that help provide the best possible shopping experience – one that understands the customer as an individual, simplifies their interaction with the business, and anticipates their needs to provide solutions to everyday challenges. The company's advancing competitive position and financial performance is evidence of the success of the innovative products and services we distribute through a partner-focused business model. And while we are proud of our success to date, we believe we are just scratching the surface of our addressable market.

Statutory CSR report

The Company has not drawn up any CSR report, as the Parent Company has done so for the entire Group. The report is rendered in the parent company's annual report and may be downloaded from the site www.cvr.dk.

Status on equal gender representation in leadership positions

Board of directors

During the year, Robert Youngjohns was added as a new member to the board of directors of Sitecore. Robert Youngjohns is an experienced software executive and former EVP, general manager, Hewlett Packard Enterprise (HPE) Software. At the end of the fiscal year, the Board consisted of six (6) members, including Jonas Persson, Thomas Albert, Sheila May Gulati, Morten Hummelmose, Dominik Vincent Stein, and Robert Youngjohns. Sheila Gulati's continued service on the Board of Directors reflects Sitecore's continued compliance with its own target to retain the board membership of qualified women to 15 percent, which was set at the general meeting in November 2013. The board now consists of six board members, with 16.67 percent of the Board members being women.

In early July 2017, Sitecore co-founder and previous CEO, Michael Seifert, joined Sitecore's Board of Directors, replacing Thomas Albert.

Executive management board and leadership team

During the fiscal year, there were several changes to Sitecore's executive management board and leadership team. In addition, in early July, 2017, Sitecore announced the appointment of Mark Frost as new Chief Executive Officer to replace Sitecore Co-Founder and previous CEO Michael Seifert, who joined the Board of Directors. Mark is responsible for defining and managing the company's business and direction, leveraging its leading technology solutions in the highly attractive markets for web content management, commerce, and digital marketing software.

Mark has more than 30 years of experience building and scaling cloud business models for enterprise software companies and has a proven track record of driving business transformations and category leadership. Before joining Sitecore, Mark served as CEO of MarkMonitor, a leader in enterprise brand protection, where he drove record topline growth and customer acquisition. He ultimately completed a sale of the company, which was part of the IP&S division of Thomson Reuters, in October 2016. Prior to that, Mark served as General Manager for the SaaS Business Unit of CA Technologies, where he was part of the Global Leadership Team and responsible for pioneering and leading the transformation to SaaS for this $4.2B IT management software company.

In addition, Sitecore promoted Dan Griggs, as Chief Financial Officer, to its executive management board, along with Mark Frost.

Management's review

Management commentary

Further, during the fiscal year 2017, Sitecore appointed Mark Zablan as its Chief Revenue Officer, responsible for Sitecore's worldwide sales. Mark has over 20 years of experience in senior executive roles with high-growth companies in the areas of data, analytics, digital marketing, and content management software. Mark is a proven global leader, and most recently he served as President of Adobe EMEA and Group President of Experian Marketing Services, North America, and UK/I. In February 2017, Sitecore also announced the appointment of Denise Parker as its EVP, Business Operations and recently promoted her to Chief Customer Officer. Denise joined Sitecore's executive leadership team to lead the company's commercial operations and supporting processes. Denise brings more than 15 years of experience from the enterprise software and cloud market, spanning sales, consulting, and business development, including work at K2 and Microsoft Corporation.

Other management levels

Today, approximately 24 percent (up from approximately 22 percent) of senior and mid-level management members in the company's group are women. The ratio of female managers in the group have steadily increased over the past several years. Sitecore has a goal of increasing its ratio of female employees. The company continues to offer equal opportunities for men and women throughout its global workforce, and will continue to promote equal opportunities regardless of gender, ethnicity, race, religion, or sexual orientation. During the year, this has been addressed by including specific language in all public job postings highlighting that Sitecore offers equal opportunity throughout its global workforce, and diversity has been included as being one part of the assessment of new hires. As a result, the percentage of senior and mid-level management members in the company have increased as described above. Sitecore will continue to monitor its compliance and HR strategy on gender representation, and it will report on any developments in its annual report.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

Sitecore's software sales have shifted in fiscal 2017 from predominantly perpetual licenses with upfront revenue recognition, to more subscription or term licenses, with revenue recognition spread out over time. This trend contributed to subscription revenues increasing and license revenue declining in the year ended June 30, 2017. Sitecore's deferred revenue relating to subscription software contracts increased during the year, which will be recognized as revenue during fiscal year 2018 and beyond.

Sitecore anticipates accelerated adoption of the subscription pricing model in fiscal 2018. During this transition, the company does not anticipate a corresponding decrease in expenses, which will adversely affect net income and operating margin in fiscal 2018. However, over time, Sitecore expects this business model transition will significantly increase long-term revenue growth rate by (1) attracting new customers, (2) significantly increase the percentage of recurring revenue and (3) thereby drive higher average recurring revenue per customer. Additionally, the shift to a subscription model will increase the amount of the company's recurring revenue that is ratably reported.

Current plans and expectations involve building a stronger position in several geographic regions, expanding the partner network, creating new business model offerings, and the continued strengthening of Sitecore's products and services through development and acquisition.

Sitecore expects to revenue associated with Sitecore Commerce to trend upward during fiscal 2018 as we start to see the benefit from new product launches and other growth initiatives.
Given the market opportunity, Sitecore will continue to aggressively invest in product development, customer support, and distribution at times in advance of revenue.

Financial statements 1 July 2016 - 30 June 2017

Income statement

Note	EUR'000	2016/17	2015/16
2	Revenue	41,286	81,364
	Cost of sales	-6,703	-3,316
	Other external expenses	-12,448	-19,826
	Gross margin	22,135	58,222
3	Staff costs	-8,277	-25,434
	Amortisation/depreciation of intangible assets and property, plant and equipment	-3,420	-2,019
	Profit before net financials	10,438	30,769
	Income from investments in group enterprises	1,516	0
	Write-down of investments in group enterprises	-11,797	0
	Gain on disposal of investment	0	209,055
4	Financial income	10,577	1,321
	Acquisition related and special items	-731	-6,675
5	Financial expenses	-612	-5,411
	Profit before tax	9,391	229,059
6	Tax for the year	-4,569	-5,102
	Profit for the year	4,822	223,957

Financial statements 1 July 2016 - 30 June 2017

Balance sheet

Note	EUR'000	2016/17	2015/16
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Completed development projects	5,018	2,468
	Patents, trademarks and product rights	3,559	910
	Development projects in progress	4,092	2,823
		12,669	6,201
8	Property, plant and equipment		
	Plant and machinery	512	321
	Fixtures and fittings, other plant and equipment	422	456
		934	777
9	Financial assets		
	Investments in group enterprises	26,009	30,556
	Receivables from group enterprises	234,167	0
	Deposits, investments	269	267
		260,445	30,823
	Total non-current assets	274,048	37,801
	Current assets		
	Receivables		
	Trade receivables	169	25
	Receivables from group enterprises	33,108	260,191
	Other receivables	129	16
10	Prepayments	782	2,084
		34,188	262,316
	Cash	184	4,817
	Total current assets	34,372	267,133
	TOTAL ASSETS	308,420	304,934

Financial statements 1 July 2016 - 30 June 2017

Balance sheet

Note	EUR'000	2016/17	2015/16
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	1,404	1,404
	Reserve for development costs	7,106	0
	Retained earnings	219,539	222,922
	Dividend proposed	0	36,360
	Total equity	228,049	260,686
12	Non-current liabilities		
	Deferred tax	2,667	1,201
14	Deferred income	1,227	1,854
	Total non-current liabilities	3,894	3,055
	Current liabilities		
	Bank debt	26,092	0
	Trade payables	73	415
	Payables to group enterprises	15,611	1,056
	Corporation tax payable	3,151	3,462
	Other payables	4,198	4,234
14	Deferred income	27,352	32,026
	Total current liabilities	76,477	41,193
	Total liabilities	80,371	44,248
	TOTAL EQUITY AND LIABILITIES	308,420	304,934

1 Accounting policies
15 Contractual obligations and contingencies, etc.
16 Collateral
17 Related parties
18 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 July 2016 - 30 June 2017

Statement of changes in equity

Note	EUR'000	Share capital	Reserve for development costs	Retained earnings	Dividend proposed	Total
	Equity at 1 July 2016	1,404	0	222,922	36,360	260,686
	Additions due to mergers	0	0	-1,099	0	-1,099
19	Transfer, see "Appropriation of profit"	0	7,106	-2,284	0	4,822
	Dividend	0	0	0	-36,360	-36,360
	Equity at 30 June 2017	1,404	7,106	219,539	0	228,049

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies

The annual report of Sitecore Corporation A/S for 2016/17 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes in accounting policies

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:

1. Dividend from investments in subsidiaries
2. Yearly reassessment of residual values of property, plant and equipment
3. Reserve for development costs

Re 1: Dividend from investments in subsidiaries must always be recognised in the income statement going forward. If the cost exceeds the carrying amount of the net assets of subsidiaries, or if dividend exceeding the profit for the year is distributed, there will be evidence of impairment, meaning that an impairment test must be conducted. Previously, dividend exceeding the subsidiary's accumulated earnings would be set off against cost.

Re 2: In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

Re 3: An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

In addition, the Company has decided to present its balance sheet in horizontal format where non-current and current assets and liabilities are broken down.

None of the above changes affects the income statement or the balance sheet for 2016/17 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.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Sitecore Holding II A/S.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Reporting currency

The financial statements are presented in euros (EUR).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenues consist of software license fees, software maintenance, education and consulting services.

Revenues are recognized when 1) persuasive evidence of an arrangement exists, 2) delivery has occurred or services have been rendered, 3) the sales price is fixed or determinable, and 4) collectability is probable.

Software revenue associated with perpetual licenses is recognized when shipped if all other revenue recognition criteria are met. Revenue associated with software sold on a subscription basis is recognized ratably over the subscription period, which is typically one year.

Maintenance revenue, associated with perpetual licenses, is recognized ratably over the maintenance period, which is typically one year.

Education services revenue is recognized upon delivery of training.

Consulting service revenue is recognized as services are performed.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3 years
Patents, trademarks and product rights	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Plant and machinery	3-5 years
Fixtures and fittings, other plant and equipment	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in subsidiaries and associates

The item includes dividends from investments in subsidiaries and associates. Dividend distributions that either exceed the profit for the year or where the carrying amount of the investments exceeds the consolidated carrying amounts of the subsidiary's net assets will indicate impairment for which reason an impairment test will have to be conducted.

Financial income

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, exchange gains and losses and amortisation of financial assets and liabilities.

Acquisition related and special items

Acquisition related and special items consists of costs that were incurred in relation to acquisition of Sitecore Corporation A/S by Sitecore Holding III A/S. This consists of professional fees paid to advisors, lawyers and other service providers who were directly involved in acquisition related activities.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 3 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight line basis over the remaining term of the patent, and licences are amortised over the term of the licence, but not exceeding 5 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{EBITDA}}{\text{Revenue x 100}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

EUR'000	2016/17	2015/16
2 Segment information		
Revenue from royalties etc.	41,286	81,364
	41,286	81,364
Breakdown of revenue by geographical segment:		
Europe	8,054	20,535
North America	29,808	56,424
Greater Asia	3,424	4,405
	41,286	81,364

	2016/17	2015/16
3 Staff costs and incentive programmes		
Wages/salaries	13,363	30,439
Pensions	862	779
Other staff costs	274	329
Capitalized salaries	-6,222	-6,113
	8,277	25,434

Wages, pension and other staff costs charged from subsidiaries, which amount to EUR 1,200 thousand (2015/16: EUR 18,133 thousand), are included in "Wages/salaries".

	2016/17	2015/16
Average number of full-time employees	125	130

Total remuneration to Management, registered with the Danish Business Authority: EUR 1.3m (2015/16: EUR 1.6m).

Total options granted to Management, registered with the Danish Business Authority at year-end: 4.1m.

Part of the remuneration to the Company's Executive Board is paid by the parent Company and other Group companies.

Incentive programmes

The Parent Company (Sitecore Holding II A/S) has established a global stock incentive plan for key management and key personnel. The stock incentive plan comprise a total of 15,704,861 stock options at 30 June 2017. Each option grants the holder the right to buy one share of common stock at the exercise price of EUR 1 per share. The exercise of 7,852,431 options is subject to continued employment and vest with 1/4 on each anniversary after grant date. Unvested options will vest upon an exit event. The exercise of 7,852,430 options is subject to achieving a certain rate of return on the investment upon an exit event. The options expire after 10 years. Fair value of the options subject to continued employment is determined by applying a Black Scholes option valuation model. Fair value of the options subject to achieving a certain rate of return is determined by a Monte Carlo simulation applying the same assumptions as applied under the Black Scholes option valuation model.

The following assumptions were applied:

Share price EUR 1

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

Expected life of options 2.9 - 3.4

Expected volatility 51% - 55 %

Risk free interest rate (0,3%) - (0,7%)

Expected dividend 0%

Fair value of the 7,852,431 options subject to continued employment amounts to EUR 2.5m while fair value of the 7,852,430 options subject to achieving a certain rate of return on the investment upon an exit is events amounts to EUR 1.5m. The expected volatility was determined as the observable volatility for the expected life of the options for a peer group of listed companies.

As part of the acquisition of the Sitecore Corporation Group, existing options (22,897,905 options in total) granted to employees, were exchanged for options in Sitecore Holding II A/S on similar terms. Fair value attributable to services provided up until the acquisition date forms part of the cost price for the shares in Sitecore Corporation A/S. Fair value attributable to services to be provided subsequent to the acquisition is accounted for as share-based payment. Fair value is determined by applying a Black Scholes option valuation model.

The following assumptions were applied:

Share price EUR 1

Expected life of options 0,3 - 3,4 years

Expected volatility 50,0 %

Risk free interest rate 0,0%

Expected dividend 0,0%

	EUR'000	2016/17	2015/16
4	Financial income		
	Interest income, group entities	10,158	1,288
	Other financial income	419	33
		10,577	1,321
5	Financial expenses		
	Interest expenses, group entities	260	96
	Other financial expenses	352	5,315
		612	5,411
6	Tax for the year		
	Estimated tax charge for the year	3,031	3,885
	Deferred tax adjustments in the year	1,466	1,108
	Tax adjustments, prior years	72	109
		4,569	5,102

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

7 Intangible assets

EUR'000	Completed development projects	Patents, trademarks and product rights	Development projects in progress	Total
Cost at 1 July 2016	3,290	2,372	2,823	8,485
Additions	2,128	3,107	4,092	9,327
Transferred	2,823	0	-2,823	0
Cost at 30 June 2017	8,241	5,479	4,092	17,812
Amortisation at 1 July 2016	822	1,462	0	2,284
Amortisation for the year	2,401	458	0	2,859
Amortisation at 30 June 2017	3,223	1,920	0	5,143
Carrying amount at 30 June 2017	5,018	3,559	4,092	12,669

Completed development projects

Completed development projects relate to the Sitecore 8.2 release in July 2017 and related functionalities, which have been updated for full integration and additional functionalities with the 8.2 release. The Sitecore platform enables its users to personalize content on a wide variety of electronic platforms and also to analyze on customer reaction to the personalized content. The Sitecore platform is the leading CMS-system for WCM.

Development projects in progress

Development project in progress comprises R&D related to the Sitecore 9.0 which was released in October 2017 (post balance sheet date) and among other functionalities adds Sitecore xConnect - a new data integration support - to the platform.

8 Property, plant and equipment

EUR'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 July 2016	1,012	1,238	2,250
Additions	484	234	718
Disposals	-654	-558	-1,212
Cost at 30 June 2017	842	914	1,756
Revaluations at 1 July 2016	0	0	0
Revaluations at 30 June 2017	0	0	0
Depreciation at 1 July 2016	691	782	1,473
Depreciation	293	268	561
Reversal of accumulated depreciation	-654	-558	-1,212
Depreciation at 30 June 2017	330	492	822
Carrying amount at 30 June 2017	512	422	934

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

9 Investments

EUR'000	Investments in group enterprises	Receivables from group enterprises	Deposits, investments	Total
Cost at 1 July 2016	30,556	0	267	30,823
Additions	8,359	234,167	2	242,528
Disposals	-1,109	0	0	-1,109
Cost at 30 June 2017	37,806	234,167	269	272,242
Value adjustments for the year	-11,797	0	0	-11,797
Value adjustments at 30 June 2017	-11,797	0	0	-11,797
Carrying amount at 30 June 2017	26,009	234,167	269	260,445

Name	Legal form	Domicile	Interest	Equity EUR'000	Profit/loss EUR'000
Subsidiaries					
Sitecore Danmark	A/S	Copenhagen, DK	100.00%	553	214
Sitecore International	A/S	Copenhagen, DK	100.00%	346	49
Sitecore UK	Ltd.	London, UK	100.00%	4,563	593
Sitecore Sverige	AB	Stockholm, SE	100.00%	2,142	120
Sitecore Deutschland	GmbH	Bremen, DE	100.00%	1,864	508
Sitecore Nederland	B.V.	Amsterdam, NL	100.00%	1,532	193
Sitecore Belgium	BVBA	Brussels, BE	100.00%	0	0
Sitecore Middle East	DMCC	Dubai, UAE	100.00%	0	0
Sitecore Japan Co.	Ltd.	Tokyo, JP	100.00%	-2,021	-20
Sitecore Singapore Pte.	Ltd.	Singapore, SG	100.00%	208	-49
Sitecore Software Co.	Ltd.	Shanghai, CN	100.00%	-85	-30
Sitecore Malaysia Sdn.	Bhd.	Kuala Lumpur, MY	100.00%	259	157
Sitecore Ukraine	Foreign Enterprise	Dniepropetrovsk, UA	100.00%	-181	-91
Komfo	ApS	Copenhagen, DK	100.00%	-1,722	-1,223
Komfo	Ltd.	Sofia, BG	100.00%	0	0

10 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

11 Share capital

The company's nominal share capital is DKK 10,473,053, divided into shares of a nominal amount of DKK 0,10 each.

The Company's share capital has remained EUR 1,404 thousand over the past 5 years.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

12 Non-current liabilities

EUR'000	Total debt at 30/6 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred tax	2,667	0	2,667	0
Deferred income	1,227	0	1,227	0
	3,894	0	3,894	0

13 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

14 Deferred income

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial years.

15 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company has declared to its parent, Sitecore Holding III A/S, that the intra-group balance of EUR 234,167 thousand does not have to be repaid until the parent has the liquidity to do so. This declaration is effective until 30 June 2018.

The Company is jointly taxed with its ultimate Danish parent, Sitecore Holding II A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

EUR'000	2016/17	2015/16
Rent and lease liabilities	293	300

The company has entered into rental contracts, which are terminable with 6 months' notice.

16 Collateral

The Company has acceded to a credit facility agreement with Danske Bank as a guarantor for certain facilities in subsidiaries. The guarantee amounts to EUR 5m.

The Company has an owner's mortgage of EUR 6m to Nordea Bank as security for certain credit facilities.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

17 Related parties

Sitecore Corporation A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Sitecore Holding II A/S	Copenhagen, Denmark	Ultimative parent
Sitecore Holding III A/S	Copenhagen, Denmark	Owner

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Sitecore Holding II A/S	Copenhagen, Denmark	www.cvr.dk

Related party transactions

Related party transactions with subsidaries and sister companies are not disclosed with reference to section 98c(3) of the Danish Financial Statements Act.

Group enterprise transactions not carried through on normal market terms

There are no group enterprise transactions with Sitecore Holding II A/S or Sitecore Holding III A/S that have not been carried through on normal market terms.

Information on the remuneration to management

Information on the remuneration to Management appears from note 3, "Staff costs".

Information about security for loans relating to group entities

Information about security for loans relating to group entities appears from 16, "Collateral".

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Sitecore Holding III A/S	Copenhagen, Denmark

18 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Sitecore Holding II A/S.

EUR'000	2016/17	2015/16
19 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	0	36,360
Other statutory reserves	7,106	0
Retained earnings/accumulated loss	-2,284	187,597
	4,822	223,957