Sitecore Corporation A/S

Vester Farimagsgade 3, 5., 1606 København V

CVR no. 26 03 25 12

Annual report 2017/18

Approved at the Company's annual general meeting on 13 November 2018

Chairman:

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Building a better working world

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 2017 - 30 June 2018.

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 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018.

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, 13 November 2018
Executive Board:

DocuSigned by:
mark frost
Mark David Frost
CEO

DocuSigned by:
Dan Griggs
Daniel Edwin Griggs
CFO

Board of Directors:

DocuSigned by:
Jonas Persson
Chairman

DocuSigned by:
Robert Youngjohns
Robert Youngjohns

DocuSigned by:
Sheila Gulati
Sheila May Gulati

DocuSigned by:
Dominik Stein
Dominik Vincent Stein

DocuSigned by:
Bjarne Hansen
Bjarne Kock Hansen

DocuSigned by:
Craig Conway
Craig Allen Conway

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 2017 - 30 June 2018, which comprise 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 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 scepticism 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 conclusions are 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 the work we have performed, 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, 13 November 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath State Authorised Public Accountant mne19718	Kennet Hartmann State Authorised Public Accountant mne40036

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 2017 - 30 June 2018
Website	www.sitecore.net
Telephone	+45 70 23 66 60
Board of Directors	Jonas Persson, Chairman Robert Youngjohns Sheila May Gulati Dominik Vincent Stein Bjarne Kock Hansen Craig Allen Conway
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

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	96,388	307,261	81,364	63,826	49,891
Gross margin	-38,976	164,798	58,222	41,096	30,822
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-102,753	103,223	32,788	5,612	12,567
Operating profit/loss	-144,868	77,779	30,769	3,868	11,350
Net financials	81,488	74,117	-4,090	1,824	-873
Profit/loss for the year	**-48,220**	**36,014**	**223,957**	**4,452**	**10,229**
Non-current assets	2,375,577	2,038,059	37,801	50,120	49,776
Current assets	70,107	255,618	267,133	100,962	37,132
Total assets	**2,445,684**	**2,293,677**	**304,934**	**151,082**	**86,908**
Investment in property, plant and equipment	4,859	718	208	660	1,242
Share capital	10,473	10,473	1,404	1,404	1,404
Equity	**1,647,756**	**1,695,976**	**260,686**	**36,587**	**31,717**
Non-current liabilities	52,310	28,960	3,055	2,238	10,814
Current liabilities	745,618	568,741	41,193	112,258	44,377
Financial ratios					
Gross margin	-40.4%	53.6%	71.6%	64.4%	61.8%
EBITDA-margin	-106.6%	33.6%	40.3%	8.8%	25.2%
Return on equity	-2.9%	3.7%	150.7%	13.0%	37.5%
Average number of employees	**119**	**125**	**130**	**132**	**110**

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

Management's review

Business review

The income statement for 2017/18 shows a loss DKK 48,220 thousand against a profit of DKK 36,014 thousand last year, and the balance sheet at 30 June 2018 shows equity of DKK 1,647,756 thousand. Management considers the Company's financial performance in the year satisfactory.

The Company has received a letter of subordination from Sitecore UK Limited. Reference is made to note 14.

For fiscal 2018 Sitecore reported financial results consistent with the continued execution of its long-term plan to transition from predominantly distributing and supporting perpetual license software to more subscription services 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, 2018. The expansion of Sitecore's portfolio of cloud offerings helped increase subscription and cloud revenue more than 117% year over year.

Reflecting on the past year, Sitecore reaffirmed its position as the market leader providing one connected platform that empowers marketers to put the customer at the heart of every interaction. However, in a dynamic market rife with emerging players, solution repackaging and repositioning, and vendor consolidation, we continued to recognize that a focus on innovation and renewal is crucial to maintaining our competitive advantage.

In fiscal year 2018, Sitecore developed and embarked on a new multi-year strategic plan centered on our core web content management, commerce, and digital experience platform businesses. To advance the company's competitive position, we accelerated to being a cloud-focused, cloud-first business, with initiatives intended to focus the entire organization on leading with the cloud. We also focused investments to make our solutions easy to use for developers and marketers alike, including the expansion of artificial intelligence and machine learning capabilities in our core offerings. To continue our push into the enterprise space, we signed new alliances with Salesforce and WPP. And to drive customers toward full adoption of our platform capabilities, we reinvigorated a customer-centric culture across every department of the company and made it easier to do business with Sitecore—for both our customers and partners.
Sitecore's vision and mission are to create a world where everyone feels like a preferred customer by delivering innovation that connects brands with their customers for life-long relationships. Our success to date is evidence of the opportunity ahead of us, and we believe Sitecore has never been more relevant or more strategic to the marketing leaders transforming their business for the digital age.

Sitecore's strong position

Customer experience is a critical differentiator and driver of company value, yet research continues to show that very few companies are doing it well. Digital marketers face challenges with siloed data, lengthy time to market, and weak omni-channel delivery options. The latest releases of Sitecore's solutions solve those problems, with the most robust functionality delivered in a single release from the company.

Sitecore was the first to release a digital marketing suite based on a web content management system and, today, the company continues to reduce the barriers to customer experience adoption, shorten time-to-market, and simplify the ability of organizations to offer an engaging, personalized touch that wins hearts, minds, and loyalty. Our competitive advantage in the market is based on:

Management's review

▸ WCM market leadership. As native WCM capabilities expand beyond traditional boundaries, Sitecore's platforms allow organizations to achieve more value in a faster, more automated, and more powerful and intelligent way through integration, cloud, and machine learning capabilities, as well as the flexibility to deliver content to traditional and emerging channels in "headless" and hybrid architectures.

▸ Reinventing the commerce market. Sitecore puts experience first in the commerce environment by seamlessly integrating transaction activity with content and customer data, enabling companies to better understand customers' behavior and interests so they can respond to their individual goals and needs.

▸ Integrations to line of business and other customer- facing applications. Sitecore enables any facet of customer intelligence–be it from a CRM system, ERP system, point-of-sale system, or Internet-of-Things (IoT) device–to be imported, analyzed, and then used to create a highly personalized and contextual digital experience.

▸ Contextual intelligence at scale. Sitecore's ability to provide real-time insights across both native and third- party customer data enables marketers to uncover new customer segments, identify new revenue opportunities, and foster more engaging multichannel marketing experiences to drive exceptional business results.

Special risks

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

To address the industry transition to subscription licensing and cloud computing, Sitecore has shifted its business model toward a focus on subscription licensing and cloud deployment of its 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 at the pace we expect depend largely on our 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.

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.

As part of its effort to accommodate customers' needs and demands and the rapid evolution of technology, Sitecore 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.

Dissatisfaction among customers may impair Sitecore's reputation and could, at worst, lead to legal disputes and claims, which may impact the performance of the company.

Management's review

Because the vast majority of Sitecore's revenue and costs are 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.

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.

Account of the gender composition of Management

Board of directors

In early July 2017, Sitecore co-founder and previous CEO, Michael Seifert, joined Sitecore's Board of Directors, replacing Thomas Albert. In addition, in February 2018, Craig Conway joined the Board of Directors, following the departure of Morten Hummelmose. Mr. Conway was previously president and chief executive officer of PeopleSoft, and is currently a member of the board of directors of Guidewire Software, Nutanix, and Salesforce. In October 2018 Bjarne Hansen joined the board following the departure of Michael Seifert. Bjarne Hansen is the former President of Sitecore USA Inc. Following his departure, Michael Seifert will continue in an advisory role to the Board of Directors.

At the end of the fiscal year, the Board consisted of six (6) members, including Jonas Persson, Bjarne Hansen, Sheila Gulati, Craig Conway, 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.

Executive management board and leadership team

During the fiscal year, there were several changes to Sitecore's executive management board and leadership team. In July 2017, Sitecore announced the appointment of Mark Frost as new Chief Executive Officer to replace Sitecore Co-Founder and previous CEO Michael Seifert. 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.

Management's review

In September 2017, Sitecore appointed Faraaz Khan as its Senior Vice President of Corporate Strategy and Development Faraaz is responsible for strategic partnerships, acquisitions, and driving the company's long-term strategy and business planning. Prior to joining Sitecore, Faraaz served as the Global Head of Corporate Strategy, Partnerships and Pricing for the IP & Science division of Thomson Reuters. Faraaz also worked in management consulting with Booz & Company.

In January 2018, Sitecore appointed Anil Gupta its Executive Vice President, Program Management. As the leader for the company's program management functions, Anil has a broad cross-functional role ensuring operational excellence, governance, and coordination across global teams. Before joining Sitecore, Anil was the CMO of MarkMonitor and CompuMark, product business units of Clarivate Analytics (formerly part of Thomson Reuters). He also has over 15 years' consulting experience with several SaaS companies, including SAP, Blue Martini Software, Medallia, and Coremetrics. In January 2018, Sitecore also appointed Udo Waibel its Executive Vice President of Engineering. Udo leads our engineering teams in the development of our solutions while driving constant improvement and focus on quality, reliability, ease-of-use, security, and customer delight. Prior to Sitecore, Udo was CTO at International Decision Systems (IDS) where he led the product engineering team. Before IDS, he served as the Chief Technical Officer and SVP of Products at Heat Software. Udo has also held CTO and engineering leadership positions at cloud software startup Hara as well as SAP.

In April 2018, Sitecore also appointed Christine Park as its Chief People Officer. In this role, Christine leads our human resources and talent management functions. Prior to Sitecore, she was Senior Vice President, Human Resources at BOLD, an innovative career and employment business. Before BOLD, she was Executive Director of HR for nine years at cloud- based professional employer organization TriNet and held HR leadership positions at Kia Motors and California Center Bank.

Finally, in July 2018, Sitecore announced the appointment of Paige O'Neill as its Chief Marketing Officer. As Chief Marketing Officer, Paige oversees the company's marketing, public relations and analyst relation functions. Prior to joining Sitecore, Paige was CMO at digital workplace platform provider Prysm. She previously served as CMO at SDL and as Vice President of Marketing for Aprimo. Paige also served as CMO at PHH Arval and two early-stage startups–Aravo and GreenRoad Technologies. Prior to PHH, Paige spent a decade at Oracle Corporation leading a variety of marketing functions.

Events after the balance sheet date

On 4th October 2018 Sitecore entered into a definitive agreement to acquire 100 % of Stylelabs N.V, creator of the Marketing Content Hub® platform. Adding Stylelabs' platform to Sitecore allows marketing teams to own the entire content lifecycle and understand the impact of specific content assets on individual customers' behavior, empowering them to deliver transformative experiences throughout the customer journey.

Management's review

Outlook

Sitecore's software sales have continued to transition in fiscal 2018 from predominantly perpetual licenses with upfront revenue recognition, to more subscription or term licenses, with revenue recognition spread out over the contract term. This trend contributed to subscription revenues increasing and license revenue declining in the year ended June 30, 2018.
Sitecore's deferred revenue relating to subscription software contracts increased during the year, which will be recognized as revenue during fiscal year 2019 and beyond.
Sitecore anticipates continued accelerated adoption of the subscription pricing model in fiscal 2019. During this transition, the company does not anticipate a corresponding decrease in expenses, which will adversely affect net income and operating margin in fiscal 2019. However, over time, Sitecore expects this business model transition will significantly increase long- term revenue growth rate by (1) attracting new customers, 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, leveraging strategic alliances and the continued strengthening of Sitecore's products and services through development and acquisition.

Sitecore expects revenue associated with Sitecore Commerce to continue to trend upwards during fiscal 2019 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 2017 - 30 June 2018

Income statement

Note	DKK'000	2017/18	2016/17
	Revenue	96,388	307,261
	Cost of sales	-49,055	-49,856
	Other external expenses	-86,309	-92,607
	Gross margin	-38,976	164,798
2	Staff costs	-63,777	-61,575
	Amortisation/depreciation of intangible assets and property, plant and equipment	-42,115	-25,444
	Profit/loss before net financials	-144,868	77,779
	Income from investments in group enterprises	7,260	11,275
	Write-down of investments in group enterprises	-4,597	-87,731
3	Financial income	99,155	78,665
	Acquisition related and special items	-5	-5,443
4	Financial expenses	-17,667	-4,548
	Profit/loss before tax	-60,722	69,997
5	Tax for the year	14,831	-33,983
	Other taxes	-2,329	0
	Profit/loss for the year	-48,220	36,014

Financial statements 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK'000	2017/18	2016/17
	ASSETS		
	Non-current assets		
6	**Intangible assets**		
	Completed development projects	59,045	37,354
	Patents, trademarks and product rights	18,920	26,432
	Development projects in progress	22,284	30,428
		100,249	94,214
7	**Property, plant and equipment**		
	Plant and machinery	5,027	3,808
	Fixtures and fittings, other plant and equipment	2,726	3,141
		7,753	6,949
8	**Financial assets**		
	Investments in group enterprises	191,861	193,475
	Receivables from group enterprises	2,073,614	1,741,418
	Deposits, investments	2,100	2,003
		2,267,575	1,936,896
	Total non-current assets	2,375,577	2,038,059
	Current assets		
	Receivables		
	Trade receivables	54	1,256
	Receivables from group enterprises	43,610	246,217
	Other receivables	806	961
9	Prepayments	5,322	5,817
		49,792	254,251
	Cash	20,315	1,367
	Total current assets	70,107	255,618
	TOTAL ASSETS	2,445,684	2,293,677

Financial statements 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK'000	2017/18	2016/17
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	10,473	10,473
	Reserve for development costs	63,437	52,870
	Retained earnings	1,573,846	1,632,633
	Total equity	1,647,756	1,695,976
11	**Non-current liabilities**		
12	Deferred tax	5,142	19,835
	Payables to group enterprises	44,552	0
13	Deferred income	2,616	9,125
	Total non-current liabilities	52,310	28,960
	Current liabilities		
	Bank debt	535	194,037
	Trade payables	6,740	550
	Payables to group enterprises	686,126	116,094
	Joint taxable contribution payable	20,937	23,431
	Other payables	24,767	31,218
13	Deferred income	6,513	203,411
	Total current liabilities	745,618	568,741
	Total liabilities	797,928	597,701
	TOTAL EQUITY AND LIABILITIES	2,445,684	2,293,677

1 Accounting policies
14 Contractual obligations and contingencies, etc.
15 Collateral
16 Related parties

Financial statements 1 July 2017 - 30 June 2018

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 July 2017	10,473	52,870	1,632,633	1,695,976
17	Transfer, see "Appropriation of profit/loss"	0	10,567	-58,787	-48,220
	Equity at 30 June 2018	10,473	63,437	1,573,846	1,647,756

The Company's share capital is DKK 10,473 thousand, divided into shares of DKK 0.10 or any multiple thereof.
The Company's share capital has remained DKK 10,473 thousand over the past 5 years.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 **Accounting policies**

The annual report of Sitecore Corporation A/S for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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

The accounting policies used in the preparation of the financial statements 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.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

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 occured or services have been rendered, 3) the sales price is fixed or determinable, and 4) collectability os 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 service 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 recognized in revenue.

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.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

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, 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.

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 dividend received from subsidiaries and associates in so far as the dividend does not exceed the accumulated earnings in the subsidiary or the associate in the period of ownership.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

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.

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 entity is jointly taxed with other group entities. 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

Intangible assets include development projects and other acquired intangible rights, including patents, trademarks and product rights.

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, trademarks and product rights are measured at cost less accumulated amortisation and impairment losses. Patents, trademarks and product rights are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5 years.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

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.

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 adjusted for deferred tax. 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.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

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 ratios

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 2017 - 30 June 2018

Notes to the financial statements

	DKK'000	2017/18	2016/17
2	**Staff costs**		
	Wages/salaries	96,233	100,148
	Pensions	6,510	6,410
	Other staff costs	1,314	1,301
	Capitalized salaries	-40,280	-46,284
		63,777	61,575

Wages, pension and other staff costs charged from subsidiaries, which amount to DKK 0 thousand (2016/17: DKK 8,9m.), are included in "Wages/salaries".

	2017/18	2016/17
Average number of full-time employees	119	125

Total remuneration to Management, registered with the Danish Business Authority: DKK 16,8m (2015/16: DKK 10m).

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

All cost related to share-based payment programmes are held by Sitecore Holding II.

	DKK'000	2017/18	2016/17
3	**Financial income**		
	Interest income, group entities	83,247	73,058
	Gain on disposal of investment	15,653	0
	Other financial income	255	5,607
		99,155	78,665
4	**Financial expenses**		
	Interest expenses, group entities	11,358	1,935
	Other financial expenses	6,309	2,613
		17,667	4,548
5	**Tax for the year**		
	Estimated tax charge for the year	-2,636	22,544
	Deferred tax adjustments in the year	-14,692	10,904
	Tax adjustments, prior years	2,497	535
		-14,831	33,983

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

6 Intangible assets

DKK'000	Completed development projects	Patents, trademarks and product rights	Development projects in progress	Total
Cost at 1 July 2017	61,324	40,765	30,428	132,517
Additions	0	0	44,095	44,095
Disposals	0	-3,208	0	-3,208
Transferred	52,239	0	-52,239	0
Cost at 30 June 2018	113,563	37,557	22,284	173,404
Impairment losses and amortisation at 1 July 2017	23,970	14,333	0	38,303
Amortisation for the year	30,548	7,512	0	38,060
Reversal of accumulated amortisation and impairment of assets disposed	0	-3,208	0	-3,208
Impairment losses and amortisation at 30 June 2018	54,518	18,637	0	73,155
Carrying amount at 30 June 2018	59,045	18,920	22,284	100,249

Completed development projects

Completed development projects relate to the Sitecore Experience Platform 9.0 release in connection with the annual Symposium event which took place in October 2017. Together with the release of the updated platform a new xConnect and an updated Sitecore Experience Commerce, Cloud services and Sitecore Experience Accelerator was released. The Sitecore platform is still the leading CMS-system for WCM.

Development projects in progress

Development projects in progress comprises mainly R&D related to the Sitecore Experience Platform 9.1 as well as the related updates to the Sitecore Experiance Commerce, Cloud Service and Sitecore Experience Accelerator.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 July 2017	6,267	6,783	13,050
Additions	3,554	1,305	4,859
Disposals	-2,109	-1,437	-3,546
Cost at 30 June 2018	7,712	6,651	14,363
Impairment losses and depreciation at 1 July 2017	2,459	3,642	6,101
Depreciation	2,335	1,720	4,055
Depreciation and impairment of disposals	-2,109	-1,437	-3,546
Impairment losses and depreciation at 30 June 2018	2,685	3,925	6,610
Carrying amount at 30 June 2018	5,027	2,726	7,753

8 Investments

DKK'000	Investments in group enterprises	Receivables from group enterprises	Deposits, investments	Total
Cost at 1 July 2017	281,210	1,741,418	2,003	2,024,631
Additions	0	332,196	97	332,293
Disposals	-77,388	0	0	-77,388
Cost at 30 June 2018	203,822	2,073,614	2,100	2,279,536
Value adjustments at 1 July 2017	-87,735	0	0	-87,735
Impairment losses	-1,614	0	0	-1,614
Reversal of impairment losses on assets disposed	77,388	0	0	77,388
Value adjustments at 30 June 2018	-11,961	0	0	-11,961
Carrying amount at 30 June 2018	191,861	2,073,614	2,100	2,267,575

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

8 Investments (continued)

Equity and profit/loss disclousures for the subsidiaries are based on financial statements for 1 July 2016 - 30 June 2017 for the respective subsidiaries.

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Sitecore Danmark	A/S	Copenhagen, DK	100.00%	6,180	2,070
Sitecore International	A/S	Copenhagen, DK	100.00%	3,727	1,157
Sitecore UK	Ltd.	London, UK	100.00%	38,988	5,221
Sitecore Sverige	AB	Stockholm, SE	100.00%	5,306	862
Sitecore Deutschland	GmbH	Bremen, DE	100.00%	16,082	2,191
Sitecore Nederland	B.V.	Amsterdam, NL	100.00%	11,426	1,505
Sitecore Belgium	BVBA	Brussels, BE	100.00%	944	755
Sitecore Middle East	DMCC	Dubai, UAE	100.00%	0	0
Sitecore Japan Co.	Ltd.	Tokyo, JP	100.00%	-15,043	-165
Sitecore Singapore Pte.	Ltd.	Singapore, SG	100.00%	6,659	444
Sitecore Software Co.	Ltd.	Shanghai, CN	100.00%	-12,202	-4,490
Sitecore Malaysia Sdn.	Bhd.	Kuala Lumpur, MY	100.00%	4,185	2,626
Sitecore Ukraine	Foreign Enterprise	Dniepropetrovsk, UA	100.00%	-1,595	-297
Sitecore Australia	Pty Ltd	Sydney, Australia	100.00%	-3,172	-255

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

10 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 DKK 10,473 thousand over the past 5 years.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

11 Non-current liabilities

Of the long-term deferred tax and ferred income, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

12 Deferred tax

Deferred tax at 1 July	19,835	8,931
Deferred tax on profit for the year	-14,693	10,904
Deferred tax at 30 June	5,142	19,835

13 Deferred income

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

14 Contractual obligations and contingencies, etc.

Contingent liabilities

Sitecore UK Limited has declared to Sitecore Corporation A/S, that the inter-company balance of DKK 44,552 thousand (debt in Sitecore Corporation A/S) does not have to be repaid until the Sitecore Corporation A/S has the liquidity to do so. This declaration is effective until 30 June 2019.

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:

DKK'000	2017/18	2016/17
Rent and lease liabilities	1,982	2,181

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

15 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 acceded to a credit facility agreement with SEB Bank as a guarantor for certain facilities in subsidiaries. The guarantee amounts to EUR 2.1m.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

16 **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

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.

All transactions have been carried out on an arm's length basis.

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

Information on the remuneration to management

Information on the remuneration to Management appears from note 2, "Staff costs".

Information about security for loans relating to group entities

Information about security for loans relating to group entities appears from 15, "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

DKK'000	2017/18	2016/17
17 **Appropriation of profit/loss**		
Recommended appropriation of profit/loss		
Other statutory reserves	10,567	52,870
Retained earnings/accumulated loss	-58,787	-16,856
	-48,220	36,014