

# Annual report

for 01.07.2017 - 30.06.2018

## Sitecore Holding II A/S

Vester Farimagsgade 3, 1606 Copenhagen V

CVR No. 37 62 40 71

The Annual Report was presented and adopted at the  
Annual General Meeting of the Company on October 30, 2018

Chairman of the ordinary general meeting: Thomas Weincke



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# Company information

## Company

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## Board of directors

Jonas Persson (Chairman)

Sheila Gulati

Craig Allen Conway

Bjarne Hansen

Dominik Vincent Stein

Robert Youngjohns

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## Executive board

Mark David Frost

Daniel Edwin Griggs

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## Audit

ERNST & YOUNG Godkendt

Revisionspartnerselskab



## Corporate profile

Sitecore is the global leader in digital experience management software that combines content management, commerce, and customer insights. The Sitecore Experience Cloud™ empowers marketers to deliver personalized content in real time and at scale across every channel—before, during, and after a sale. Thousands of brands have trusted Sitecore to deliver the personalized interactions that delight audiences, build loyalty, and drive revenue.

## Our vision

Create a world where everyone feels like a preferred customer.

## Our mission

Deliver innovation that connects brands with their customers for lifelong relationships.

## Our core values

- Cool and fun
- Customer delight
- Cutting-edge
- Esprit de corps
- Passionate
- Respectful
- Smart
- Trustworthy

## Our market

The rapid development in digital technologies has radically changed how individuals interact with organizations, from exploring and purchasing products and services to sharing brand experiences. This changing consumer behavior transcends all phases of the customer lifecycle and is forcing a fundamental business transformation—often with the marketing department in the leadership role to drive digitalization at the center of company strategy.

Coinciding with the push toward digital business transformation, marketing has evolved to address increased expectations to deliver a consistent and personalized digital experience across channels of customer engagement. This demand has broadened the role and value of foundational technologies such as web content management (WCM) and commerce platforms. In particular, WCM platforms have grown beyond their traditional web foundations to become the strategic center of gravity for the new category of “digital experience platforms” (DXPs), which address organisations’ need to create, manage, and optimize a strategic digital presence that supports many points of interaction, including mobile and emerging modalities such as conversational interfaces, augmented and virtual reality, and embedded experiences enabled by the Internet of Things. Similarly, the commerce market has shifted from a focus purely on offering efficient and customer-friendly transactions to also helping marketers understand where customers stand in their journey and how to build customers for life, not just to provide the next best experience.

Faced with the array of products required to deliver against the increased expectations of both consumers and businesses, Sitecore’s customers seek an integrated platform that can operate as the central content hub in digital experience programs that deliver a personalized experience to every buyer in real time, synchronized across channels. They see rich, content-first experiences as the foundation to both reaching their target audience and understanding their interests, preferences, and pain points on an individual level. They also recognize that consistently delivering great experiences across touchpoints requires them to link systems of engagement and insight to operational systems. This is fueling the requirement for marketing technologies that enable all customer data

to work across the organization, in real-time and at scale, to automate interactions across all channels that shape the customer experience. And not least of all, marketers want these capabilities to be easy to use so they can fully leverage the toolsets with minimal IT involvement.

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## Our products

The Sitecore Experience Cloud™ is the marketer’s answer to personalization, encompassing Sitecore’s overall set of solutions and capabilities for content management, commerce, digital marketing tools, omnichannel delivery with unmatched ability to leverage rich data and machine learning-generated insights. Sitecore Experience Cloud represents the best of Sitecore:

- Sitecore® Experience Manager (XM), our market-leading WCM system, supports global, multilingual content at scale and provides the flexibility that enterprises demand.
- The Sitecore® Experience Platform™ (XP) was built from the ground up with the three ingredients needed to enable marketing in context throughout the customer journey. It delivers (1) powerful content and commerce management at scale, (2) contextual intelligence down to the individual level, and (3) omnichannel automation that speeds delivery of the right message to the right person at the right time, on any channel and device. As a modular, open platform, with native headless capabilities, Sitecore provides customers with the choice to start with basic web and mobile content management and expand to add other integrated solutions such as commerce, email automation, and other omnichannel options to fit any environment and budget.
- Sitecore Experience Commerce™ (XC) is the only cloud-enabled software platform that empowers commerce marketers and merchandisers to fully personalize the end-to-end shopping experience. Doing this optimizes business results by reducing cart abandonment, boosting order size, increasing rebuy percentages, and delivering more completed online sales—all because content and commerce are integrated within the Sitecore Experience Platform.

Sitecore Experience Database™ (xDB), Sitecore Cortex™ and Sitecore® Experience Accelerator (SXA) are key features of Sitecore Experience Platform:

- xDB is a single marketing repository of customer interaction data that creates a complete customer profile and enables marketers to take advantage of a sophisticated blend of analytics, testing and optimization, and path analysis functionality that reveals which campaigns, channels, and traffic sources are performing best.
- Sitecore Cortex machine learning is applied across expansive customer data in Sitecore Experience Cloud offerings to deliver intelligent insights for marketers.
- SXA is fully integrated into XP's editing environment, reducing time to market by allowing content teams to design, assemble, and deploy web content across channels with fewer development resources.

Along with content and commerce management and contextual intelligence, the Sitecore Experience Platform's omnichannel automation capabilities let businesses orchestrate real-time interactions and automate responses and content based on how customers are interacting with their brand in the moment.

Solutions for email marketing and mobile applications deliver a connected experience that flows seamlessly from one channel to the next.

Customers have a wide array of deployment options with Sitecore XP, including cloud, hybrid cloud and on-premises. Fully optimized for Microsoft Azure, Sitecore XP in a platform-as-a-service (PaaS) configuration delivers faster time to market for marketing users and reliability, speed, and scale for IT users. Sitecore XP also can be deployed as infrastructure-as-a-service (IaaS) on Amazon Web Services, Google Cloud Platform and Azure. Additionally, managed hosting options allow users to either deploy Sitecore themselves or work with their certified Solution Partner for hosting.

Sitecore Value Realization Services blend technology and digital marketing expertise so that our customers can achieve higher implementation quality, reduce risk, and maximize the value of their overall project investment. Sitecore offers three Technical Consulting service packages: (1) Stepstone Review, to help ensure optimal implementation aligned to recommended

practices and overall launch readiness; (2) Stepstone XP Activate; and (3) Stepstone Commerce Activate. These service packages help the customer to define their architecture at the content, application, and system level, provide reviews to assess the solution as the implementation progress, and provide technical expertise to help the customer to better understand their platform.

In addition, Sitecore Business Optimization Strategies (SBOS™) supports Sitecore customers and implementation partners through a global certification process focused on Digital Marketing execution and strategy specific to Sitecore Experience Platform. Customers and partners gain certification through participation in the SBOS Optimization Insights

Workshop, which provides the insights, methods, and best practices to deliver successful Sitecore Experience Platform projects, develop new services, and add value to customer engagements. Partners learn how to use SBOS methodologies including how to evaluate the Customer Experience Maturity Model, map strategic objectives, create the Engagement Value Scale, and more.

Sitecore has allocated substantial resources to the ongoing development of its technology platform and is committed to differentiated innovation. In particular, we continue to evolve our capabilities for artificial intelligence (AI) and machine learning (ML), commerce, and cloud delivery, all of which are integral components of our platform today, as well as usability enhancements that lower the barrier to entry for business users and reduces time to value.

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## Our customers

An ever-growing number of businesses and organizations around the world are adopting Sitecore's products to manage their interactions with customers. Sitecore works with thousands of world-renowned brands, including Accor SA, ASOS, Carnival Cruise Lines, Cirque Du Soleil, Comcast Cable Communications Management, Dine Brands Global, ExxonMobil Global Services Company, Forever 21, Inc., GE Healthcare Life Sciences, Heineken International, HSBC Global Services Ltd., Huawei Technologies, Kraft Heinz Food Company, Lenovo, L'Oreal S.A., Merck & Co., Molson Coors Brewing Company, National Wildlife Federation, The Proctor & Gamble Company, Thule AB, and Volvo Cars Corp.

## Our world

With operations spanning the globe, Sitecore is driven by a customer-centric strategy focused on helping our customers accelerate the transformations of their business to meet the demands of a digital economy. Our 27 global offices allow us to effectively service clients in more than 50 countries, and our own capabilities are complemented by more than 1,400 partners who provide services ranging from implementation to digital strategy and creative design to managed services. The Sitecore community also includes more than 12,000 Sitecore-certified developers and more than 18,000 active members in its developer network worldwide. The company also has 45 user groups around the globe, and 282 Sitecore Most Valuable Professionals—representing 29 countries and 140 companies—who actively share their mastery of the Sitecore platform with Sitecore’s customers, partners, and prospects.

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## Our go-to-market strategy

Sitecore licenses its products and services through and with its partners to marketers and technologists across a broad range of industries including consumer goods, education, finance, government, healthcare, manufacturing, retail, technology, and travel, as well as associations and non-profits.

Sitecore has achieved huge success since its inception in 2001, generating strong revenue and customer growth through an uncompromising commitment to excellence via:

- Executing against a “land-and-expand” sales strategy that focuses on acquiring new customers and building on existing customer relationships.
- Extending the market reach and footprint of the Sitecore platform by expanding into strategic adjacent markets such as commerce and marketing campaign management.
- Investing in nascent areas of technology, such as machine learning and artificial intelligence, that promise to help marketers make faster decisions and deliver more compelling digital experiences.

## Our research

Sitecore performed a global study in partnership with Vanson Bourne, which was released in fiscal year 2018, analyzing responses from 680 marketing and IT decision makers to understand how brands are managing the data they collect from consumers, securing and analyzing it, and using it to deliver a more personalized customer experience. The research, conducted in 14 countries, also examined responses from 6,800 consumers to measure consumer comfort with sharing data, their expectations of the experiences brands provide them as a result, and their thoughts on personalization.

Summarily, the research identified the disconnect between the level of expectation that today’s consumer has and the capability brand marketers to collect, connect, analyze, and act on customer data. While brands face pressure to be data-driven, and while 79% place a high priority on personalization, they struggle to manage customer data to both inform customer experience strategies and deliver on the promise of personalization. As a result, customers acknowledge that many brands are in fact, providing “bad personalization,” which upon deeper analysis, isn’t really personalization at all.

In addition, an overwhelming 96% of consumer respondents believe that there is such a thing as bad personalization, and they cite as examples brands using out-of-date information about them (59%), brands that get personal customer details wrong (57%), and brands making assumptions about what consumers want based on single interactions (54%).

Sitecore and Avanade commissioned Vanson Bourne to conduct in-depth research into organizations’ focus and investment on customer experience, and the impact of this focus on their bottom line. Between February and March 2016, 1,440 CIOs, CTOs, senior IT decision-makers, CMOs, marketing directors and senior marketing decision makers were interviewed, from businesses with more than \$500 million in global annual revenue and more than 250 employees. Respondents came from across the globe, including the US, Canada, UK, Germany, Netherlands, Italy, Spain, Sweden, Denmark, Belgium, Japan and Australia.

The research study, “Connect your martech to connect with your customers,” reveals that 95% of organizations say their customer experience (CX) is in critical need of improvement and more than 60% of marketing respondents believe they are leaving significant revenue and sales opportunities on the table due to their organization’s marketing technology. Moreover, two-thirds of respondents agreed that their organizations weren’t very mature when it comes to understanding the customer experience, personalization and data analytics.

These research studies helped validate Sitecore’s product strategy to deliver a modular yet connected digital marketing platform that empowers marketers to deliver real-time, personalized content at scale and across every channel—before, during, and after a sale. Further, releasing their results to media elevated Sitecore’s thought leadership position in the discussion about the challenges brands face to deliver a consistent, engaging customer experience.

## Our ownership

EQT holds approximately 75% of the shares of the company through Dynamite Holding I S.á.r.l. The remaining ownership consists of the company founders, members of the Board of Directors, the Executive Management, and a small number of senior and key Sitecore employees.



# Highlights 2018

## Our Business Performance

Throughout fiscal year 2018, Sitecore further strengthened its competitive position by leveraging its leadership in the web content management market as well as continuously launching new products, services, and partnerships that advance the company's capabilities.

- In October 2017, Sitecore announced a global strategic partnership with WPP, the world's largest communications services group. The WPP-Sitecore Alliance brings together WPP's existing Sitecore partners – AKQA, Cognifide, Globant, Mirum, Ogilvy, POSSIBLE, VML, and Wunderman – and creates a single team to work with Sitecore's product, sales, and support teams to develop innovative, personalized customer experiences.
- At Dreamforce in November 2017, Sitecore announced that it is teaming up with Salesforce to integrate Sitecore® Experience Manager™ and Sitecore® Experience Platform™ with Salesforce Marketing Cloud. The relationship will enable digital marketers to build comprehensive and personalized marketing campaigns, from web content to email communications to mobile messaging and digital advertising.
- The Sitecore Experience Cloud™ was unveiled in November 2017, encompassing the range of Sitecore's content management, digital marketing, and commerce tools. Concurrently, Sitecore released Version 9 of the flagship Sitecore® Experience Platform™

(XP), which introduced Sitecore xConnect™, an API framework that allows users to integrate customer data from nearly any third-party system or channel, and Sitecore Cortex™, an innovative machine learning engine with advanced algorithms to deliver real-time insights across both native and third-party customer data.

- In January 2018, Sitecore and Stackla announced an expanded partnership that integrates Stackla into the Sitecore Experience Cloud platform so that Sitecore customers can deliver highly personalized brand experiences with fresh, real-time user-generated content (“UGC”). Through the partnership, Sitecore will offer Stackla software with all Sitecore Experience Cloud products, and a new Stackla for Sitecore UGC Connector provides unmatched integration between Sitecore's industry-leading experience cloud for digital marketing and Stackla's acclaimed UGC platform.
- Sitecore Experience Commerce™ 9 was released in January 2018 at NRF 2018: Retail's Big Show. A highly extensible platform built on the latest ASP.NET Core 2.0 technology, Sitecore Experience Commerce 9 is the only cloud-enabled platform that natively integrates content and commerce functionality so brands can fully personalize and individualize the end-to-end shopping experience before, during, and after the transaction.
- Sitecore announced a partnership with 51Degrees™ in February 2018 that will bring comprehensive, out-of-the-box device

detection services to version 9 of the Sitecore® Experience Platform™.

- In June 2018, Sitecore announced that it is delivering phase one of the Sitecore Connect™ software for Salesforce Marketing Cloud customers. This first release provides an integration for Sitecore Experience Manager and Sitecore Experience Platform with Salesforce Marketing Cloud to help customers deliver highly personalized, connected experiences.

## Our Financial Performance

- Sitecore's revenue model continued to transition in fiscal year 2018 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. Sitecore's fiscal year 2018 recognized revenue was EUR 178 million, down 2% from FY17 revenue of EUR 182 million. However, adjusting for the impact of the transition to the subscription model, total revenues grew at double digits in fiscal year 2018 compared to fiscal 2017. With double digit growth in new business added and ongoing transition to subscription model, the annual recurring revenue grew over 30%. Annual recurring revenue ("ARR") represents the annualized value of all recurring elements of revenue.

Fiscal year 2018 revenues include the near-term negative impact on revenue recognition from a significant increase in the mix of subscription sales—introduced in FY16—where deals are, on average, recognized at one-third of the value of a perpetual license in the initial year.

- Gross profit for fiscal year 2018 equaled EUR 164 million, compared with EUR 169 million in the previous fiscal year. Gross profit was also impacted by the strategic transition to subscription pricing.
- For fiscal year 2018, profit before depreciation and amortization and other special items was EUR 3 million against EUR 21 million in the previous fiscal year. The decrease in profitability was primarily due to the shift toward a ratable revenue model, combined with increased investments in research and development, intended to drive technology improvements, sales and marketing, intended to drive growth, and cloud infrastructure hosting costs associated with the subscription offering.
- The costs of special items included in operating loss in fiscal year 2018 was EUR 15 million compared to nil in the previous fiscal year. The increase of such costs was primarily due to increase in reorganisation costs and increase in spend for various transformational initiatives within the Company.
- Sitecore generated a cash flow from operations of EUR 9 million in fiscal year 2018 against EUR 22 million the previous year, caused predominantly by the transition to the subscription business model.

# Management review

Our industry-leading, integrated, and connectable technology platforms will enable Sitecore to claim a vital place in a more strategic and encompassing digital experience management landscape.

Reflecting on the past year and as illustrated by the double digit growth as discussed above, 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:

- 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.

## Industry analyst recognition

During fiscal year 2018, Sitecore received accolades and recognition from leading industry analyst organizations, which we believe helps to promote our brand, increase understanding of our corporate and product strategy, and nurture demand for our offerings.

### A leader in web content management

For the ninth consecutive year, Sitecore was positioned in the "Leaders" Quadrant of the Gartner<sup>1</sup> Magic Quadrant for Web Content Management (Mick MacComascaigh and Jim Murphy, 30 July 2018). For the fourth consecutive year, Sitecore was positioned highest among all evaluated vendors for its ability to execute. According to the Gartner Magic Quadrant for Web Content Management:

"Leaders should drive market transformation. They have the highest combined scores for Ability to Execute and Completeness of Vision. They are doing well and are prepared for the future with a clear vision and a thorough appreciation of the broader context of digital business. They have strong channel partners, a presence in multiple regions, consistent financial performance, broad platform support, and good customer support. In addition, they dominate in one or more technologies or vertical markets. Leaders are aware of the ecosystem in which their offerings need to fit. Leaders can:

- Demonstrate enterprise deployments
- Offer integration with other business applications and content repositories
- Support multiple vertical and horizontal contexts."

Sitecore believes this leadership recognition reinforces not only the quality and continued innovation of our platform, but also our strategy, partner network, and the world-class team that helps ensure our customers' success as they transform their digital businesses.

### A leader in digital experience platforms

In fiscal year 2018, Gartner positioned Sitecore in the "Leaders" Quadrant of the firm's inaugural Magic Quadrant for Digital Experience Platforms (Jim Murphy, Gene Phifer, Gavin Tay, and Mike Lowndes, 17 January 2018). We believe our Leader position not only cements our thought leader status and generates loyalty with our current customers, but also signals to large enterprises that Sitecore offers the depth and breadth across our product portfolio and partner ecosystem that makes us an excellent choice in an evolving, competitive, and demanding digital marketing commerce technology landscape.

### Validating our commerce strategy

Fiscal year 2017 marked Sitecore's first participation in commerce-focused analyst evaluations and, in fiscal year 2018, Sitecore was positioned in the "Niche Players" Quadrant of the Gartner Magic Quadrant for Digital Commerce (Penny Gillespie, Jason Daigler, Mike Lowndes, Christina Klock, Yanna Dharmasthira, and Sandy Shen, 5 June 2018). Participation in this report places Sitecore as one of the top 18 vendors among more than 90 that Gartner tracks in the market, and we believe our inclusion further indicates our opportunity to transform the commerce market with a customer-experience-first approach.

### Articulating a value proposition in the broader digital experience marketplace

As Sitecore expands its solutions beyond traditional WCM, we continue to engage the industry analyst community to communicate our market understanding, product innovation, and customer momentum across a range of digital marketing capabilities such as marketing automation, marketing analytics, personalization, and more. In particular, we believe Sitecore's position in the "Visionaries" Quadrant in the Gartner Magic

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Quadrant for Multichannel Marketing Hubs (Adam Sarnier, Andrew Frank, Jennifer Polk, Noah Elkin, and Benjamin Bloom, 24 April 2018) illustrates our ability to unify customer data, orchestrate a company's digital engagement to customers across channels, and enable rich, personalized customer experiences.

## Major global customers choose Sitecore

Sitecore's customer base is constituted by well-known, global, enterprise brands across all geographies, particularly from B2C and B2B organizations at the high-end of the "mid-market." Sitecore's ability to serve mid-market customers to large global enterprises is a result of the Sitecore platform's ability to address organizations' requirements to deliver rich, content-first experiences as the foundation of reaching their target audience and understanding their interests and preferences on an individual level. In particular, our customers choose Sitecore because they want a strong core—focused on web content management and customer data management—that can be scaled and extended with adjacent application capabilities such as commerce and marketing campaign management, as well as integrated with other technologies such as customer relationship management (CRM), enterprise resource planning (ERP), product information management (PIM), and more. Moreover, Sitecore makes these capabilities easy to use such that business users can fully leverage our platform capabilities with minimal IT involvement and, increasingly, through an agile, as-a-service architecture.

## Global talent

Sitecore finished fiscal year 2018 with 902 employees. We have a large and diverse workforce of qualified, passionate, and strongly dedicated employees who are the most important asset in fulfilling our business strategy. We continuously strive to recruit and retain talent across all levels, globally, and we are committed to the ongoing strengthening of our employees through processes and programs that foster their personal and professional development.

## A scalable global organization

Sitecore has seen great success since its inception in 2001, generating strong growth through a disciplined and uncompromising commitment to:

- Thinking and working globally.
- Focusing on software development.
- Optimizing the products and services provided to customers by working with a global network of business partners.

This clear strategic focus is a mantra for management and employees alike and it permeates the entire organization.

Sitecore has in the past year continued to focus on scalability and satisfying the increasingly complex needs of its customers. Initiatives are described below.

## Close collaboration with partners

Sitecore's partner-led business model is designed to ease integration and maximize the value of Sitecore solutions to customers. Our partners put Sitecore's powerful mix of marketing and business features, comprehensive development support, and superior flexibility to work every day with phenomenal results. Sitecore aligns processes and offerings with our partner channel around the world—focusing on innovation of the platform and enablement of the partner ecosystem across Strategy, Functional, Technical, and Sales workloads—to strive toward a co-innovative, mutually enabled ecosystem that builds lifetime customers and relationships. Sitecore has further refined and consolidated its partner program during the past year to channel efforts and resources into more strategic partnerships focused on customer outcomes.

## Focus on customers

As a technology vendor sitting at the nexus of our customers' digital business transformations, it is critical that we help our customers through the cultural and organizational changes brought by new business models. During the fiscal year, Sitecore continued to build a stronger customer-facing organization with the creation of Sitecore Value Realization Services, which offers three Technical Consulting service packages to help our customers achieve higher implementation quality, reduce risk, and maximize the value of their overall project investment. Sitecore Value Realization Services expands upon Sitecore Business Optimization Strategies™ (SBOS™), which now offers three Marketing Consulting services packages



that provide the insights, methods, and best practices to deliver successful Sitecore Experience Platform projects, develop new services, and add value to customer engagements. Sitecore also extended the Technical Account Manager (TAM) role to our partner community. Whether assigned to customers or partners, TAMs bring additional technical expertise to bear when project requirements demand unique product insight or guidance, provide a single point of contact for all Sitecore-related inquiries, and help reduce project risk by involving Sitecore actively and directly in their project plans.

Finally, Sitecore maintained its Customer Leadership Board, a group of leading Sitecore customers who act as subject matter experts in their field and deliver valuable feedback to the company regarding Sitecore, its technology, and its performance in the marketplace.

### Good potential for sustained growth

Adjusted for transition to subscription model, Sitecore has experienced revenue growth every year since its founding in 2001, and has delivered double digit ARR growth in the most recent three years with the shift to ratable revenue providing for better visibility and predictability. Management believes the company's continued growth drivers, based on the trends that are the most relevant for Sitecore, include:

- The expanding network of partners and the on-going strengthening of the Sitecore organization will augment sales and help to build market share in individual countries and regions.
- Sitecore's ever-growing product offering, which follows from its strong emphasis on R&D and strategic investments, enhances its potential to increase sales to new and existing customers.
- Sitecore's products are increasingly considered to be mission critical, positioning them at an ever higher level in corporate strategic considerations. The technological strength, efficiency, and future-oriented characteristics of Sitecore's products and services offer a strong potential for value creation, which in turn will increase the number of major global customers and lead to larger average order sizes.

- The planned entry into new geographic markets will expand Sitecore's global presence and revenue.
- The number of active licenses continues to grow. A customer with an active license, enrolled in a Sitecore maintenance program, has constant access to the newest functionality resulting from the comprehensive R&D.

While these growth factors have independent underlying premises and drivers, given the positive potential available in the interaction between the factors, the full suite of factors offers multiple opportunities for sustaining growth. Sitecore's management strives to leverage these opportunities in the best way possible, while also maintaining discipline in terms of the direction and pace of Sitecore's development.

### Corporate social responsibility

Sitecore seeks to achieve its business objectives by acting in a responsible and ethical way, by ensuring respect for adherence to laws, by creating a safe and inspiring workplace for employees, and by minimizing environmental and climate impact. Sitecore complies with all applicable laws, standards, and guidelines through a strong corporate governance structure and enforcement programs. The company is committed to ensuring good business conduct with a high level of integrity and standards of ethics.

Sitecore adheres to a global Code of Business Conduct (Code), which is reviewed annually by the Board of Directors. This Code together with other corporate policies, rules, standards, guidelines, and procedures, provides a strong governance structure and enforcement mechanism for the company.

The Code is based on the following eight guiding principles: (1) we take ethics and compliance seriously, (2) we ask questions and report concerns, (3) we promote a respectful workplace, (4) we are trustworthy when conducting business, (5) we follow the letter and spirit of the law, (6) we protect Sitecore's assets and reputation, (7) we foster a safe and healthy work environment, and (8) we believe in social responsibility.

The Code is distributed to all new employees and is promoted companywide through video campaigns and other internal

programs video describing its principles. All company employees have received a copy of the Code and today it is an integrated part of the hiring process.

In addition, the Code requires Sitecore's employees, contractors, and business partners to protect the company's reputation and integrity in the global marketplace. Through the Code and related policies, programs, rules, and procedures, Sitecore prohibits improper business practices and aims to comply with all applicable laws, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and similar laws throughout the world. . For example, the Code and the company's intranet site devoted to compliance set forth simple processes to report any violations or potential violations of the Code, enabling employees to report their concerns either with their names attached or anonymously, if preferred. Although Sitecore does not have any specific global policies in place addressing climate change and environmental impact, we incorporate recycling, environmentally friendly purchasing practices and energy conservation practices in our global facilities.

Although Sitecore has not implemented a specific human rights policy, the company supports the protection of internationally proclaimed human rights through its strong company culture which is reflected in the Code.

Sitecore monitors new developments and practices relating to corporate social responsibility and continuously updates its internal training initiatives, with a particular focus on its obligation to act as a responsible and ethical global corporate citizen.

Sitecore's business-driven strategy focuses on the following main areas:

- Global business ethics and transparency, including confidentiality commitments
- Employee well-being, including health, safety, fair treatment, and development
- Recruitment and retention

### Other management levels

Today, approximately 26 percent (up from approximately 24 percent) of senior and mid-level management members in the company's group are women. The ratio of female managers in the group has steadily increased over the past several years.

Sitecore has a focused goal of increasing its ratio of female employees. During the fiscal year, the company introduced the Women of Sitecore initiative, a program designed to enhance the careers and professional development of women within technology in general and Sitecore specifically. In addition, 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.

### Business ethics and transparency

In addition to the Code, Sitecore has additional policies related to Data Governance, Privacy, Security, Records Retention, Contract Approval and Signature Authority, Travel and Expense, Intellectual Property Rights, Information Security Policy, and Product Security & Vulnerability. As part of the Company's overall compliance program, the Company conducts compliance training for its employees and continually reviews and improves existing policies and programs. During the fiscal year, the company enhanced and enforced programs relating to intellectual property protection. The company will continue to broaden the scope of its compliance program in the coming years.

### Guidelines issued by the Danish Venture Capital Association

As a private-equity-owned company, Sitecore follows the recommendations of the Danish Venture Capital Association (DVCA) as described at [www.dvca.dk](http://www.dvca.dk).

### Recruitment and retention

Sitecore aims to offer equal opportunities for men and women throughout its global workforce, and it is company policy to promote equal opportunities regardless of gender, ethnicity,

race, religion, or sexual orientation. As part of its overall recruiting strategy, Sitecore desires to attract, educate, and maintain passionate, dedicated, and highly qualified employees. Sitecore's management is 26 percent women, up from 24 percent last year. While relevant professional qualifications remain key selection criteria for all positions within Sitecore, Sitecore's management will continue to focus on diversity and will continue to evaluate programs to enhance attracting and developing diversity in its employee base.

## **Status on equal gender representation in leadership positions**

### **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 Hummelose. 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.

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 and investment banking with Macquarie Capital.

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.

# Proforma financials (Non-GAAP and unaudited)<sup>1</sup>

## Consolidated profit and loss accounts

€M	Twelve months ending June 30, 2018	Twelve months ending June 30, 2017
Net revenue	178,3	182,0
Cost of sales	(14,0)	(12,7)
<b>Gross profit</b>	<b>164,3</b>	<b>169,3</b>
Sales and marketing costs	(114,5)	(106,2)
General and administrative expenses	(27,3)	(22,6)
Research and development costs	(20,0)	(19,7)
<b>EBITDA before special items</b>	<b>2,5</b>	<b>20,8</b>
Amortization and depreciation	(41,6)	(39,9)
Special items included in operating loss	(15,1)	-
Share Based Payment Cost	(3,4)	(2,7)
Gain on assets sold	0,3	-
<b>Operating Loss</b>	<b>(57,3)</b>	<b>(21,8)</b>

<sup>1</sup> Figures are not according to International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act. EBITDA for the periods represent earnings before interest, taxes, depreciation, amortization and share based compensation.



## Key figures – consolidated accounts

€M	2017/18 (Audited)	18.04.2016 – 30.06.2017 (Audited)	2016/17 <sup>1</sup> (Un-audited 12 month comparables)	2015/16 <sup>1</sup>	2014/15 <sup>1</sup>
<b>Profit and loss accounts</b>					
Net revenue	178,3	218,9	182,0	190,6	155,6
Gross profit	155,0	195,1	169,3	178,9	140,0
EBITDA before special items	2,5	30,5	20,8	47,1	9,1
Operating loss	(57,3)	(17,5)	(21,8)	7,3	(1,2)
Financial items, net	(14,8)	(18,5)	(14,9)	(5,8)	1,8
Profit/loss for the year	(60,9)	(46,9)	(53,5)	226,7	0,3
Total assets	1.131,9	1.180,7	1.180,7	154,3	125,1
Equity	609,9	665,8	665,8	35,2	24,0
<b>Cash flows</b>					
Operating activities	10,1	39,0	22,4	51,0	14,6
Investment activities	(9,5)	(881,4)	(23,2)	(9,0)	(4,4)
Investments in tangible fixed assets	(5,0)	(2,4)	(2,3)	(1,0)	-
Financing activities	(13,5)	841,0	(32,3)	(4,0)	(5,9)
<b>Employees</b>					
Average number of staff (full-time)	907	884	884	808	938
<b>Key ratios</b>					
Gross margin	87%	89%	93%	94%	90%
EBITDA as a % of revenue	1%	14%	11%	25%	6%

<sup>1</sup> Figures are not according to International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act. The figures for FY 16 and prior years include operating results for the full year excluding the impact of the acquisition of Sitecore to provide a meaningful comparison to current year numbers.

Prior year numbers have been adjusted to confirm to current year presentation. This comprises a) recognizing partner commission as part of sales and marketing cost in operating profit (previously recognized as COGS in gross profit) and b) recognizing partner billed revenue gross of partner commission (previously recognized net).

EBITDA for the periods represent earnings before interest, taxes, depreciation, amortization and share based compensation.

## Proforma financial review – consolidated accounts

### Audited financial statements

The audited financial statements for the period July 1, 2017 to June 30, 2018 represent the second-year financials of Sitecore Holding II A/S. The comparative figures cover the period April 18, 2016 to June 30, 2017 and hence cover a different period. To ensure a comparative view, the financial review presented below is for Proforma financial statements.

## Proforma financial statements

### Profit and loss account

Revenue for the fiscal year aggregated EUR 178 million against EUR 182 million in the previous year, reflecting a year-over-year decline of 2% primarily due to shift in revenue from perpetual to ratable.

Cost of goods sold consists of royalty costs for third-party products sold, hosting costs associated with our subscription offering, salaries and related expenses of network operations, implementation, technical support personnel, and allocated overhead. We enter into contracts with third parties for the use of their data center facilities, and our data center costs largely consist of amounts we pay to these third parties for rack space, power, and similar items. Cost of goods sold amounted to EUR 23 million (2016/17: EUR 13 million), resulting in a gross profit of EUR 155 million (2016/17: EUR 169 million).

### Sales and marketing

Sales and marketing expenses include costs associated with our sales, marketing, and product marketing personnel and consist of compensation and benefits, commissions and bonuses, share-based compensation costs, promotional and advertising expenses, travel and entertainment expenses related to these personnel, and allocated overhead. Sales and marketing expenses were EUR 115 million (2016/17: EUR 106 million).

### Research and development

Research and development expenses include costs associated with the development of new products, enhancements of existing products for which technological feasibility has not been achieved, and quality assurance activities. This includes

compensation and benefits, share-based compensation costs, consulting costs, cost of software development tools and equipment, and allocated overhead. Research and development expenses for the year were EUR 20 million (2016/17: EUR 20 million).

### General and administrative

General and administrative expenses include costs for executive, finance, human resources, information technology, legal, and administrative support functions. This includes compensation and benefits, share-based compensation, professional services costs, and allocated overhead. General and administrative expenses were EUR 27 million (2016/17: EUR 23 million), an increase of 17%. This is primarily due to increased compensation and benefit costs for increase in headcount and third-party consulting and professional fees.

EBITDA before special items was (EUR 3 million) (2016/17: EUR 21 million).

### Operating loss

Operating loss for the year was EUR 57 million (2016/17: EUR 18 million). The increase in operating loss is driven by the continued investment in the business as the company completes the transition to a ratable subscription model. It is expected that the company will have substantially completed the subscription transition by the financial year 2021/22, at which time the company expects to generate positive operating results. In 2016/17 the financial year covered 14 months against 12 months in 2017/18. The fourth quarter of the financial year has historically produced the strongest operating results. The shortened duration of the financial year in 2017/18 also contributed negatively to the development in operating loss.

### Loss before income tax

Loss before income tax amount to EUR 72 million (2016/17: EUR 52 million). The main drivers for the increase in loss before income tax are identical to the ones included above in the section on Operation loss.

### Loss for the period

Loss for the period amount to EUR 61 million (2016/17: EUR 47 million). The main drivers for the increase in loss before income tax are identical to the ones included above in the section on Operation loss.

## Balance Sheet

### Intangible assets

Intangible assets amount to EUR 1.047 million (2016/17: EUR 1.084 million). The decrease is due to amortization and divestment of Komfo.

### Property, plant and equipment

Property, plant and equipment amount to EUR 6 million (2016/17: EUR 5 million). The increase in Property, plant and equipment is mainly due to investments related to new office spaces.

### Receivables

Total receivables amount to EUR 58 million (2016/17: EUR 60 million). The decrease is mainly due to a reduction in accounts receivables caused by a lower number of perpetual license deals sold.

### Non-current liabilities

Total non-current liabilities amount to EUR 357 million (2016/17: EUR 374 million). The decrease is mainly due debt repayment and a reduction in deferred taxes related to intangible assets.

### Current liabilities

Total current liabilities amount to EUR 165 million (2016/17: EUR 141 million). The increase is mainly due to increase in deferred revenue caused by the transition to the ratable subscription model, offset by reduction in short term bank debt.

## Parent Company

### Net loss for the period

Net loss for the period amount to EUR 1,1 million (2016/17: EUR 0,3 million). The reason for the reduction in Net loss for the period is due to a reduction in operating and financial expenses.

### Follow-up on expectations

The revenue performance reflect Management's expectations of continued shift to subscription revenue model as was expressed in November 2017 in the Annual Report for 2016/17.

## Recognition and measurement

In preparing the annual report, Management makes various accounting estimates and assumptions that form the basis of presentation, recognition, and measurement of Sitecore's assets and liabilities. The most significant accounting estimates and judgments are made in relation to the accounting treatment of:

- Business combinations
- Impairment testing
- Useful lives and residual values for intangible assets with an infinite or finite useful life
- Deferred tax assets
- Receivables
- Share-based compensation
- Research and development costs

There are no other significant uncertainties associated with recognition and measurement in the preparation of the financial accounts, cf. the section on Accounting Policies. Nor have there been unusual circumstances in this context.

## Financial outlook for 2018/19

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.

## Risk factors

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.

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.

# Management's statement

## 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 Holding II A/S for the financial year 01 July 2017 – 30 June 2018.

The Consolidated Financial Statements and the Separate Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Separate Financial Statements give a true and fair view of the assets and liabilities and financial position at 30 June 2018 of the Group and the Company and of the results of the Group and Company's operations and cash flows for the financial year 01 July 2017 – 30 June 2018.

Further, in our opinion, the Management's Review includes a true and fair description of the development in the Group and Company's operations and financial matters and the results of the Group and Company's operations and financial position.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 11.10.2018

### Executive Board

**Mark David Frost** .....  
CEO

DocuSigned by:

*mark frost*

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**Daniel Edwin Griggs** .....  
CFO

DocuSigned by:

*Dan Griggs*

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### Board of Directors

**Jonas Persson** .....  
Chairman

DocuSigned by:

*Jonas Persson*

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**Craig Allen Conway** .....

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*Craig Conway*

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**Sheila Gulati** .....

DocuSigned by:

*Sheila Gulati*

611149ED91E8467...

**Bjarne Hansen** .....

DocuSigned by:

*Bjarne Hansen*

AD9D902159DE471...

**Dominik Vincent Stein** .....

DocuSigned by:

*Dominik Stein*

BC0621C04F104AE...

**Robert Youngjohns** .....

DocuSigned by:

*Robert Youngjohns*

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# Independent auditors' report

## To the shareholders of Sitecore Holding II A/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sitecore Holding A/S for the financial year 1 July 2017 – 30 June 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 July 2017 – 30 June 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and

additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 assurance conclusion thereon.

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

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

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

### Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements and the parent company 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 Group's and the Parent Company's internal control.
- 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, 11 October 2018

### Ernst & Young

Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Peter Gath

State Authorised Public Accountant  
MNE no.: mne19718

Kennet Hartmann

State Authorised Public Accountant  
MNE no.: mne40036



# Consolidated accounts



## Consolidated statement of profit and loss

	Note	01.07.2017 - 30.06.2018 €M	18.04.2016 - 30.06.2017 €M
Net revenue	3	178,3	218,9
Cost of Sales	4,5,6	(14,3)	(13,3)
<b>Gross profit</b>		<b>164,0</b>	<b>205,6</b>
Sales and marketing costs	4,5,6	(136,2)	(138,9)
General and administrative expenses	4,5,6,7	(38,2)	(29,3)
Research and development costs	4,5,6	(46,9)	(54,9)
<b>Operating loss</b>		<b>(57,3)</b>	<b>(17,5)</b>
Acquisition related and special items	8	-	(15,5)
Financial income	9	4,1	2,9
Financial expense	10	(18,9)	(21,4)
<b>Loss before income tax</b>		<b>(72,1)</b>	<b>(51,5)</b>
Income tax benefit	11	11,2	4,6
<b>Loss for the period</b>		<b>(60,9)</b>	<b>(46,9)</b>

## Consolidated statement of comprehensive income

	Note	01.07.2017 - 30.06.2018 €M	18.04.2016 - 30.06.2017 €M
Loss for the period		(60,9)	(46,9)
<b>Other comprehensive income:</b>			
Exchange differences on translation of subsidiaries (net)		(1,2)	(0,3)
<b>Other comprehensive expense for the period, net of tax</b>		<b>(1,2)</b>	<b>(0,3)</b>
<b>Total comprehensive loss for the period</b>		<b>(62,1)</b>	<b>(47,2)</b>

## Consolidated balance sheet

	Note	30.06.2018 €M	30.06.2017 €M
Goodwill		750,5	754,2
Technology, customer base and brand		282,6	319,1
Patents, trademarks and product rights		2,4	3,0
Development projects		7,8	3,2
Development projects in progress		3,5	4,1
<b>Total intangible assets</b>	<b>12</b>	<b>1.046,8</b>	<b>1.083,6</b>
Land and buildings		-	0,4
Production, plant and machinery		1,9	1,5
Other operating equipment, etc.		3,9	2,8
<b>Total property, plant and equipment</b>	<b>13</b>	<b>5,8</b>	<b>4,7</b>
Deposits		1,7	1,0
<b>Total financial assets</b>		<b>1,7</b>	<b>1,0</b>
Deferred tax assets	14	3,4	0,7
<b>Total other non-current assets</b>		<b>3,4</b>	<b>0,7</b>
<b>Total non-current assets</b>		<b>1.057,7</b>	<b>1.090,0</b>
Trade receivables	15	50,7	52,9
Other receivables		1,7	2,1
Prepayments		5,3	4,1
Income tax receivable		0,2	1,0
<b>Total receivables</b>		<b>57,9</b>	<b>60,1</b>
<b>Cash</b>		<b>16,3</b>	<b>30,6</b>
<b>Total current assets</b>		<b>74,2</b>	<b>90,7</b>
<b>Total assets</b>		<b>1.131,9</b>	<b>1.180,7</b>



## Consolidated balance sheet

	Note	30.06.2018 €M	30.06.2017 €M
Share capital	18	7,1	7,1
Share premium		701,0	698,2
Reserve for exchange rate translation		(1,5)	(0,3)
Retained earnings		(96,7)	(39,2)
<b>Total equity</b>		<b>609,9</b>	<b>665,8</b>
Bank debt	19	270,7	280,7
Deferred revenue		8,1	5,4
Income tax payables		0,4	-
Deferred tax liabilities	14	76,4	87,5
Other payables		1,7	-
<b>Total non-current liabilities</b>		<b>357,3</b>	<b>373,6</b>
Bank debt	19	8,4	16,3
Trade payables		12,7	7,8
Other payables		32,7	28,4
Deferred revenue		110,9	88,8
<b>Total current liabilities</b>		<b>164,7</b>	<b>141,3</b>
<b>Total liabilities</b>		<b>522,0</b>	<b>514,9</b>
<b>Total equity and liabilities</b>		<b>1.131,9</b>	<b>1.180,7</b>

## Consolidated statement of changes in equity

	Share capital	Share premium	Reserve for exchange rate transitions	Retained earnings	Total
	€M	€M	€M	€M	€M
<b>Equity at 18.04.2016</b>	<b>0,1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0,1</b>
Loss for the period	-	-	-	(46,9)	(46,9)
Exchange differences regarding subsidiaries in another currency	-	-	(0,3)	-	(0,3)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(0,3)</b>	<b>(46,9)</b>	<b>(47,2)</b>
Transactions with owners in their capacity as owners					
Capital increases	7,0	698,2	-	-	705,2
Value of unvested options as part of the acquisition of the Sitecore Group	-	-	-	5,0	5,0
Share based payment	-	-	-	2,7	2,7
<b>Total transactions with owners in their capacity as owners</b>	<b>7,0</b>	<b>698,2</b>	<b>-</b>	<b>7,7</b>	<b>712,9</b>
<b>Equity at 30.06.2017</b>	<b>7,1</b>	<b>698,2</b>	<b>(0,3)</b>	<b>(39,2)</b>	<b>665,8</b>
Loss for the period	-	-	-	(60,9)	(60,9)
Exchange differences regarding subsidiaries in another currency	-	-	(1,2)	-	(1,2)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(1,2)</b>	<b>(60,9)</b>	<b>(62,1)</b>
Transactions with owners in their capacity as owners					
Capital increases	-	2,8	-	-	2,8
Share based payment	-	-	-	3,4	3,4
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>2,8</b>	<b>-</b>	<b>3,4</b>	<b>6,2</b>
<b>Equity at 30.06.2018</b>	<b>7,1</b>	<b>701,0</b>	<b>(1,5)</b>	<b>(96,7)</b>	<b>609,9</b>

## Consolidated cash flow statement

	Note	01.07.2017 - 30.06.2018 €M	18.04.2016 - 30.06.2017 €M
Operating loss		(57,3)	(17,5)
Depreciation, amortization and impairment		42,7	45,3
Other non-cash items		6,5	2,7
Change in net working capital	25	36,1	28,7
<b>Cash flow from primary operating activities</b>		<b>28,0</b>	<b>59,2</b>
Interests paid		(16,9)	(18,5)
Income taxes paid		(1,2)	(1,7)
<b>Net cash flow from operating activities</b>		<b>9,9</b>	<b>39,0</b>
Payment for acquisition of subsidiary, net of cash acquired	26	-	(821,9)
Payments for property, plant and equipment		(4,6)	(2,4)
Payments for intangible assets		(6,4)	(10,3)
Divestment of shares		1,0	-
Divestment of building		0,7	-
Payments for acquisition related expenses		-	(10,9)
<b>Net cash flow from investing activities</b>		<b>(9,3)</b>	<b>(845,5)</b>
Proceeds from bank debt		-	335,1
Repayment of bank debt		(16,3)	(38,5)
Financing related expenses		-	(2,2)
Issuance of equity		2,8	531,2
Parent company debt		-	15,4
<b>Cash flow from financing activities</b>		<b>(13,5)</b>	<b>841,0</b>
<b>Net cash flow for the year</b>		<b>(12,9)</b>	<b>34,5</b>
Cash and cash equivalents, beginning of the year		30,6	-
Unrealized exchange rate gains and losses on cash		(1,4)	(3,9)
<b>Cash and cash equivalents, end of the year</b>		<b>16,3</b>	<b>30,6</b>

## Notes

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# Notes (consolidated financial statements)

## 1 Accounting policies

### General information

Sitecore Holding II A/S was founded on 18 April 2016. Sitecore Corporation A/S was acquired on 10 May 2016 through Sitecore Holding III A/S.

The consolidated accounts include the parent company Sitecore Holding II A/S and subsidiaries in which Sitecore Holding II A/S directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling interest.

The Consolidated Financial Statements for Sitecore Holding II A/S ("the group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and additional Danish disclosure requirements applying to entities of reporting class C (large).

The annual report is prepared according to standards and interpretations effective for financial years beginning on 1 July 2017. No standards or interpretations have been adopted early.

The Financial Statements have been prepared under the historical cost method, except for the measurement of certain financial instruments at fair value.

### Change in comparative figures

In prior years the Group has recognized partner commission as part of Cost of Sales. As partner commission in nature is similar to sales commission, the Group has decided to recognize partner commission as part of Sales and Marketing costs. The impact to the 2016/17 comparative figure is an increase in gross profit of EUR 10,5 million and an increase in Sales and Marketing costs of EUR 10,5 million.

### New standards

The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 1 July 2017. Most relevant to the Group are the following:

- IFRS 9: "Financial Instruments" - on the measurement and classification of financial assets and liabilities. The number of classification categories for financial assets is reduced to three: amortized cost, fair value through profit or loss (FVPL), and fair value through other comprehensive income (FVOCI). Entities taking the fair value option for financial liabilities are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. The standard will be effective for financial years beginning on or after 1 January 2018. The group is still assessing the impact of IFRS 9.
- IFRS 15: In 2014, The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 15 ("IFRS 15"), Revenue from Contracts with Customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition and permits the use of either the full retrospective or modified retrospective transition method.

IFRS 15 is effective for Sitecore in the financial year beginning 1 July 2018. We expect to adopt the standard on a modified retrospective basis. Under the modified retrospective approach, we will not restate 2017/18 financial statements, but will show the effect of the new standard adoption as a cumulative adjustment in the opening retained earnings as of the date of the adoption. We will also disclose in the notes to the 2018/19 financial statements significant differences between the old and new revenue accounting standard and will quantify the impact of those differences on the 2018/19 financial statements.

While we are continuing to assess all potential impacts of IFRS 15, we currently believe that the most significant impact relates to our accounting for

## Notes (consolidated financial statements continued)

arrangements that include on-premise term-based software licenses bundled with maintenance and support. Currently, the revenue attributable to these software licenses is recognized ratably over the term of the arrangement because VSOE does not exist for the undelivered maintenance and support element as it is not sold separately. The requirement to have VSOE for undelivered elements to enable the separation of revenue for the delivered software licenses is eliminated under the new standard. Accordingly, under the new standard we will be required to recognize as revenue a portion of the arrangement fee, allocated to software licenses based on estimated standalone selling price, upon delivery of the software licenses.

- IFRS 16: "Leasing" was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The group is assessing the impact of IFRS 16.

In addition, a number of other new standards and interpretations not applicable/mandatory for the preparation of the 2017/18 Annual Report have been published. Sitecore expects to implement the new applicable and approved, not yet effective accounting standards and interpretations, as they take effect.

None of the other changed standards or interpretations are expected to have any significant monetary effect on the statements of Sitecore's results, assets and liabilities or the equity.

### Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully

consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realized and unrealized profits or losses on transactions between the consolidated companies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### Functional and presentation currency

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The financial statements are presented in Euros (EUR), due to the Group's international activities. The financial statements have been rounded to the nearest hundred thousand.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

### Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:



## Notes (consolidated financial statements continued)

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

### Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other net assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred.
- Liabilities incurred to the former owners of the acquired business.
- Equity interests issued by the group.

Identifiable assets, liabilities, and contingent liabilities of acquired businesses are measured initially at fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill.

## Profit and loss

### Revenue

Revenues consist of software license fees, software maintenance, hosting, 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.

Hosting services revenue is recognized ratably over the hosting term, which is typically one year.

Education services revenue is recognized upon delivery of training. Consulting services revenue is recognized as services are performed.

### Deferred revenue

Deferred revenue is recorded when a customer pays for products or services, but the criteria for revenue recognition have not been met as of the balance sheet date.

We record revenue net of sales, use, and value added taxes billed to our customers.

### Cost of sales

Cost of goods sold and services delivered consists of third-party royalty and hosting costs associated with subscription offering, salaries and related expenses of network operations, implementation, technical support personnel, and allocated overhead.

### Sales and marketing costs

Sales and marketing expenses include costs associated with sales, marketing and product marketing personnel and consist of compensation and benefits, partner and sales commissions and bonuses, share-based compensation costs, depreciation and amortization, promotional and advertising expenses, travel and entertainment expenses related to these personnel, and allocated overhead.

# Notes (consolidated financial statements continued)

## General and administrative

General and administrative expenses include costs for executive, finance, human resources, information technology, legal and administrative support functions. This includes compensation and benefits, share-based compensation, professional services, depreciation and amortization costs, and allocated overhead.

## Research and development

Research and development expenses include costs associated with the development of new products, enhancements of existing products for which technological feasibility has not been achieved and quality assurance activities. This includes compensation and benefits, share-based compensation costs, consulting costs, depreciation and amortization costs, the cost of software development tools and equipment, and allocated overhead.

## Acquisition related and special items

Acquisition related and special items consists of costs that were incurred in relation to the acquisition of Sitecore Corporation A/S by Sitecore Holding III A/S (as explained in footnote 22 of the financial statements). This consists of professional fees paid to advisors, lawyers and other service providers who were directly involved in acquisition related activities.

## Financial income and expenses

Financial income and expenses comprise interest income and expenses, realized and non-realized capital gains/losses on transactions in foreign currency, amortization of financial assets and liabilities etc.

## Income tax and deferred tax

The Group is part of the mandatory joint taxation scheme in Denmark which covers parent company Sitecore Holding II A/S and the Danish subsidiaries. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are taxed under the Danish tax payment scheme. Additions, deductions, and allowances are recognized under financial income or financial costs.

The income tax expense or credit for the period is the tax effect on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it

## Notes (consolidated financial statements continued)

is probable that the temporary difference will reverse in the future and that there is sufficient taxable profit available, against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Assets

#### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities, and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU's, or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

#### Customer contracts

The customer contracts were acquired as part of a business combination. They are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives of 20 years.

#### Technology, customer base, and brand

Separately acquired technology, customer base, and brand are shown at the cost per the business combination accounting. Technology, customer base, and brand have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of technology, customer base, and brand over their estimated useful lives of 4 years for technology and 20 years for customer base and brand.

#### Development projects

Development projects regarding Sitecore's platform are measured at cost less accumulated amortization and impairment losses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate utilization, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to develop, market or apply the product or process in question, are recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred.

The cost of development projects comprise costs such as salaries and benefits that are directly attributable to the development projects.

Amortization is calculated using the straight-line method to allocate the cost of development projects over their estimated useful lives of 3-5 years.

The amortization begins when the development project is at a stage where its commercial potentials can be utilized in the manner intended by Management.

#### Impairment of non-financial assets

Intangible assets that have an indefinite useful life (Goodwill) and intangible assets not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed whenever events

## Notes (consolidated financial statements continued)

or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

### Tangible assets

Technical plant, machinery, other systems, operating equipment, and fixtures and fittings are measured at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings: 20-50 years
- Production, plant, and machinery: 2-5 years
- Other operating equipment: 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses arising from disposal of tangible assets are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Gains and losses are recognized in the profit and loss account under the relevant category.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Sitecore does not have any finance leases.

### Receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost, which usually corresponds to the nominal value. Write-down is made to net realizable value to provide for expected losses.

### Prepayments

Prepayments comprise various prepaid expenses such as rent and insurance. Prepayments are measured at cost.

## Equity and liabilities

### Reserve for share premium

The reserve for share premium consists of the excess amount received above the par value of the shares.

### Reserve for currency translation

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognized in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

### Dividend distribution

Dividends are recognized as a liability in the period in which they are adopted at the Annual General Meeting.

## Notes (consolidated financial statements continued)

### Borrowings

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently measured at amortized cost. Any differences between the proceeds and the redemption value are recognized in the income statement over the period of the borrowings using the effective interest method.

### Other liabilities

Other debt or liabilities covering trade creditors and other debt are recognized at amortized cost, which is usually equivalent to the nominal value.

### Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The gain or loss is recognized immediately in the income statement within other gains/losses - net. The Group does not apply hedge accounting.

### Share-based payment

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense and credited to equity. Fair value is determined at grant date. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions excluding the impact of any service conditions and non-market vesting conditions and including the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### Statement of cash flow

The cash flow statement shows the consolidated cash flows during the year distributed on operating, investing, and financing activities, changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are calculated using the indirect method and comprise profit for the year adjusted for non-cash items, changes in working capital, interest paid and received etc., and payments of corporate tax.

Cash flows from investing activities comprise payments in connection with acquisitions and divestment of businesses and purchase and sale of intangible, tangible, and financial assets.

Cash flows from financing activities comprise proceeds from and repayment of loans, proceeds from share issues, and dividends to shareholders.

### Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and other short-term highly liquid investments with original maturities of three months or less.

### Consolidated key figures

The proforma key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the following definitions:

- Gross margin is calculated as the gross profit divided by net revenue.
- Operating margin is calculated as the operating profit divided by net revenue.

## Notes (consolidated financial statements continued)

### 2 Critical accounting estimates and judgements

The group makes estimates, and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates, and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates, and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

#### Impairment testing of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 12). In addition to value-in-use calculation the Group is also applying a Guideline Public Company Method when testing for impairment. When determining the value derived from these methods, estimates with respect to selecting comparable publicly traded companies and recent technology/software acquisitions have been applied.

#### Business combinations

For acquisitions of entities, the assets, liabilities, and contingent liabilities of the acquiree are recognized using the acquisition method. The most significant assets acquired generally

comprise goodwill, trademarks, non-current assets, receivables, and inventories.

No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, management makes estimates of the fair value of acquired assets, liabilities, and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

#### Development projects

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition.

The development projects are evaluated on technical as well as commercial criteria.

#### Share-based payments

Determination of fair value of the options requires significant judgment regarding fair value of the underlying shares, expected life, and volatility. Due to EQT's acquisition of Sitecore, uncertainty in respect of determination of fair value of the underlying shares is in Management's view limited. The expected life of the options is based on the assumption that the holder will exercise the options upon an exit event. Actual exercise patterns may differ from the assumption used herein. The expected volatility is based on peer group data and reflects the assumption that the historical volatility over a period similar to the life of the equity awards is indicative of future trends, which may not necessarily be the actual outcome. The peer group consists of listed companies that management believes are similar to the Company in respect to industry and stage of development. Fair value of the options issued and the assumptions applied regarding the valuation is disclosed in note 5.



## Notes (consolidated financial statements continued)

### 3 Net revenue

	2017/18 €M	2016/17 €M
Perpetual licenses	27,2	78,1
Maintenance	94,3	105,0
Subscription licenses	34,4	17,7
Services and other	22,4	18,1
<b>Total net revenue</b>	<b>178,3</b>	<b>218,9</b>

### 4 Staff costs

	2017/18 €M	2016/17 €M
Wages and salaries	102,9	106,9
Pensions, defined contribution plans	2,9	3,4
Share based payments (Note 5)	3,4	2,7
Other staff costs	7,7	6,7
<b>Total staff cost</b>	<b>116,9</b>	<b>119,7</b>
Average number of full time employees	907	884

### Key management compensation

Key Management includes Board of Directors (BoD) and Executive Management (EM). The compensation paid to key management for employee services is shown below:

	2017/18 €M BoD	2017/18 €M EM	2016/17 €M BoD	2016/17 €M EM
Wages and salaries	0,1	2,1	0,1	1,2
Pensions	-	-	-	-
Share based payments (Note 5)	0,1	1,4	0,1	0,3
<b>Total key management compensation</b>	<b>0,2</b>	<b>3,5</b>	<b>0,2</b>	<b>1,5</b>

### 5 Share-based payments

#### New Program

The exercise of the 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 the 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 using the assumptions previously stated.

#### FY18 grants

During 2017/18 a total of 22.270.783 stock options were granted under the global stock incentive plan for key management and key personnel. Each option grants the holder the right to buy one share of common stock at the exercise price of EUR 1 per share.

## Notes (consolidated financial statements continued)

The following assumptions were applied on the FY18 grants:

Share price	EUR 1
Expected life of options	3,1 – 3,8
Expected volatility	43% - 50 %
Risk free interest rate	(0,3%) - (0,6%)
Expected dividend	0%

### FY17 grants

During 2016/17 a total of 16.179.861 stock options were granted under the global stock incentive plan for key management and key personnel. Each option grants the holder the right to buy one share of common stock at the exercise price of EUR 1 per share.

The following assumptions were applied on the FY17 grants:

Share price	EUR 1
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

Fair value of the options subject to continued employment amounts to EUR 5,9m (30 June 2017: EUR 2,5m) while fair value of the options subject to achieving a certain rate of return on the investment upon an exit amounts to EUR 3,1m (30 June 2017: 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.

### Former Program

As part of the acquisition of the Sitecore Corporation Group, existing options (24.157.130 options in total) granted to employees and management, 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. Refer to note 22. 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
Expected volatility	50 %
Risk free interest rate	0%
Expected dividend	0%

## Notes (consolidated financial statements continued)

Share options	Board of directors	Executive management	Average exercise price	Other	Weighted average price
Outstanding as part of the investment in Sitecore Corporation	-	1.259.225	EUR 1	22.897.905	EUR 1
Granted during the year	1.825.000	1.441.738	EUR 1	12.913.123	EUR 1
Exercised during the year	-	-		(54.974)	EUR 0,35
Forfeited during the year	-	-		(10.369.089)	EUR 0,45
<b>Outstanding as at 30 June 2017</b>	<b>1.825.000</b>	<b>2.700.963</b>		<b>25.386.965</b>	
Granted during the year	1.900.000	14.419.521	EUR 1	5.951.262	EUR 1
Exercised during the year	-	-		(2.918.237)	EUR 0,60
Forfeited during the year	-	-		(4.116.993)	EUR 0,63
<b>Outstanding as at 30 June 2018</b>	<b>3.725.000</b>	<b>17.120.484</b>		<b>24.302.997</b>	

Of which 8,915.883 options are currently exercisable.

### Share based compensation costs are recognized in the income statement:

	2017/18 €M	2016/17 €M
Sales and marketing costs	0,9	1,5
General and administrative expenses	2,4	1,1
Research and development costs	0,1	0,1
<b>Total share based compensation</b>	<b>3,4</b>	<b>2,7</b>

## Notes (consolidated financial statements continued)

### 6 Amortization, depreciation and impairment

	2017/18 €M	2016/17 €M
Amortization	39,5	42,6
Depreciation	2,1	2,7
Impairment	1,1	-
<b>Total amortization, depreciation and impairment</b>	<b>42,7</b>	<b>45,3</b>

Amortization, depreciation and impairment are recognized in the income statement:

	2017/18 €M	2016/17 €M
Sales and marketing costs	13,4	15,3
General and administrative expenses	3,3	2,7
Research and development costs	26,0	27,3
<b>Total amortization, depreciation and impairment</b>	<b>42,7</b>	<b>45,3</b>

### 7 Auditor fees

	2017/18 €M	2016/17 €M
Statutory audit	0,2	0,2
Other assurance engagements	-	-
Tax assurance services	0,1	0,1
Other services	0,4	0,2
<b>Total audit fees</b>	<b>0,7</b>	<b>0,5</b>

## Notes (consolidated financial statements continued)

### 8 Acquisition related and special items

	2017/18 €M	2016/17 €M
Acquisition related special items	-	14,4
Other special items	-	1,1
<b>Total acquisition related and special items</b>	<b>-</b>	<b>15,5</b>

Acquisition related special items relate to various non-recurring expenses which are related to the acquisition of the Sitecore Group. Other special items relate to expenses incurred in respect of the changes to the Executive Management team during 2016/17.

### 9 Financial income

	2017/18 €M	2016/17 €M
Exchange rate adjustments	3,3	1,9
Fair value gains on derivatives	0,3	0,9
Other interest income	0,5	0,1
<b>Total financial income</b>	<b>4,1</b>	<b>2,9</b>

### 10 Financial expenses

	2017/18 €M	2016/17 €M
Interest expenses, bank borrowings	15,6	18,1
Amortization of financing fees	2,0	2,8
Other financial expenses, including bank fees	1,3	0,4
Fair value losses on derivatives	-	0,1
<b>Total financial expenses</b>	<b>18,9</b>	<b>21,4</b>

## Notes (consolidated financial statements continued)

### 11 Income tax

<b>Current tax:</b>	<b>2017/18 €M</b>	<b>2016/17 €M</b>
Current tax on profits for the year	2,6	2,5
Current tax on profits for previous years	-	(0,2)
<b>Total current tax expense</b>	<b>2,6</b>	<b>2,3</b>
<b>Deferred tax:</b>		
Deferred tax benefit for the year and previous years	(13,8)	(6,9)
<b>Total deferred tax</b>	<b>(13,8)</b>	<b>(6,9)</b>
<b>Income tax benefit for the period</b>	<b>(11,2)</b>	<b>(4,6)</b>
<b>Income tax benefits are specified as follows:</b>		
Calculated 22.0% tax on profit for the year before income tax	(15,7)	(11,3)
<b>Tax effects of:</b>		
Higher/Lower tax rate in subsidiaries	(0,5)	0,2
Non-taxable income	(0,1)	-
Non-deductible expenses	5,2	6,6
Adjustments in respect of prior years	(0,1)	(0,2)
Other	-	0,1
<b>Total income tax benefit for the period</b>	<b>(11,2)</b>	<b>(4,6)</b>
Effective tax rate	15,5%	8,9%



## Notes (consolidated financial statements continued)

### 12 Intangible assets

	Goodwill €M	Technology, customer base and brand €M	Patents, trademarks and product rights €M	Development projects €M	Development projects in progress €M	Total €M
<b>Cost:</b>						
At 18.04.2016	-	-	-	-	-	-
Additions through business combinations	754,2	360,7	-	-	1,0	1.115,9
Additions during the year	-	-	3,1	-	7,2	10,3
Completed development projects	-	-	-	4,1	(4,1)	-
<b>At 30.06.2017</b>	<b>754,2</b>	<b>360,7</b>	<b>3,1</b>	<b>4,1</b>	<b>4,1</b>	<b>1.126,2</b>
<b>Amortization:</b>						
At 18.04.2016	-	-	-	-	-	-
Amortization charge	-	41,6	0,1	0,9	-	42,6
<b>At 30.06.2017</b>	<b>-</b>	<b>41,6</b>	<b>0,1</b>	<b>0,9</b>	<b>-</b>	<b>42,6</b>
<b>Carrying amount 30.06.2017</b>	<b>754,2</b>	<b>319,1</b>	<b>3,0</b>	<b>3,2</b>	<b>4,1</b>	<b>1.083,6</b>

## Notes (consolidated financial statements continued)

### 12 Intangible assets

	Goodwill €M	Technology, customer base and brand €M	Patents, trademarks and product rights €M	Development projects €M	Development projects in progress €M	Total €M
<b>Cost:</b>						
At 01.07.2017	754,2	360,7	3,1	4,1	4,1	1.126,2
Exchange rate differences	-	-	-	-	-	-
Additions during the year	-	-	-	-	6,4	6,4
Completed Development projects	-	-	-	7,0	(7,0)	-
Disposals	(3,7)	-	-	-	-	(3,7)
<b>At 30.06.2018</b>	<b>750,5</b>	<b>360,7</b>	<b>3,1</b>	<b>11,1</b>	<b>3,5</b>	<b>1.128,9</b>
<b>Amortization:</b>						
At 01.07.2017	-	41,6	0,1	0,9	-	42,6
Amortization charge	-	36,5	0,6	2,4	-	39,5
<b>At 30.06.2018</b>		<b>78,1</b>	<b>0,7</b>	<b>3,3</b>	-	<b>82,1</b>
<b>Carrying amount 30.06.2018</b>	<b>750,5</b>	<b>282,6</b>	<b>2,4</b>	<b>7,8</b>	<b>3,5</b>	<b>1.046,8</b>

# Notes (consolidated financial statements continued)

## Impairment test for goodwill

Goodwill is monitored by management at group level. Goodwill relate to the acquisition of the Sitecore Group in May 2016.

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGU is determined based on a method of combining the Enterprise Value from 2 separate valuation methods. These are:

- Discounted Cash Flow Method
- Guideline Public Company Method

The Discounted Cash Flow Method involves value-in-use calculations which require the use of assumptions. The calculations use forecasted cash flow. Cash flows beyond this period are extrapolated using the estimated growth rate stated below. Long term growth rate and discount rate used in the value-in-use calculations are as follows:

### Assumptions at 30.06.2017

Long term growth rate	5%
Pre-tax discount rate	21,8%

### Assumptions at 30.06.2018

Long term growth rate	3%
Pre-tax discount rate	20,4%

An estimate was made of the future net free cash flow based on a forecast approved by Management. Sitecore anticipates accelerated adoption of the subscription model in 2018/19 and future years. The growth rate in the forecast period and the long term growth rate is based on the expectation that the current business model transition will significantly increase long-term revenue growth and profitability by attracting new customers and drive higher revenue per customer.

The discount rate used in determining the value in use is determined based on the weighted average cost of capital (WACC). The WACC is determined on a risk free rate of 2,9% (2016/17: 2,6%) and a risk premium of 6,0% (2016/17: 6,0%), assuming a beta of 1,4 (2016/17: 1,35). The risk free rate is based on a 20-year Treasury Bond. In addition to these factors Sitecore applied Country Risk Premium of 0,2% (2016/17: 0,1%), a Small Stock Risk Premium of 3,5% (2016/17: 3,4%) and a Company-Specific Risk Premium of 5,0% (2016/17: 5,0%).

## Guideline public company method

The value is derived by multiplying historical and anticipated financial metrics of the Company by multiples derived from an analysis of comparable publicly traded companies. In selecting appropriate multiples differences between Sitecore and guideline companies in respect of financial size, historical and projected growth, risk, and profitability has been considered.

The impairment test as of 30 June 2018 showed no indication of impairment for 2017/18. Management's assessment is that currently no changes in key assumptions are reasonably likely to reduce the value in use to a level below the carrying value.

## Notes (consolidated financial statements continued)

### 13 Property, plant and equipment

	Land and buildings	Production, plant and machinery	Other operating equipment etc.	Total
<b>Cost:</b>				
At 18.04.2016	-	-	-	-
Additions through business combinations	0,4	1,1	3,7	5,2
Additions during the year	-	1,5	0,7	2,2
Disposals during the year	-	(0,8)	(0,7)	(1,5)
Exchange differences	-	-	-	-
<b>At 30.06.2017</b>	<b>0,4</b>	<b>1,8</b>	<b>3,7</b>	<b>5,9</b>
<b>Depreciation:</b>				
At 18.04.2016	-	-	-	-
Depreciation charge	-	1,1	1,6	2,7
Reversed depreciation, disposed assets	-	(0,8)	(0,7)	(1,5)
<b>At 30.06.2017</b>	<b>-</b>	<b>0,3</b>	<b>0,9</b>	<b>1,2</b>
<b>Carrying amount 30.06.2017</b>	<b>0,4</b>	<b>1,5</b>	<b>2,8</b>	<b>4,7</b>

## Notes (consolidated financial statements continued)

### 13 Property, plant and equipment

	Land and buildings	Production, plant and machinery	Other operating equipment etc.	Total
<b>Cost:</b>				
At 01.07.2017	0,4	1,8	3,7	5,9
Additions during the year	-	1,3	3,5	4,8
Disposals during the year	(0,4)	-	(0,7)	(1,1)
Exchange differences	-	0,1	(0,1)	-
<b>At 30.06.2018</b>	<b>-</b>	<b>3,2</b>	<b>6,4</b>	<b>9,6</b>
<b>Depreciation:</b>				
At 01.07.2017	-	0,3	0,9	1,2
Depreciation charge	-	1,0	1,1	2,1
Impairment	-	-	1,1	1,1
Reversed depreciation, disposed assets	-	-	(0,6)	(0,6)
<b>At 30.06.2018</b>	<b>-</b>	<b>1,3</b>	<b>2,5</b>	<b>3,8</b>
<b>Carrying amount 30.06.2018</b>	<b>-</b>	<b>1,9</b>	<b>3,9</b>	<b>5,8</b>

## Notes (consolidated financial statements continued)

### 14 Deferred tax

	2017/18 €M	2016/17 €M
Deferred tax, beginning of year	86,8	-
Deferred taxes added as part of the acquisition of the Sitecore Group	0	93,7
Deferred tax recognized in the income statement	(13,8)	(6,9)
<b>Deferred tax at end of year</b>	<b>73,0</b>	<b>86,8</b>
<b>Deferred tax relates to:</b>		
Intangible assets	78,5	86,7
Property, plant and equipment	(0,1)	0,3
Tax loss carry-forwards	(4,6)	(0,2)
Other temporary differences	(0,8)	-
<b>Total</b>	<b>73,0</b>	<b>86,8</b>
Of which presented as deferred tax assets	3,4	0,7
Of which presented as deferred tax liabilities	76,4	87,5
<b>Total</b>	<b>73,0</b>	<b>86,8</b>

The group did not recognize deferred income tax assets of EUR 0,1m (2016/17: EUR 0,2m) in respect of losses amounting to EUR 0,3m (2016/17: EUR 0,9m) which under certain circumstances can be carried forward against future taxable income. The Group does not believe it will be able to meet the criteria for utilizing the tax losses.

## Notes (consolidated financial statements continued)

### 15 Trade receivables

	2017/18 €M	2016/17 €M
Trade receivables and other receivables at 30 June	51,5	54,2
Less provision for impairment of trade receivables	(0,8)	(1,3)
<b>Trade receivables net</b>	<b>50,7</b>	<b>52,9</b>

#### Movement on the group provision for impairment of trade receivables are as follows:

Bad debt accrual added as part of the acquisition of the Sitecore Group	-	2,5
Allowances during the year	0,9	1,6
Write-offs during the year	(0,7)	(1,1)
Reversed allowances	(0,7)	(1,7)
<b>Provision for impairment of trade receivables</b>	<b>(0,5)</b>	<b>1,3</b>

#### Allocation of receivables past due but not impaired by maturity period are as follows:

Up to 30 days	6,4	11,9
Between 31 and 90 days	3,2	1,4
More than 90 days	0,7	0,3
<b>Overdue net receivables at 30 June</b>	<b>10,3</b>	<b>13,6</b>

### 16 Fair values

Financial instruments measured at fair value can be divided into three levels:

- » Level 1 - Quoted prices in active markets for identical assets or liabilities
- » Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability
- » Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of interest rate swaps (level 2) is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of bank borrowings does not differ significantly from the carrying amount. The fair value is calculated on level 2 in the fair value hierarchy using direct quotes.

Fair values are approximately the same as the carrying amounts.



## Notes (consolidated financial statements continued)

### 17 Derivative financial instruments

The group has derivative financial instruments but does not apply hedge accounting.

The group has entered into interest rate swap on borrowings in USD, swapping a floating rate interest into a fixed rate as well as an interest rate cap on borrowings in EUR.

Information about the group's exposure to price risk is provided in note 23.

	Notional principal €M	Fair value €M	Maturity
Interest rate swap	80,3	0,9	28.06.19
Interest rate cap	120,6	(0,1)	30.06.19
<b>At 30.06.2017</b>	<b>200,9</b>	<b>0,8</b>	
Interest rate swap	78,8	1,2	28.06.19
Interest rate cap	115,0	(0,1)	30.06.19
<b>At 30.06.2018</b>	<b>193,8</b>	<b>1,1</b>	

### 18 Share capital

The share capital comprise 709,500,880 shares of a nominal value of EUR 0.01 each. No shares carry any special rights.

Changes in share capital:	€M	Number of shares
Incorporation on 18.04.2016	0,1	6.717.812
Capital increases	7,0	698.560.259
<b>Share capital at 30.06.2017</b>	<b>7,1</b>	<b>705.278.071</b>
Capital increases	-	4.222.809
<b>Share capital at 30.06.2018</b>	<b>7,1</b>	<b>709.500.880</b>

### Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Any surplus liquidity is used to reduce debt.

The board of directors monitors the share and capital structure to ensure that the group's capital resources support the strategic goals.

## Notes (consolidated financial statements continued)

### 19 Borrowings

The borrowings comprise of acquisition related loans as well as revolving facilities to fund the ongoing operations. There are covenants attached to the loan facilities.

	Principal amount, €M	Effective interest rate	Currency	Maturity	Carrying amount, €M
Facility A	60	4,0%	EUR	10 May 2022	51,6
Facility B1	120	4,5%	EUR	10 May 2023	120,0
Facility B2	137	6,1%	USD	10 May 2023	117,4
Capex/Acquisition facility	30	1,4%	EUR	10 May 2022	-
Revolving credit facility	30	1,9%	EUR	10 May 2022	-
<b>Total bank borrowings</b>					<b>289,0</b>

Facility A is repayable in instalments with last payment on 30 June 2022.

Facility B is to be paid on 10 May 2023.

Capex/Acquisition Facility is unused.

Revolving Credit Facility is to be repaid no later than 10 May 2022. Utilized funds under the Revolving Credit Facility are subject to repayment 12 months after credit is utilized.

In compliance with IAS 7, the following disclosure aim to enable users of financial statements to evaluate changes in liabilities arising from repayments and currency revaluations:

	2017/18 €M
Total bank borrowings at beginning of year	307,8
Proceeds from bank debt	-
Repayment of bank debt	(16,3)
Currency revaluations of debt denominated in USD	(2,5)
<b>Total bank borrowings at end of year</b>	<b>289,0</b>
Fair value of derivatives	(1,1)
Amortized loan costs	(8,8)
<b>Total Bank Debt as presented in the Balance Sheet</b>	<b>279,1</b>

## Notes (consolidated financial statements continued)

### 20 Related parties

The group is controlled by Dynamite Holding I S.á r.l. The group's ultimate parent is EQT. VII.

"Key management compensation" is disclosed in note 4.

The following transactions were carried through with related parties:

	2017/18 €M	2016/17 €M
<b>Transactions with Dynamite Holding I S.á r.l. :</b>		
Interest on bridge loan	-	0,1
<b>Total transactions with related parties</b>	<b>-</b>	<b>0,1</b>

During 2016/17 the company has received loans from Company Factory ApS (former shareholder) and Dynamite Holding I S.á.r.l. Both loans have been repaid as of 30 June 2017. Interest on the loan from Company Factory Aps amount to less than EUR 0,1m.

# Notes (consolidated financial statements continued)

## 21 Commitments and contingent liabilities

### Operating leases

The group leases offices under operational leasing arrangements which are terminable with 1-60 months' notice.

Operating lease commitments:

	2017/18 €M	2016/17 €M
Due within 1 year	3,2	3,2
Due between 1 and 5 years	4,6	5,3
<b>Total operating lease commitments</b>	<b>7,8</b>	<b>8,5</b>

Amounts recognized in profit or loss:

	2017/18 €M	2016/17 €M
Lease payments	5,8	3,4
Lease provision	2,8	-
<b>Total operating lease commitments</b>	<b>8,6</b>	<b>3,4</b>

There are no pending court and arbitration cases.

### Securities:

As collateral for credit facilities the Group has provided the following securities to Nordea Bank (publ):

Pledge of the following shares:

- » Sitecore Deutschland GmbH, Sitecore Australia Pty Ltd, Sitecore Danmark A/S, Sitecore UK Ltd., Sitecore USA Inc. and Sitecore USA Holding ApS.

Owners mortgage of EUR 6m in:

- » Sitecore Corporation A/S, Sitecore Danmark A/S and Sitecore International A/S

The following companies have issued a negative pledge:

- » Sitecore International A/S, Sitecore Danmark A/S, Sitecore Corporation A/S, Sitecore USA Inc., Sitecore USA Holding ApS and Sitecore Australia Pty Ltd.

Pledge of Intellectual properties:

- » Sitecore Corporation A/S

The aggregate value of assets provided as security for credit facilities amount to EUR 1.112,1m (2016/17: EUR 1.159,0m).

Bank Guarantee:

- » The group has issued guarantees with a total of EUR 0,4m.

# Notes (consolidated financial statements continued)

## 22 Business combinations

### Acquisition of Sitecore Corporation A/S

On 10 May 2016 the group acquired 100% of the share capital in Sitecore Corporation A/S.

The goodwill of EUR 754,2m arising from the acquisition is attributable to the workforce and expected growth in the acquired business. None of the goodwill recognized is expected to be deductible for income tax purposes.

The purpose of the acquisition is value creation through increased focus on driving further subscription revenues, continued innovation and expansion of Sitecore's product offering through R&D, as well as potential acquisition to maintain the company's leading market position.

The acquisition of Sitecore Corporation A/S was completed with an acquisition date of 10 May 2016. The total consideration of EUR 1.017,1m consisted of a cash consideration of EUR 1.012,1m and fair value of replacement options of EUR 5m. No equity instruments have been issued, and there is no contingent consideration in the business combination.

Fair value of the assets and liabilities acquired is summarized in the following table, which discloses recognized amounts of identifiable assets acquired and liabilities assumed:

	2016/17 €M
Customer contracts	205,9
Technology and brand	154,8
Development projects	1,0
Tangible assets	5,2
Deposits	1,0
Trade receivables	33,5
Other receivables	11,1
Cash	35,9
Deferred revenue	(60,4)
Liability to acquire shares	(3,6)
Deferred tax	(93,7)
Other debt	(27,8)
<b>Net assets</b>	<b>262,9</b>
<b>Consideration paid</b>	<b>1.017,1</b>
<b>Goodwill</b>	<b>754,2</b>

# Notes (consolidated financial statements continued)

## 23 Financial risk management

### Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (currency and interest risk), credit risk, and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

The Financial risks of the group are managed centrally. The overall risk management guidelines and policies have been approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The CFO manages contracts and risk exposures in accordance with the guidelines and policies and reports to the board of directors on a regular basis.

### Market risk

#### Foreign exchange risk

As a consequence of the Group's structure, most net sales and expenditure in foreign currency are set off against each other, so that the Group is not exposed to major exchange-rate risks.

The foreign exchange risk is related to the USD loan.

The group's revenue and expenses are mostly in the functional currency of the operating entity creating a natural currency hedge. Consequently, the group treasury's risk management policy is to not to hedge foreign exchange rate risks.

#### Sensitivity analysis

The group is primarily exposed to changes in EUR/USD exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial liabilities.

#### As at 30.06.2017

	Impact on post tax profit €M	Impact on other components of equity €M
EUR/USD exchange rate – increase 10%	13,3	-
EUR/USD exchange rate – decrease 10%	(10,9)	-

All other variables are held constant

## Notes (consolidated financial statements continued)

As at 30.06.2018

	Impact on post tax profit €M	Impact on other components of equity €M
EUR/USD exchange rate – increase 10%	13,0	-
EUR/USD exchange rate – decrease 10%	(10,7)	-

All other variables are held constant

### Interest rate risk

The group's interest rate risk arises from long-term borrowings related to the acquisitions. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to hedge at a minimum of 66,67% of the aggregate principal amount outstanding under Facility A and Facility B at all times during the first 3 years. Interest cap and interest swaps are used as instruments for hedging the interest risk. The group does not apply hedge accounting. Refer to note 17 regarding outstanding interest rate derivatives.

### Sensitivity analysis

Profit or loss is sensitive to higher/lower interest from borrowings and fair value changes of interest rate derivatives as a result of changes in interest rates.

As at 30.06.2017

	Impact on post tax profit €M	Impact on other components of equity €M
Interest rates – increase by 100 basis points	(3,6)	-
Interest rates – decrease by 100 basis points	3,6	-

All other variables are held constant

As at 30.06.2018

	Impact on post tax profit €M	Impact on other components of equity €M
Interest rates – increase by 100 basis points	(3,5)	-
Interest rates – decrease by 100 basis points	3,5	-

All other variables are held constant



## Notes (consolidated financial statements continued)

### Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For customers individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored. The maximum exposure corresponds to the carrying amount of receivables.

### Liquidity risk

Cash flow forecasting is performed on group level by management. Management monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) or any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.

The group has undrawn borrowing facilities of EUR 30m that may be available for future operating activities and to settle capital commitments.

The table below analyses the group's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

For floating rate borrowings, the rate at the balance sheet date has been applied.

#### As at 30.06.2017

	Less than 1 year €M	1-5 years €M	>5 years €M	Total €M
Bank debts / Borrowings	16,3	51,6	239,9	307,8
Trade payables	7,8	-	-	7,8
Other payables	28,4	-	-	28,4
<b>Total</b>	<b>52,5</b>	<b>51,6</b>	<b>239,9</b>	<b>344,0</b>

#### As at 30.06.2018

	Less than 1 year €M	1-5 years €M	>5 years €M	Total €M
Bank debts / Borrowings	8,4	43,2	237,4	289,0
Trade payables	12,7	-	-	12,7
Other payables	32,7	1,7	-	34,4
<b>Total</b>	<b>53,8</b>	<b>44,9</b>	<b>237,4</b>	<b>336,1</b>

## Notes (consolidated financial statements continued)

### 24 Events after the balance sheet date

On 4th October 2018 Sitecore Holding II A/S 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. The transaction is expected to be closed on 25th October 2018.

At the time of approving the Annual Report all closing conditions have not been finalized. Sitecore Holding II A/S are therefore not able to complete the Purchase Price Accounting for the acquisition and provide all required disclosures under IFRS 3.

### 25 Changes in net working capital

	2017/18 €M	2016/17 €M
Changes in trade receivables	(2,4)	(19,4)
Changes in other receivables	1,3	(1,4)
Changes in trade and other payables	37,2	49,5
<b>Total</b>	<b>36,1</b>	<b>28,7</b>

### 26 Details of sale of subsidiary

On 21 February 2018 the Group divested 100% of the shares in Komfo ApS. The carrying amounts of assets and liabilities as at the date of the sale were:

	21 Feb 2018
Trade and other receivables	0,3
Cash	1,3
<b>Total assets</b>	<b>1,6</b>
Trade creditors	0,1
Other payables	0,9
Deferred revenue	1,7
<b>Total liabilities</b>	<b>2,7</b>
<b>Net assets</b>	<b>(1,1)</b>

# Accounts for the parent company



## Profit and loss (parent company)

	Note	2017/18 €M	18.04.2016 - 30.06.2017 €M
General and administrative expenses		(0,3)	(0,1)
<b>Operating loss</b>		<b>(0,3)</b>	<b>(0,1)</b>
Acquisition related special items	3	-	(0,8)
Financial income	4	-	0,2
Financial expense	5	(0,1)	(0,5)
<b>Loss before income tax</b>		<b>(0,4)</b>	<b>(1,2)</b>
Income tax benefit	6	0,1	0,1
<b>Loss for the period</b>		<b>(0,3)</b>	<b>(1,1)</b>

## Statement of comprehensive income (parent company)

	Note	2017/18 €M	18.04.2016 - 30.06.2017 €M
Loss for the period		(0,3)	(1,1)
Other comprehensive income for the period, net of tax		-	-
<b>Comprehensive loss for the period</b>		<b>(0,3)</b>	<b>(1,1)</b>

## Balance sheet (parent company)

	Note	2017/18 €M	18.04.2016 - 30.06.2017 €M
<b>Assets</b>			
Investment in subsidiaries	7	704,3	700,7
<b>Total financial assets</b>		<b>704,3</b>	<b>700,7</b>
<b>Total non-current assets</b>		<b>704,3</b>	<b>700,7</b>
Receivables from related parties		9,3	4,9
Other receivables		-	0,4
Deferred tax receivable		0,1	-
Income tax receivable		0,9	0,7
<b>Total receivables</b>		<b>10,3</b>	<b>6,0</b>
Cash		-	0,2
<b>Total current assets</b>		<b>10,3</b>	<b>6,1</b>
<b>Total assets</b>		<b>714,6</b>	<b>706,9</b>
<b>Equity and liabilities</b>			
Share capital		7,1	7,1
Share premium		701,0	698,2
Retained earnings		4,7	1,6
<b>Total equity</b>		<b>712,8</b>	<b>706,9</b>
Trade payables		0,1	-
Payables to related parties		1,7	-
<b>Total liabilities</b>		<b>1,8</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>714,6</b>	<b>706,9</b>

## Statement of changes in equity (parent company)

	Share capital €M	Share premium €M	Retained earnings €M	Total €M
<b>Equity at 18.04.2017</b>	<b>0,1</b>	<b>-</b>	<b>-</b>	<b>0,1</b>
Profit for the period	-	-	(1,1)	(1,1)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,1)</b>	<b>(1,1)</b>
Transactions with owners in their capacity as owners				
Capital increase	7,0	698,2	-	705,2
Share based payment	-	-	2,7	2,7
<b>Total transactions with owners in their capacity as owners</b>	<b>7,0</b>	<b>698,2</b>	<b>2,7</b>	<b>707,9</b>
<b>Equity at 30.06.2017</b>	<b>7,1</b>	<b>698,2</b>	<b>1,6</b>	<b>706,9</b>
<b>Equity at 01.07.2017</b>	<b>7,1</b>	<b>698,2</b>	<b>1,6</b>	<b>706,9</b>
Profit for the period	-	-	(0,3)	(0,3)
<b>Total comprehensive income for the period</b>	<b>7,1</b>	<b>698,2</b>	<b>1,3</b>	<b>706,6</b>
Transactions with owners in their capacity as owners				
Capital increase	-	2,8	-	2,8
Share based payment	-	-	3,4	3,4
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>2,8</b>	<b>3,4</b>	<b>6,2</b>
<b>Equity at 30.06.2018</b>	<b>7,1</b>	<b>701,0</b>	<b>4,7</b>	<b>712,8</b>



## Cash flow statement (parent company)

	Note	2017/18 €M	18.04.2016 - 30.06.2017 €M
Operating loss		(0,3)	(0,1)
Acquisition related special items		-	(0,8)
Other non-cash items		(0,1)	(0,2)
Changes in net working capital	14	(2,3)	-
<b>Cash flows from primary operating activities</b>		<b>(2,7)</b>	<b>(1,1)</b>
Income taxes paid		(0,2)	(0,6)
<b>Net cash flow from operating activities</b>		<b>(2,9)</b>	<b>(1,7)</b>
Capital increase in subsidiary		-	(524,4)
<b>Net cash flow from investing activities</b>		<b>-</b>	<b>(524,4)</b>
Capital increases		2,8	531,3
Intercompany funding		-	(5,0)
Interest paid		(0,1)	-
<b>Net cash flow from financing activities</b>		<b>2,7</b>	<b>526,3</b>
Net cash flow for the year		(0,2)	0,2
Cash and cash equivalents, beginning of the year		0,2	-
Unrealized exchange rate gains and losses on cash		-	-
<b>Cash and cash equivalents, end of the year</b>		<b>-</b>	<b>0,2</b>



## Notes (parent company)

1. Accounting policies
2. Critical accounting estimates and judgements
3. Acquisition related special items
4. Financial income
5. Financial expense
6. Tax on profit for the year
7. Investment in subsidiaries
8. Related parties
9. Commitments and contingent liabilities
10. Events after the balance sheet date
11. Capital management
12. Financial instruments
13. Audit fees
14. Changes in net working capital

# Notes (parent company)

## 1 Accounting policies

The Financial Statements for the parent company, Sitecore Holding II A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class C (large).

The annual report is prepared according to standards and interpretations effective for financial years beginning on 1 July 2017. No standards or interpretations have been adopted early.

The parent company has the same accounting policies for recognition and measurement as Group. The parent company's accounting policies deviate from the Group's accounting policies as described below. For a detailed description of the group's accounting policies please refer to the consolidated financial statements, Note 1.

### Reporting Currency

The financial statements are presented in euros (EUR), as the Company's most significant transactions are settled in EUR.

### Share-based payment

Fair value of equity instruments granted as share-based payment to employees of subsidiaries is recognized as an investment in the respective subsidiaries and credited to equity.

### Investments in subsidiaries

Investments in subsidiaries are measured at cost.

### Dividend

Dividends from investments in subsidiaries are recognized in the income statement in the financial year in which the dividend is declared.

### Impairment of investment in subsidiary

Impairment tests are performed on subsidiaries if events or changes in circumstances indicate that their carrying amount

may not be recoverable. If cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates, and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates, and assumptions for the individual items are described below.

The company is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

The group annually tests whether the investment in subsidiaries has suffered any impairment, in accordance with the accounting policy stated in note 1 of consolidated financial statements.

## 2 Critical accounting estimates and judgements

For a description of other significant accounting estimates, assumptions and uncertainties please refer to the consolidated financial statements, Note 2.

It is the Management's judgement that all critical accounting estimates with respect to the parent company are included in Note 2 of the consolidated financial statements and that there are no critical accounting estimates which are unique to the parent company.

## 3 Acquisition related special items

Acquisition related special items relate to various non-recurring expenses which are related to the acquisition of the Sitecore Group.

## Notes (parent company)

### 4 Financial income

	2017/18 €M	2016/17 €M
Interest income, affiliates	-	0,2
<b>Total financial income</b>	<b>-</b>	<b>0,2</b>

### 5 Financial expense

	2017/18 €M	2016/17 €M
Interest expense, parent	-	0,2
Exchange rate adjustment	0,1	0,3
<b>Total financial expense</b>	<b>0,1</b>	<b>0,5</b>

### 6 Income tax benefit

<b>Current tax:</b>	2017/18 €M	2016/17 €M
Current tax on loss for the year	-	0,1
<b>Income tax benefit for the year</b>	<b>-</b>	<b>0,1</b>

Income tax benefits are specified as follows:

Calculated 22.0% tax on loss for the year before income tax	0,1	0,3
<b>Tax effects of:</b>		
Non-deductible expenses	(0,1)	(0,2)
<b>Total income tax benefit</b>	<b>-</b>	<b>0,1</b>

### Owned by Sitecore Holding II A/S:

Subsidiaries	Legal form	Registered office	Voting shares and stakes	Profit (FY17) €M	EQ (FY17) €M
Sitecore Holding III	A/S	Copenhagen, Denmark	100%	0,5	698,6

### 7 Investment in subsidiaries

	2017/18 €M	2016/17 €M
<b>Cost:</b>		
At beginning of year	700,7	-
Addition during the year	3,6	700,7
<b>At end of year</b>	<b>704,3</b>	<b>700,7</b>
<b>Impairment:</b>		
At beginning of year	-	-
Impairment charge	-	-
<b>At end of year</b>	<b>-</b>	<b>-</b>

## Notes (parent company)

### Subsidiaries own following companies:

Subsidiaries	Own	Legal form	Registered office	Voting shares and stakes	Profit (FY17) €M	EQ (FY17) €M
Sitecore Holding III A/S	Sitecore Corporation	A/S	Copenhagen, Denmark	100%	4,8	228,0
Sitecore Corporation	Sitecore Danmark	A/S	Copenhagen, Denmark	100%	0,3	0,8
Sitecore Corporation	Sitecore International	A/S	Copenhagen, Denmark	100%	0,2	0,5
Sitecore Corporation	Sitecore UK	Ltd.	London, United Kingdom	100%	0,7	5,2
Sitecore Corporation	Sitecore Sverige	AB	Stockholm, Sweden	100%	0,1	0,7
Sitecore Corporation	Sitecore Deutschland	GmbH	Bremen, Germany	100%	0,3	2,2
Sitecore Corporation	Sitecore Nederland	B.V.	Amsterdam, Netherlands	100%	0,2	1,5
Sitecore Corporation	Sitecore Belgium	BVBA	Brussels, Belgium	100%	0,1	0,1
Sitecore Corporation	Sitecore Middle East	DMCC	Dubai, UAE	100%	Initial year	
Sitecore Corporation	Sitecore Japan Co.	Ltd.	Tokyo, Japan	100%	-	(2,0)
Sitecore Corporation	Sitecore Singapore Pte.	Ltd.	Singapore	100%	0,1	0,9
Sitecore Corporation	Sitecore Software Co	Ltd.	Shanghai, China	100%	(0,6)	(1,6)
Sitecore Corporation	Sitecore Malaysia Sdn.	Bhd.	Kuala Lumpur, Malaysia	100%	0,4	0,6
Sitecore Corporation	Sitecore Ukraine	Foreign Enterprise	Dnipropetrovsk, Ukraine	100%	-	(0,2)
Sitecore Corporation	Sitecore Australia	Pty Ltd.	Sydney, Australia	100%	-	(0,4)
Sitecore Holding III A/S	Sitecore USA Holding	A/S	Copenhagen, Denmark	100%	-	234,2
Sitecore USA Holding A/S	Sitecore USA	Inc.	Delaware, USA	100%	0,4	6,1
Sitecore USA Inc.	Sitecore Canada	Ltd.	Nova Scotia, Canada	100%	0,5	1,8

## Notes (parent company)

### 8 Related parties

Compensation paid to Board of Directors and Executive Management

For Key Management remuneration please refer to note 4 in the consolidated financial statements.

The following transactions were carried through with related parties:

	2017/18 €M	2016/17 €M
<b>Transactions with Dynamite Holding I S.á r.l. :</b>		
Interest on bridge loan	-	0,1
<b>Total transactions with related parties</b>	<b>-</b>	<b>0,1</b>

During 2016/17 the company has received loans from Company Factory ApS (former shareholder) and Dynamite Holding I S.á.r.l. Both loans have been repaid as of 30 June 2017. Interest on the loan from Company Factory Aps amount to less than EUR 0,1m.

### 9 Commitments and contingent liabilities

#### Operating leases

The company has no lease obligations.  
There are no pending court and arbitration cases.

#### Mortgage and securities

As collateral for credit facilities in Sitecore Holding III A/S and Sitecore Corporation A/S the Group has issued the following securities to Nordea Bank (publ):

- The Company has provided a negative pledge.
- The company has pledged its shares in Sitecore Holding III A/S.

The assets in Sitecore Holding III A/S has a value as of 30 June 2018 of EUR 704,3m (2017: EUR 700,7m).

### Other contingent liabilities

As Management Company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities liable for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

### 10 Events after the balance sheet date

On 4th October 2018 Sitecore Holding II A/S 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. The transaction is expected to be closed on 25th October 2018.

At the time of approving the Annual Report all closing conditions have not been finalized. Sitecore Holding II A/S are therefore not able to complete the Purchase Price Accounting for the acquisition and provide all required disclosures under IFRS 3.

### 11 Capital management

For a description of capital management please refer to the consolidated financial statements

### 12 Financial instruments

Sitecore Holding II A/S does not have exposure to financial instruments. Financial debt and all operations of the Sitecore Group is carried out through subsidiaries of Sitecore Holding II A/S and affiliated companies.

### 13 Audit fee

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, note 7.

## Notes (parent company)

### 14 Changes in net working capital

	2017/18 €M	2016/17 €M
Changes in trade receivables	-	-
Changes in other receivables	(4,1)	-
Changes in trade and other payables	1,8	-
<b>Total</b>	<b>(2,3)</b>	-



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