Annual report

for 18.04.2016 - 30.06.2017

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: 15.11.2017

Chairman of the ordinary general meeting: Richard M Foehr

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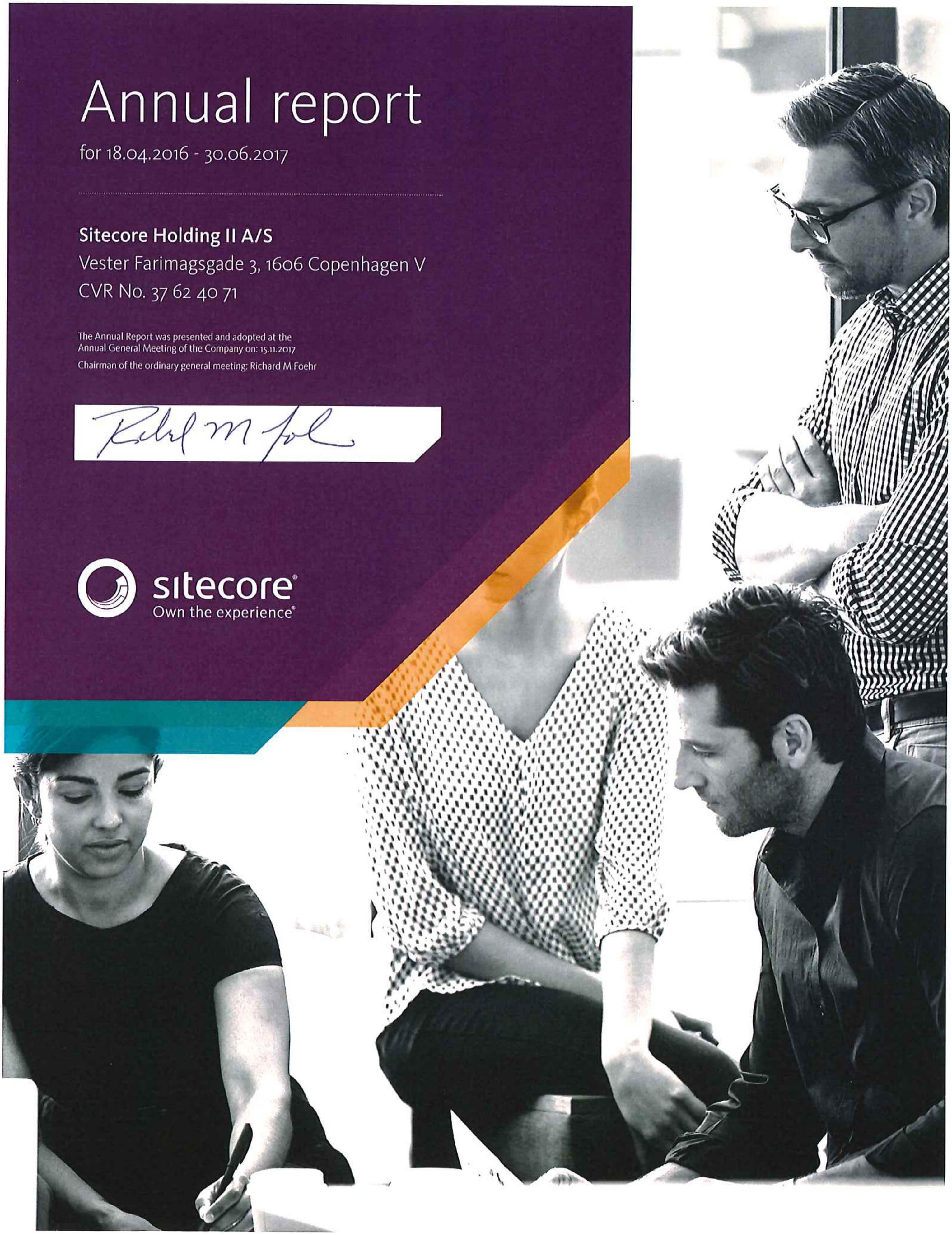

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Company information

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Morten Hummelmose

Michael Seifert

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Robert Youngjohns

Executive board

Mark David Frost

Daniel Edwin Griggs

Audit

ERNST & YOUNG Godkendt
Revisionspartnerselskab

Corporate profile

Sitecore is the global leader in experience management software that enables context marketing. The Sitecore® Experience Platform™ manages content, supplies contextual intelligence, automates communications, and enables personalized commerce, at scale. It empowers marketers to deliver content in context of how customers have engaged with their brand, across every channel, in real time—before, during, and after a sale. More than 5,200 customers—including American Express, Carnival Cruise Lines, easyJet, and L'Oréal—have trusted Sitecore for context marketing to deliver the personalized interactions that delight audiences, build loyalty, and drive revenue.

Our vision

Revolutionize the relationship between businesses and consumers by empowering experiences in context.

Our mission

Winning the digital revolution by disrupting the status quo with context marketing.

Our core values

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

Our market

Consumers' growing preference for shopping, buying, and sharing brand experiences digitally is forcing a fundamental transformation of marketing engagement. Changing consumer behavior is driving marketers to meet audiences wherever they are and, in turn, invest in tools that support a superior customer experience across a multitude of digital channels, at all phases of the customer lifecycle.

The evolution of digital marketing methods has broadened the expectations for the role and value of foundational technologies such as web content management (WCM) and commerce platforms.

WCM platforms have moved beyond the traditional destination website to become the strategic center of gravity for delivering the right content to the right person at the right time. Similarly, the commerce market has shifted from a focus on offering efficient and customer-friendly transactions to one of delivering experiences that help make customers' daily lives easier.

The biggest influence on organizations' ability to deliver against these increased expectations is the "native connectedness" of customer information. The ability to rapidly collect and connect any source of customer interaction data and deliver a cohesive, coherent experience allows marketers to understand where customers stand in their journey and how to build customers for life, not just to provide the next best experience. 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.

Technology is the enabler for managing audience engagement and interaction in an omnichannel environment, but most organizations seek a trusted advisor on the right processes and roles that will help them be more customer focused. Customer success programs that bring vendors even closer to customers on an ongoing basis, as well as the integration of best practices directly into the products themselves, help ensure customers are receiving maximum benefit from the solutions they acquire and implement.

Our products

The Sitecore® Experience Platform™ was built from the ground up with the three ingredients needed to enable marketing in context throughout the customer journey. It delivers robust content and commerce management at scale, contextual intelligence down to the individual level, and omnichannel automation that speeds delivery of the right message to the right person at the right time, wherever they are. As a modular, open platform, 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 Database™ (xDB), a single marketing repository of customer interaction data, is a key feature of Sitecore Experience Platform 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® Web Experience Manager (XM), our market-leading WCM system, supports global, multilingual content at scale and provides the flexibility that enterprises demand. Sitecore® Experience Accelerator (SxA) is fully integrated into XM's editing environment, reducing time to market by allowing content teams to design, assemble, and deploy web content across channels with fewer development resources.

Sitecore® Commerce 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.

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, mobile applications, social marketing, and print-based experiences 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 on-premises, hybrid cloud, and cloud. 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. Additionally, managed hosting options allow users to either deploy Sitecore themselves or work with their certified Solution Partner for hosting.

Sitecore Business Optimization Strategies™ (SBOS™) supports Sitecore customers and partners through a global certification process focused on digital marketing strategy and execution specific to the Sitecore Experience Platform. Participation in the SBOS Optimization Insights Workshop provides the methods and best practices to deliver successful Sitecore projects, develop new services, and add value to customer engagements.

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 integration, machine learning (ML), commerce, and cloud delivery, all of which are integral components of our platform today.

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 has worked with approximately 5,200 world-renowned brands, including American Express Company, BIC Corporation, Dow Chemical Company, GE Healthcare, Heineken International, IHG Hotels Limited, The Proctor & Gamble Company, Thule AB, and Volvo Construction Equipment.

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 21 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.

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 operations 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

In July and August 2016, Sitecore performed a global study that examined organizations' attitudes toward and strategies for online commerce. The study analyzed responses from 826 marketing and IT decision makers, and 414 IT partners and suppliers, spanning 14 countries and eight verticals including financial services, retail, hospitality & leisure, manufacturing, and CPG.

Summarily, the research identified that brands are challenged with delivering an optimal customer experience due to disconnected content and commerce systems, driven primarily by the complexity of technology integration. Of particular relevance to Sitecore, the research uncovered that 93% of marketing and IT decision makers agree that a digital marketing platform that integrates the customer experience across web content and online commerce systems would significantly improve their organization's sales efficiency. Moreover, 87% stated that possessing more knowledge about their customer's online journey would allow them to improve their online experience.

These findings validate Sitecore's strategy to deliver a modular yet connected digital marketing platform with natively integrated web content management and commerce capabilities, as well as analytics, testing and optimization, marketing automation, and integration functionality.

In addition, The Total Economic Impact™ of Sitecore, a study commissioned in November 2016 and conducted by Forrester Consulting on behalf of Sitecore, examines the value that customers achieve by implementing the Sitecore Experience Platform. Forrester's independent study provides an even more comprehensive look into the costs incurred and value achieved through Sitecore than many of our customers have calculated, and highlights that companies deploying Sitecore XP can experience a return on investment (ROI) of 142% over three years, a net present value of $3.8 million, and payback of 13.4 months.

These research studies helped validate Sitecore's product strategy and releasing their results to media elevated Sitecore's thought leadership position in the discussion about the challenges brands face to deliver the perfect customer experience, consistently, with fast time to market.

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 2017

Our business performance

Throughout fiscal year 2017, Sitecore further strengthened its competitive position by leveraging its leadership in the web content management market as well as continuously launching new products and services that advance the company's capabilities in commerce, marketing campaign management, and cloud.

- In July 2016, Sitecore and Microsoft expanded their long-standing strategic alliance to enrich Sitecore's Microsoft Azure cloud offerings over the next two years. The expanded partnership will enable customers to take advantage of the speed and scale of Azure's powerful cloud platform to achieve greater digital transformation at a much faster pace.
- Sitecore XP 8.2 was launched in September 2016, introducing key tools to help Sitecore customers quickly take advantage of crucial digital marketing capabilities. Among the most significant updates were the release of Sitecore Experience Accelerator, the new Data Exchange Framework, and usability enhancements that put more power in the hands of marketers and merchandisers.
- Sitecore® Email Experience Manager 3.4 was released in October 2016, providing a new Sitecore Email Cloud service, expanded reporting capabilities, and global delivery and support enhancements that enable businesses to engage with their customers across the entire customer experience.
- In December 2016, Sitecore released Sitecore Experience Platform 8.2 update 1, a fully optimized version of Sitecore XP running on top of Azure App Service. Among the key changes delivered with this release are native support for Web Apps as part of the Azure App Service and the availability of Sitecore in the Azure Marketplace.
- Sitecore unveiled in January 2017 a major revision of its flagship Sitecore Commerce product, introducing with version 8.2.1 several innovative enhancements including full lifecycle order management capabilities, entitlement support for digital services and goods, and support for dynamic pricing structures. Built on Microsoft's ASP.NET core framework, Sitecore Commerce is the only cloud-enabled software platform that empowers commerce marketers and merchandisers to fully personalize the end-to-end shopping experience.
- To foster the growth and expertise of its developer community, Sitecore launched in February 2017 four new Sitecore XP 8.2 eLearning courses that are delivered globally for developers, business users, and marketers, and can be taken 24X7 from home or office. In addition, the Sitecore Professional Developer Certification Exam is now available for purchase without the requirement of attending Sitecore-sponsored training.

- In May 2017, Sitecore announced Sitecore Cloud, which offers the entire Sitecore Experience Platform and Sitecore Commerce on Azure. Sitecore Cloud leverages Microsoft's global data centers and gives businesses a strong advantage through faster time to market, ability to scale up and out with demand, and control over total cost of ownership.

Our financial performance (based on proforma financials for fiscal 2017 as presented on page 19 of the Annual Report)

- Sitecore's software sales have shifted in fiscal 2017 from predominantly perpetual licenses with upfront revenue recognition, to more subscription or term licenses, with revenue recognition spread out over time. This trend contributed to subscription revenues increasing and license revenue declining in the year ended June 30, 2017. On a perpetual equivalent basis, total revenues grew in fiscal 2017 compared to fiscal 2016. The expansion of Sitecore's portfolio of cloud offerings helped increase subscription and cloud revenue more than 75 percent year over year in fiscal 2017. Sitecore's FY17 revenue was EUR 182 million, down 5% from FY16 revenue of EUR 191 million (revenue for the period 18 April 2016 – 30 June 2017 amounted to EUR 218,9 million). FY17 revenues (as well as revenue for the period 18 April 2016 – 30 June 2017) include the near-term negative impact on revenue recognition from a significant increase in the mix of customers opting for subscription pricing—introduced in FY16—where deals are, on average, recognized at around one-third of the value of a perpetual license in the initial year.
- Gross profit amounted to EUR 169 million compared with EUR 179 million last year (gross profit for the period 18 April 2016 - 30 June 2017 amounted to EUR 195,1 million), also impacted by the strategic transition to subscription pricing.
- Profit before depreciation and amortization was EUR 21 million against EUR 47 million last year (profit before depreciation and amortization for the period 18 April 2016 - 30 June 2017 was EUR 31 million). The decrease in profitability is primarily due to the revenue model becoming more ratable as well as increase in costs associated with headcount investments in research and development to drive technology improvements and sales and marketing to drive growth and increased hosting costs associated with the subscription offering.
- Sitecore generated a cash flow from operations of EUR 22 million against EUR 51 million last year (cash flow from operations for the period 18 April 2016 - 30 June 2017 amounted to EUR 39 million), again impacted significantly by the transition to the subscription business model.

Management review

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

For fiscal 2017, Sitecore reported financial results consistent with the continued execution of its long-term plan to transition the business from a traditional perpetual license model to a subscription-based revenue model.

Reflecting on the past year, Sitecore never lost sight of its purpose to enable businesses to connect with their customers when and where it matters most.

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

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

Sitecore's strong position

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

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

- WCM market leadership. As marketers seek more agility in their customer-facing programs, Sitecore is accelerating the delivery of integration, cloud, and machine learning capabilities that will allow them to achieve more value in a faster, more automated, and more powerful and intelligent way.
- Reinventing the commerce market. Sitecore moves commerce beyond simple transactions to a seamless blend of content, context, and commerce that puts experience first.
- Integrations to line of business and other customer-facing applications. Sitecore is leading the way in the "usability and consumability" of customer information in the moment of engagement, giving organizations an accurate, granular, and real-time understanding of what is going on with their customer interactions, regardless of where they happen.
- Contextual intelligence at scale. Sitecore delivers real-time insights across both native and third-party customer data, enabling marketers to unveil new customer segments and revenue opportunities in real time for exceptional competitive advantage and business results.
- Delivering more flexibility through cloud deployments. Sitecore offers multiple cloud deployment options that give customers the greatest flexibility and choice, from

the Sitecore Azure Toolkit for power users who want full control over their deployment to managed cloud offerings for customers who want a fully managed service.

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

Industry analyst recognition

Sitecore continues to garner 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 eighth consecutive year, Sitecore was positioned in the "Leaders" Quadrant of the Gartner[1] Magic Quadrant for Web Content Management (Mick MacComascaigh and Jim Murphy, 26 July 2017). For the third consecutive year, Sitecore also is 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. Leaders 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
- Provide a vertical-process or horizontal-solution focus."

Sitecore believes this leadership recognition not only validates our clear vision and opportunity to transform digital business, but also confirms our ability to help marketers own their brand experience at every touch point and market in context of customer interactions.

Making our presence known in commerce

Sitecore Commerce represents the culmination of multiple years of effort to deliver a pure Sitecore experience for digital commerce—one that can deliver a truly end-to-end consumer shopping experience catered to each individual customer. In fiscal year 2017, the company marked its first participation in commerce-focused analyst evaluations:

- Sitecore was positioned in the "Contenders" segment in The Forrester Wave™: B2C Commerce Suites, Q1 2017 (Anjali Yakkundi and Andy Hoar with Fiona Swerdlow, Sam Wolken, and Sara Sjoblom, 24 March 2017).
- Sitecore was positioned in the "Niche Players" Quadrant of the Gartner Magic Quadrant for Digital Commerce (Penny Gillespie, Mike Lowndes, Chris Fletcher, Jason Daigler, Yanna Dharmasthira, and Sandy Shen, 24 April 2017).

We believe Sitecore's inclusion in these reports validates its strategy to provide an integrated content and commerce platform that gives marketers even greater ability to deliver personalized marketing experiences across channels, devices, and contexts. Moreover, we see these reports as a foundation on which to build as we continue to transform the commerce market with a customer-experience-first approach that moves beyond transactions to a seamless blend of content, context, and commerce.

[1] Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

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Articulating a value proposition in the broader digital experience marketspace

As Sitecore expands its product offering beyond traditional WCM, we continue to engage the industry analyst community on market reports that help us communicate our market understanding, product innovation, and customer momentum across a range of digital marketing capabilities. Sitecore's capabilities in solution areas such as marketing automation, marketing analytics, personalization, and more are reflected in multiple reports:

- For the third time, Sitecore repeated its position in the "Challengers" Quadrant of the Gartner Magic Quadrant for Horizontal Portals (Jim Murphy, Gene Phifer, Gavin Tay, Magnus Revang, 17 October, 2016).
- Also for the third consecutive time, Sitecore was positioned in the "Visionaries" Quadrant in the Gartner Magic Quadrant for Digital Marketing Hubs (Andrew Frank, Christi Eubanks, Lizzy Foo Kune, Martin Kihn, and Jake Sorofman, 14 February 2017).
- Sitecore was also positioned in the "Visionaries" Quadrant of the Gartner Magic Quadrant for Multichannel Campaign Management for the sixth year in a row. (Adam Sarner, Mike McGuire, Jennifer Polk, and Noah Elkin, 11 April 2017).

Major global customers choose Sitecore

Sitecore has in the past fiscal year continued to attract well-known, global, enterprise brands across all geographies. In addition, Sitecore continues to achieve significant interest and adoption from B2B 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 for multiple sites and digital experiences across a range of countries and languages; who have required social and/or mobile-first strategy; and must have the flexibility to integrate with other technologies such as customer relationship management (CRM), enterprise resource planning (ERP), product information management (PIM), and more.

Global talent

Sitecore finished fiscal year 2017 with 959 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 and the sale of licenses.
- 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 through Sitecore Business Optimization Strategies™ (SBOS™), which provides the insights, methods, and best practices to deliver successful Sitecore Experience Platform projects, develop new services, and add value to customer engagements. Sitecore also introduced the Technical Account Manager (TAM) role to bring additional technical expertise to projects that demand unique product insight or guidance. Meant for customers who develop in-house without a partner, TAMs attach directly to a customer's implementation and/or maintenance team, provide a single point of contact for all Sitecore-related inquiries, and help customers 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

As adjusted for business model transition, Sitecore has experienced revenue growth every year since its founding in 2001. 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.

On January 1, 2017, Sitecore introduced a board approved, global Code of Business Conduct (Code), which, 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: (i) we take ethics and compliance seriously, (ii) we ask questions and report concerns, (iii) we promote a respectful workplace, (iv) we are trustworthy when conducting business, (v) we follow the letter and spirit of the law, (vi) we protect Sitecore's assets and reputation, (vii) we foster a safe and healthy work environment, and (viii) we believe in social responsibility.

The introduction of the Code was supported by the distribution of a companywide campaign and video introducing its principles to provide a broad education to the company's global workforce. All company employees have received a copy of the Code and today it is an integrated part of the hiring process that all newly hired employees receive.

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. Sitecore does not have any specific policies in place addressing climate change and environmental impact, but we do expect our compliance activities to reduce environmental, climate, and other ethical risks for the company. For example, the Code and the 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 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.

To improve transparency and to ensure initiatives are effective, the Board of Directors reviewed and approved an updated Code on November 6, 2017. Sitecore continues to monitor new developments and practices, continue internal training initiatives, and to review new programs to enhance its focus 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

Business ethics and transparency

In addition to the Code, Sitecore has additional policies related to Records Retention, Contract Approval and Signature Authority, Travel and Expense, Global Employee Privacy Protection, Privacy & Data Protection, Trademarks and 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.

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 24 percent women, up from 22 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

During the year, Robert Youngjohns was added as a new member to the board of directors of Sitecore. Robert Youngjohns is an experienced software executive and former

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

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

Executive management board and leadership team

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

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

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

Further, during the fiscal year 2017, Sitecore appointed Mark Zablan as its Chief Revenue Officer, responsible for Sitecore's worldwide sales. Mark has over 20 years of experience in senior executive roles with high-growth companies in the areas of data, analytics, digital marketing, and content management software. Mark is a proven global leader, and most recently he served as President of Adobe EMEA and Group President of Experian Marketing Services, North America, and UK/I.

In February 2017, Sitecore also announced the appointment of Denise Parker as its EVP, Business Operations and recently promoted her to Chief Customer Officer. Denise joined Sitecore's executive leadership team to lead the company's commercial operations and supporting processes. Denise brings more than 15 years of experience from the enterprise software and cloud market, spanning sales, consulting, and business development, including work at K2 and Microsoft Corporation.

Other management levels

Today, approximately 24 percent (up from approximately 22 percent) of senior and mid-level management members in the company's group are women. The ratio of female managers in the group have steadily increased over the past several years.

Sitecore has a goal of increasing its ratio of female employees. The company continues to offer equal opportunities for men and women throughout its global workforce, and will continue to promote equal opportunities regardless of gender, ethnicity, race, religion, or sexual orientation. During the year, this has been addressed by including specific language in all public job postings highlighting that Sitecore offers equal opportunity throughout its global workforce, and diversity has been included as being one part of the assessment of new hires. As a result, the percentage of senior and mid-level management members in the company have increased as described above.

Sitecore will continue to monitor its compliance and HR strategy on gender representation, and it will report on any developments in its annual report.

Proforma financials (Non-GAAP and unaudited)[1]

Consolidated profit and loss accounts

€M	Twelve months ending June 30, 2017	Twelve months ending June 30, 2016
Net revenue	182,0	190,6
Cost of goods sold	(12,7)	(11,7)
Gross profit	**169,3**	**178,9**
Sales and marketing costs	(106,2)	(95,8)
General and administrative expenses	(22,6)	(18,6)
Research and development costs	(19,7)	(17,4)
Operating profit (EBITDA)	20,8	47,1

[1] 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 include operating results for the full year excluding the impact of the acquisition of Sitecore to provide a meaningful comparison to current year numbers. The figures were not audited.

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 financials (Non-GAAP and unaudited)[1]

Consolidated balance sheets: assets

€M	June 30, 2017	June 30, 2016
Goodwill	754,2	16,7
Technology, customer base and brand	319,1	17,8
Patents, trademarks and product rights	3,0	0,2
Development projects	3,2	2,5
Development projects in progress	4,1	2,9
Total intangible assets	**1.083,6**	**40,1**
Land and buildings	0,4	0,4
Production plant and machinery	1,5	0,8
Other operating equipment, etc.	2,8	3,4
Total property, plant and equipment	**4,7**	**4,7**
Deposits	1,0	1,1
Total financial assets	**1,0**	**1,1**
Deferred tax assets	0,7	-
Total other non-current assets	**0,7**	**-**
Total non-current assets	**1,090**	**45,9**
Trade receivables	52,9	56,1
Other receivables	2,1	0,4
Prepayments	4,1	3,7
Income tax receivables	1,0	3,1
Total receivables	**60,1**	**63,4**
Cash	**30,6**	**45,1**
Total current assets	**90,7**	**108,5**
Total assets	**1.180,7**	**154,3**

[1] 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 include operating results for the full year excluding the impact of the acquisition of Sitecore to provide a meaningful comparison to current year numbers. The figures were not audited.

Proforma financials (Non-GAAP and unaudited)[1]

Consolidated balance sheets: liabilities and equity

€M	June 30, 2017	June 30, 2016
Share capital	7,1	1,4
Share premium	698,2	2,8
Reserve for exchange rate translation	(0,3)	-
Retained earnings	(39,2)	31,0
Total equity	**665,8**	**35,2**
Minority interests	-	0,2
Bank debt	280,7	-
Deferred revenue	5,4	3,2
Deferred tax liabilities	87,5	7,0
Total non-current liabilities	**373,6**	**10,4**
Bank debt	16,3	-
Trade payables	7,8	9,8
Current income tax liabilities	-	3,0
Other debt	-	24,6
Other payables	28,4	0,2
Deferred revenue	88,8	71,0
Total current liabilities	**141,3**	**108,5**
Total liabilities	**514,9**	**118,9**
Total equity and liabilities	**1.180,7**	**154,3**

[1] 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 include operating results for the full year excluding the impact of the acquisition of Sitecore to provide a meaningful comparison to current year numbers. The figures were not audited.

Proforma financials (Non-GAAP and unaudited)[1]

Consolidated cash flow statements

€M	Twelve months ending June 30, 2017	Twelve months ending June 30, 2016
Operating profit	20,8	47,1
Change in net working capital	21,8	9,9
Cash flows from primary operating activities	**42,6**	**57,0**
Interest paid	(18,5)	(3,7)
Income taxes paid	(1,7)	(2,3)
Net cash flow from operating activities	**22,4**	**51,0**
Payments for property, plant and equipment	(2,3)	(1,0)
Payment for acquisition of subsidiary, net of cash acquired	(1,9)	-
Payments for intangible assets	(9,3)	(6,1)
Payment for acquisition related expenses	(9,7)	(1,9)
Net cash flow from investing activities	**(23,2)**	**(9,0)**
Proceeds from bank debt	-	40,0
Repayment of bank debt	(38,5)	(44,0)
Financing related expenses	(0,7)	-
Issuance of equity	6,9	-
Cash flow from financing activities	**(32,3)**	**(4,0)**
Net cash flow for the year	(33,1)	38,0
Cash and cash equivalents, beginning of the year	64,6	7,5
Unrealized exchange rate gains and losses on cash	(0,9)	(0,4)
Cash and cash equivalents, end of the year	**30,6**	**45,1**

[1] 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 include operating results for the full year excluding the impact of the acquisition of Sitecore to provide a meaningful comparison to current year numbers. The figures were not audited.

Proforma (Non-GAAP and unaudited)[1] and audited financials

Key figures – consolidated accounts

€M	18.04.2016 – 30.06.2017 (Audited)	2016/17	2015/16	2014/15	2013/14
Profit and loss accounts					
Net revenue	218,9	182,0	190,6	155,6	114,6
Gross profit	195,1	169,3	178,9	140,0	98,4
Operating profit (EBITDA)	30,5	20,8	47,1	9,1	15,5
Total assets	1.180,7	1.180,7	154,3	125,1	102,9
Equity	665,8	665,8	35,2	24,0	21,0
Cash flows					
Operating activities	39,0	22,4	51,0	14,6	7,3
Investment activities	(881,4)	(23,2)	(9,0)	(4,4)	(10,3)
Thereof investments in tangible fixed assets	(2,4)	(2,3)	(1,0)	-	-
Financing activities	841,0	(32,3)	(4,0)	(5,9)	(4,4)
Employees					
Average number of staff (full-time)	884	884	808	938	755
Key ratios					
Gross margin	89%	93%	94%	90%	86%
EBITDA as a % of revenue	14%	11%	25%	6%	14%

[1] 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 April 18, 2016 to June 30, 2017 represent the first year financials of the newly formed entity, Sitecore Holding II A/S. Hence, no comparative financial statements for prior years are presented and the financial review presented below is for Proforma financial statements.

Proforma financial statements

Profit and loss account

Revenue for the fiscal year aggregated EUR 182 million against EUR 191 million in the previous year, reflecting a year-over-year decline of 5% 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 13 million (2015/16: EUR 12 million), resulting in a gross profit of EUR 169 million (2015/16: EUR 179 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 106 million (2015/16: EUR 96 million), an increase of 11%. This increase is primarily due to compensation and benefits expenses associated with an increase in headcount.

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 (2016/15: EUR 17 million), a 13% increase. This is primarily due to increase in compensation and benefits expenses associated with an increase in headcount.

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 23 million (2015/16: EUR 19 million), an increase of 21%. This is primarily due to increased compensation and benefit costs for increase in headcount and third-party consulting and professional fees.

Profit before depreciation and amortization was EUR 21 million (2015/16: EUR 47 million).

Follow-up on expectations

The revenue performance is in line with Management's expectations of continued shift to subscription revenue model as was expressed in November 2016 in the Annual Report for 2015/16 for Sitecore Corporation A/S.

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 2017/18

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

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

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

Sitecore expects to revenue associated with Sitecore Commerce to trend upward during fiscal 2018 as we start to see the benefit from new product launches and other growth initiatives.

Given the market opportunity, Sitecore will continue to aggressively invest in product development, customer support, and distribution at times in advance of revenue.

Risk factors

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

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

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

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

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

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

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

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

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 18 April 2016 – 30 June 2017.

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 2017 of the Group and the Company and of the results of the Group and Company's operations and cash flows for the financial year 18 April 2016 – 30 June 2017.

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, 06.11.2017

Executive Board

Mark David Frost ....
CEO

Daniel Edwin Griggs ....
CFO

Board of Directors

Jonas Persson ....
Chairman

Sheila May Gulati ....

Morten Hummelmose ....

Michael Seifert ....

Dominik Vincent Stein ....

Robert Youngjohns ....

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 II A/S for the financial year 18 April 2016 – 30 June 2017, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for 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 disclosure 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 assets and liabilities and financial position of the Group and the Parent Company at 30 June 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 18 April 2016 – 30 June 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements 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 disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company 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, 6 November 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath ....
State Authorised Public Accountant

Kennet Hartmann ....
State Authorised Public Accountant

Consolidated accounts

Consolidated statement of profit and loss

	Note	18.04.2016 - 30.06.2017 €M
Net revenue	3	218,9
Cost of goods sold	4,5,6	(23,8)
Gross profit		**195,1**
Sales and marketing costs	4,5,6	(128,4)
General and administrative expenses	4,5,6,7	(29,3)
Research and development costs	4,5,6	(54,9)
Operating loss		**(17,5)**
Acquisition related and special items	8	(15,5)
Financial income	9	2,9
Financial expense	10	(21,4)
Loss before income tax		**(51,5)**
Income tax benefit	11	4,6
Loss for the period		**(46,9)**

Consolidated statement of comprehensive income

	Note	18.04.2016 - 30.06.2017 €M
Loss for the period		(46,9)
Other comprehensive income:		
Exchange differences on translation of subsidiaries (net)		(0,3)
Other comprehensive expense for the period, net of tax		**(0,3)**
Total comprehensive loss for the period		**(47,2)**

Consolidated balance sheet

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

Consolidated balance sheet

	Note	30.06.2017 €M
Share capital	18	7,1
Share premium		698,2
Reserve for exchange rate translation		(0,3)
Retained earnings		(39,2)
Total equity		**665,8**
Bank debt	19	280,7
Deferred revenue		5,4
Deferred tax liabilities	14	87,5
Total non-current liabilities		**373,6**
Bank debt	19	16,3
Trade payables		7,8
Other payables		28,4
Deferred revenue		88,8
Total current liabilities		**141,3**
Total liabilities		**514,9**
Total equity and liabilities		**1.180,7**

Consolidated statement of changes in equity

	Share capital €M	Share premium €M	Reserve for exchange rate transitions €M	Retained earnings €M	Total €M
Equity at 18.04.2016	**0,1**	**-**	**-**	**-**	**-**
Loss for the period	-	-	-	(46,9)	(46,9)
Exchange differences regarding subsidiaries in another currency	-	-	(0,3)	-	(0,3)
Total comprehensive loss for the period	**-**	**-**	**(0,3)**	**(46,9)**	**(47,2)**
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
Total transactions with owners in their capacity as owners	**7,0**	**698,2**	**-**	**7,7**	**712,9**
Equity at 30.06.2017	**7,1**	**698,2**	**(0,3)**	**(39,2)**	**665,8**

Consolidated cash flow statement

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

Notes

1. Accounting policies
2. Critical accounting estimates and judgements
3. Net revenue
4. Staff costs
5. Share based payments
6. Amortization and depreciation
7. Audit fees
8. Acquisition related and special items
9. Financial income
10. Financial expenses
11. Income tax
12. Intangible assets
13. Property, plant and equipment
14. Deferred tax
15. Trade receivables
16. Fair values
17. Derivative financial instruments
18. Share capital
19. Borrowings
20. Related parties
21. Commitments and contingent liabilities
22. Business combinations
23. Financial risk management
24. Events after the balance sheet date
25. Changes in net working capital

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 have been prepared in accordance with International Financial Reporting Standards (IFRS) as 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 18 April 2016. 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.

New standards

The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 18, April, 2016. Some of these have not yet been endorsed by the EU. 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 assessing the impact of IFRS 9.

- IFRS 15: “Revenue from contracts with customers” establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The group is assessing the impact of IFRS 15, which is expected to be significant, but currently not possible to quantify.

- 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. The standard has not yet been endorsed by the EU.

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:

- 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, 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 three years.

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

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

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.

Revenue is recognized net of sales, use, and value added taxes billed to customers.

Cost of goods sold

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, 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.

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 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 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.

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.

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 as well as a Merger and Acquisition 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 recent acquisition of Sitecore, uncertainly 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.

3 Net revenue

	2016/17 €M
Perpetual licenses	78,1
Maintenance	105,0
Subscription licenses	17,7
Services and other	18,1
Total net revenue	**218,9**

4 Staff costs

	2016/17 €M
Wages and salaries	106,9
Pensions, defined contribution plans	3,4
Share based payments (Note 5)	2,7
Other staff costs	6,7
Total staff cost	**119,7**
Avarage number of full time employees	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:

	BoD	EM
Wages and salaries	0,1	1,2
Pensions	-	-
Share based payments (Note 5)	0,1	0,3
Total key management compensation	**0,2**	**1,5**

5 Share-based payments

Sitecore Holding II A/S has established a global stock incentive plan for key management and key personnel. The stock incentive plan comprise a total of 15,704,861 stock options at 30 June 2017. Each option grants the holder the right to buy one share of common stock at the exercise price of EUR 1 per share.

The exercise of 7,852,431 options is subject to continued employment and vest with 1/4 on each anniversary after grant date. Unvested options will vest upon an exit event. The exercise of 7,852,430 options is subject to achieving a certain rate of return on the investment upon an exit event. The options expire after 10 years.

Fair value of the options subject to continued employment is determined by applying a Black Scholes option valuation model. Fair value of the options subject to achieving a certain rate of return is determined by a Monte Carlo simulation applying the same assumptions as applied under the Black Scholes option valuation model

The following assumptions were applied:

Share price	EUR 1
Expected life of options	2.9 - 3.4
Expected volatility	51% - 55 %
Risk free interest rate	(0,3%) - (0,7%)
Expected dividend	0%

Fair value of the 7,852,431 options subject to continued employment amounts to EUR 2.5m while fair value of the 7,852,430 options subject to achieving a certain rate of return on the investment upon an exit is events amounts to EUR 1.5m.

The expected volatility was determined as the observable volatility for the expected life of the options for a peer group of listed companies.

As part of the acquisition of the Sitecore Corporation Group, existing options (22,897,905 options in total) granted to employees, were exchanged for options in Sitecore Holding II A/S on similar terms. Fair value attributable to services provided up until the acquisition date forms part of the cost price for the shares in Sitecore Corporation A/S. 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 years
Expected volatility	50,0 %
Risk free interest rate	0,0%
Expected dividend	0,0%

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	1,375,000	1,441,738	EUR 1	12,888,123	EUR 1
Exercised during the year	-	-		(54,974)	EUR 0,35
Forfeited during the year	-	-		(10,369,089)	EUR 0,45
Outstanding as at 30.06.2017	**1,375,000**	**2,700,963**		**25,361,965**	

Of which 2,845,505 options are currently exercisable.

Share based compensation costs are recognized in the income statement:

Sales and marketing costs	1,5
General and administrative expenses	1,1
Research and development costs	0,1
Total share based compensation	**2,7**

Notes (consolidated financial statements continued)

6 Amortization and depreciation

	2016/17 €M
Amortization	42,6
Depreciation	2,7
Total amortization and depreciation	**45,3**
Amortization and depreciation are recognized in the income statement:	
Sales and marketing costs	15,3
General and administrative expenses	2,7
Research and development costs	27,3
Total amortization and depreciation	**45,3**

7 Audit fees

	2016/17 €M
Statutory audit	0,2
Other assurance engagements	-
Tax assurance services	0,1
Other services	0,2
Total audit fees	**0,5**

Notes (consolidated financial statements continued)

8 Acquisition related and special items

	2016/17 €M
Acquisition related special items	14,4
Other special items	1,1
Total acquisition related and special items	**15,5**

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

	2016/17 €M
Exchange rate adjustments	1,9
Fair value gains on derivatives	0,9
Other interest income	0,1
Total financial income	**2,9**

10 Financial expenses

	2016/17 €M
Interest expenses, bank borrowings	18,1
Amortization of financing fees	2,8
Other financial expenses, including bank fees	0,4
Fair value losses on derivatives	0,1
Total financial expenses	**21,4**

Notes (consolidated financial statements continued)

11 Income tax

Current tax:	2016/17 €M
Current tax on profits for the year	2,5
Current tax on profits for previous years	(0,2)
Total current tax expense	**2,3**
Deferred tax:	
Deferred tax benefit on loss for the year and previous years	(6,9)
Total deferred tax	(6,9)
Income tax benefit for the period	**(4,6)**
Income tax benefits are specified as follows:	
Calculated 22.0% tax on profit for the year before income tax	(11,3)
Tax effects of:	
Higher/Lower tax rate in subsidiaries	0,2
Non-deductible expenses	6,6
Adjustments in respect of prior years	(0,2)
Other	0,1
Total income tax benefit for the period	**(4,6)**
Effective tax rate	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
Cost:						
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)	-
At 30.06.2017	**754,2**	**360,7**	**3,1**	**4,1**	**4,1**	**1.126,2**
Amortization:						
At 18.04.2016	-	-	-	-	-	-
Amortization charge	-	41,6	0,1	0,9	-	42,6
At 30.06.2017	-	**41,6**	**0,1**	**0,9**	-	**42,6**
Carrying amount 30.06.2017	**754,2**	**319,1**	**3,0**	**3,2**	**4,1**	**1.083,6**

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 3 separate valuation methods. These are:

- Discounted Cash Flow Method
- Guideline Public Company Method
- Merger and acquisition 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%

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 2017/18 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 2,6% and a risk premium of 6,0%, assuming a beta of 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 0,1%, a Small Stock Risk Premium of 3,4% and a Company-Specific Risk Premium of 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.

Merger and acquisition method

Information available on 10 recent transactions involving the acquisitions of technology and software related companies has been analyzed to consider certain pricing relationships indicated by the target companies, in particular the EV / LTM Net Sales valuation multiple. When performing the analysis differences between Sitecore and the target companies in terms of financial size, profitability and other factors has been considered.

The impairment test as of 30 June 2017 showed no indication of impairment for 2016/17. 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
Cost:				
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	-	-	-	-
At 30.06.2017	**0,4**	**1,8**	**3,7**	**5,9**
Depreciation:				
At 18.04.2016	-	-	-	-
Depreciation charge	-	1,1	1,6	2,7
Reversed depreciation, disposed assets	-	(0,8)	(0,7)	(1,5)
At 30.06.2017	**-**	**0,3**	**0,9**	**1,2**
Carrying amount 30.06.2017	**0,4**	**1,5**	**2,8**	**4,7**

Notes (consolidated financial statements continued)

14 Deferred tax

	2016/17 €M
Deferred tax at 18.04.2016	-
Deferred taxes added as part of the acquisition of the Sitecore Group	93,7
Deferred tax recognized in the income statement	(6,9)
Deferred tax at 30.06.2017	**86,8**
Deferred tax relates to:	
Intangible assets	86,7
Property, plant and equipment	0,3
Tax loss carry-forwards	(0,2)
Total	**86,8**
Of which presented as deferred tax assets	0,7
Of which presented as deferred tax liabilities	87,5
Total	**86,8**

The group did not recognize deferred income tax assets of EUR 0,2m in respect of losses amounting to 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

	2016/17 €M
Trade receivables and other receivables at 30.06.2017	54,2
Less provision for impairment of trade receivables	(1,3)
Trade receivables net	**52,9**
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	1,6
Write-offs during the year	(1,1)
Reversed allowances	(1,7)
Provision for impairment of trade receivables	**1,3**
Allocation of receivables past due but not impaired by maturity period are as follows:	
Up to 30 days	11,9
Between 31 and 90 days	1,4
More than 90 days	0,3
Overdue net receivables at 30.06.2017	**13,6**

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
At 30.06.2017	**200,9**	**0,8**	

18 Share capital

The share capital comprise 705,278,071 shares of a nominal value of EUR 0.01 each. No shares carry any special rights.

Changes in share capital:	€M
Incorporation on 18.04.2016	0,1
Capital increases	7,0
Share capital at 30.06.2017	**7,1**

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	3,8%	EUR	10 May 2022	57,9
Facility B1	120	4,3%	EUR	10 May 2023	120,0
Facility B2	137	5,5%	USD	10 May 2023	119,9
Capex/Acquisition facility	30	1,3%	EUR	10 May 2022	-
Revolving credit facility	30	2,6%	EUR	10 May 2022	10,0
Total bank borrowings					**307,8**

Facility A is repayable in instalments as of 30 June 2017 to 10 May 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.

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:

	2016/17 €M
Transactions with Dynamite Holding I S.á r.l. :	
Interest on bridge loan	0,1
Total transactions with related parties	**0,1**

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 1-51 months' notice. Operating lease commitments:

	2016/17 €M
Due within 1 year	3,2
Due between 1 and 5 years	5,3
Total operating lease commitments	**8,5**

Expensed payments relating to operating leases amount to EUR 3.4m. There are no pending court and arbitration cases.

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 Corporation A/S, Sitecore Holding III 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 Holding III A/S, Sitecore Holding II A/S, Sitecore USA Holding A/S

Pledge of Intellectual properties:

- Sitecore Corporation A/S

The aggregate value of assets provided as security for credit facilities amount to EUR 1.159,0m.

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 has 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:

	€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)
Net assets	**262,9**
Consideration paid	**1.017,1**
Goodwill	**754,2**

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.

	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

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.

Notes (consolidated financial statements continued)

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.

	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

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 20m that may be available for future operating activities and to settle capital commitments.

Notes (consolidated financial statements continued)

23 Financial risks (continued)

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	0,0	0,0	7,8
Other payables	28,4	0,0	0,0	28,4
Total	**52,5**	**51,6**	**239,9**	**344,0**

24 Events after the balance sheet date

There were no significant subsequent items after the balance sheet date.

25 Changes in net working capital

	2016/17 €M
Changes in trade receivables	(19,4)
Changes in other receivables	(1,4)
Changes in trade and other payables	49,5
Total	**28,7**

Accounts for the parent company

Profit and loss (parent company)

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

Statement of comprehensive income (parent company)

	Note	18.04.2016 - 30.06.2017 €M
Loss for the period		(1,1)
Other comprehensive income for the period, net of tax		-
Comprehensive loss for the period		**(1,1)**

Balance sheet (parent company)

	Note	18.04.2016 - 30.06.2017 €M
Assets		
Investment in subsidiaries		700,7
Total financial assets		**700,7**
Total non-current assets		**700,7**
Receivables from related parties		4,9
Other receivables		0,4
Income tax receivable		0,7
Total receivables		**6,0**
Cash		0,2
Total current assets		**6,1**
Total assets		**706,9**
Equity and liabilities		
Share capital		7,1
Share premium		698,2
Retained earnings		1,6
Total equity		**706,9**
Total liabilities		**-**
Total equity and liabilities		**706,9**

Statement of changes in equity (parent company)

	Share capital €M	Share premium €M	Retained earnings €M	Total €M
Equity at 18.04.2017	**0,1**	**-**	**-**	**0,1**
Profit for the period	-	-	(1,1)	(1,1)
Total comprehensive income for the period		**-**	**(1,1)**	**(1,1)**
Transactions with owners in their capacity as owners				
Capital increase	7,0	698,2	-	705,2
Share based payment	-	-	2,7	2,7
Total transactions with owners in their capacity as owners	**7,0**	**698,2**	**2,7**	**707,9**
Equity at 30.06.2017	**7,1**	**698,2**	**1,6**	**706,9**

Cash flow statement (parent company)

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

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

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 18 April 2016. 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.

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.

4 Financial income

	2016/17 €M
Interest income, affiliates	0,2
Total financial income	**0,2**

5 Financial expense

	2016/17 €M
Interest expense, parent	0,2
Exchange rate adjustment	0,3
Total financial expense	**0,5**

6 Income tax benefit

Current tax:	2016/17 €M
Current tax on loss for the year	0,1
Income tax benefit for the year	**0,1**
Income tax benefits are specified as follows:	
Calculated 22.0% tax on loss for the year before income tax	0,3
Tax effects of:	
Non-deductible expenses	(0,2)
Total income tax benefit	**0,1**

7 Investment in subsidiaries

	€M
Cost:	
At 18.04.2016	**-**
Additions during the year	700,7
At 30.06.2017	**700,7**
Impairment:	
At 18.04.2016	**-**
Impairment charge	-
At 30.06.2017	**-**
Carrying amount at 30.06.2017	**700,7**

Owned by Sitecore Holding II A/S:

Subsidiaries	Legal form	Registered office	Voting shares and stakes	Profit (FY16)	EQ (FY16)
Sitecore Holding III	A/S	Copenhagen, Denmark	100%	Initial year	

Subsidiaries own following companies:

Subsidiaries	Own	Legal form	Registered office	Voting shares and stakes	Profit (FY16)	EQ (FY16)
Sitecore Holding III A/S	Sitecore Corporation	A/S	Copenhagen, Denmark	100%	Initial year	Initial year
Sitecore Corporation	Sitecore Danmark	A/S	Copenhagen, Denmark	100%	€ 213.898	€ 552.617
Sitecore Corporation	Sitecore International	A/S	Copenhagen, Denmark	100%	€ 49.202	€ 345.552
Sitecore Corporation	Sitecore UK	Ltd.	London, United Kingdom	100%	€ 592.898	€ 4.563.378
Sitecore Corporation	Sitecore Sverige	AB	Stockholm, Sweden	100%	€ 120.251	€ 2.141.969
Sitecore Corporation	Sitecore Deutschland	GmbH	Bremen, Germany	100%	€ 503.715	€ 1.864.360
Sitecore Corporation	Sitecore Nederland	B.V.	Amsterdam, Netherlands	100%	€ 193.032	€ 1.531.630
Sitecore Corporation	Sitecore Belgium	BVBA	Brussels, Belgium	100%	Initial year	
Sitecore Corporation	Sitecore Middle East	DMCC	Dubai, UAE	100%	Initial year	
Sitecore Corporation	Komfo	ApS	Copenhagen, Denmark	100%	€ -1.223.274	€ -1.722.026
Sitecore Corporation	Sitecore Japan Co.	Ltd.	Tokyo, Japan	100%	€ -20.296	€ -2.021.252
Sitecore Corporation	Sitecore Singapore Pte.	Ltd.	Singapore	100%	€ -48.895	€ 207.809
Sitecore Corporation	Sitecore Software Co	Ltd.	Shanghai, China	100%	€ -30.110	€ -85.029
Sitecore Corporation	Sitecore Malaysia Sdn.	Bhd.	Kuala Lumpur, Malaysia	100%	€ 156.702	€ 258.793
Sitecore Corporation	Sitecore Ukraine	Foreign Enterprise	Dniepropetrovsk, Ukraine	100%	€ -90.501	€ -180.659
Komfo ApS	Komfo	BG	Sofia, Bulgaria	100%	€ 6.634	€ 134.211
Sitecore Holding III A/S	Sitecore USA Holding	A/S	Copenhagen, Denmark	100%	Initial year	
Sitecore USA Holding A/S	Sitecore USA	Inc.	Delaware, USA	100%	€ 824.701	€ 5.853.930
Sitecore USA Inc.	Sitecore Canada	Ltd.	Nova Scotia, Canada	100%	€ 402.316	€ 1.325.025

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:

	2016/17 €M
Transactions with Dynamite Holding I S.á r.l. :	
Interest on bridge loan	0,1
Total transactions with related parties	**0,1**

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 2017 of 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

No events have occurred after the balance sheet date of importance to the Annual Report.

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.

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