

# **Consolidated Financial Statements of Marcel Lux IV SARL and its subsidiaries**

**For the year ended 31 October 2020**  
**(with the report of the Réviseur d'Entreprises agréé thereon)**

**26A, boulevard Royal  
L-2449 Luxembourg  
R.C.S. Luxembourg : B 225816**

# Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

For the year ended 31 October 2020

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<sup>1</sup> Report of the Réviseur d’Entreprises agréé.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

For the year ended 31 October 2020

### SUSE Advisory Board, Company Sole Manager, and Leadership Team

#### SUSE Advisory Board

1. **Jonas Persson** (Chairman of the SUSE Advisory Board)
2. **Franck Cohen**
3. **Nora M. Denzel**
4. **Anand Krishnan**
5. **Alex Pinchev**
6. **Johannes Reichel**

#### Sole Manager of the Company<sup>1</sup>

1. **EQT Luxembourg Management S.À R.L.**

EQT Luxembourg Management S.À R.L. is the sole Manager of Marcel Lux IV SARL (“the Company”) and is responsible for the preparation of the Consolidated Financial Statements and Management Report as prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**EU IFRS**”) and the laws of the Grand Duchy of Luxembourg.

Joshua Stone resigned as a Manager of the Company in July 2020.

#### Leadership Team<sup>1 2</sup>

- |  |  |
|--|--|
| 1. <b>Melissa Di Donato</b>              | Chief Executive Officer                          |
| 2. <b>Andy Myers</b>                     | Chief Financial Officer                          |
| 3. <b>Paul Devlin</b>                    | Chief Customer Officer                           |
| 4. <b>Ivo Totev</b>                      | Chief Product and Marketing Officer              |
| 5. <b>Steve Gilliver</b>                 | Chief Human Resources and Transformation Officer |
| 6. <b>Dr Thomas Di Giacomo</b>           | Chief Technology and Product Officer             |
| 7. <b>Felix Imendoerffer</b>             | Senior Vice President, Legal and General Counsel |
| 8. <b>Michael Miller</b>                 | President, Corporate Development                 |
| 9. <b>April Moh</b>                      | Chief Communications Officer                     |
| 10. <b>Michael A. Riley</b>              | Chief Growth Officer                             |
| 11. <b>Sheng Liang</b> <sup>2</sup>      | President Engineering and Innovation             |
| 12. <b>Shannon Williams</b> <sup>2</sup> | Global Chief Operations Officer                  |

<sup>1</sup> Represents ‘Key management personnel’ of the Group as defined by IAS24.9.

<sup>2</sup> Joined the Leadership Team after 31 October 2020.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

For the year ended 31 October 2020

### Consolidated Management Report

The Company is obliged to prepare a Management Report in accordance with Article 1720-1 of the Luxembourg Company Law.

#### (a) Introduction

The financial reporting period relevant to the Group is 1 November 2019 to 31 October 2020.

On 15 March 2019, Marcel LUX IV SARL (“**the Company**”) and its subsidiaries, (together referred to as “**the Group**” or “**SUSE**”) became an independent stand-alone group following the completion of the sale by Micro Focus International plc (the “**Vendor**”) to Marcel Bidco GmbH, a newly incorporated, wholly-owned subsidiary of the Company.

Marcel LUX IV SARL, a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B225816, was incorporated on 20 June 2018 and the financial statements for the period to 31 December 2018 represent the inaugural period of the Company. The period end of the Company was subsequently amended to 31 October on 3 April 2019. Until 15 March 2019, the Company had no operations.

The inaugural Consolidated Financial Statements of the Group were for the period 1 January 2019 to 31 October 2019, including the period from 1 January 2019 to 14 March 2019 before the sale of SUSE to the Company (herein after referred to as the “**period ended 31 October 2019**” or “**2019**”). These are the second Consolidated Financial Statements of the Group with a period from 1 November 2019 to 31 October 2020 (“**year ended 31 October 2020**” or “**2020**”).

#### (b) Events since the reporting date

On 25 November 2020, the Group acquired a 100% interest in Rancher Labs Inc and its affiliates (“**Rancher**”). The results of Rancher are not included in these financial statements. Details of subsequent events are set out in Note 34 to the Consolidated Financial Statements.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

(c) Results for the year/period	Year ended 31 October 2020 US\$m	Period ended 31 October 2019 US\$m
<b>ACV <sup>(1)</sup></b>	<b>348.7</b>	<b>204.9</b>
<b>Revenue</b>	<b>447.4</b>	<b>246.4</b>
Cost of sales	(26.4)	(19.5)
<b>Gross profit</b>	<b>421.0</b>	<b>226.9</b>
Operating expenses	(269.3)	(182.1)
<b>Operating profit before depreciation, amortisation and separately reported items</b>	<b>151.7</b>	<b>44.8</b>
Separately reported items <sup>(2)</sup>	(25.4)	(22.8)
<b>Operating profit before depreciation and amortisation</b>	<b>126.3</b>	<b>22.0</b>
Depreciation – Property, plant and equipment	(4.5)	(2.2)
Depreciation and impairment – Right of use assets	(10.5)	(8.3)
Amortisation of intangible assets	(120.0)	(71.5)
<b>Headline operating profit / (loss) <sup>(2)</sup></b>	<b>16.7</b>	<b>(37.2)</b>
<b>Operating loss</b>	<b>(8.7)</b>	<b>(60.0)</b>
<b>Headline loss before tax <sup>(2)</sup></b>	<b>(47.0)</b>	<b>(85.3)</b>
<b>Loss before tax</b>	<b>(72.5)</b>	<b>(108.1)</b>
Taxation credit	20.8	27.3
<b>Headline loss after tax <sup>(2)</sup></b>	<b>(42.4)</b>	<b>(64.5)</b>
<b>Loss after tax</b>	<b>(51.7)</b>	<b>(80.8)</b>
<b>Consolidated net leverage <sup>(3)</sup></b>	<b>897.9</b>	<b>925.1</b>

#### Footnotes

<sup>(1)</sup> Annual Contract Value ("ACV") is defined as monthly total contract value ("TCV") summing the values of the first 12 months on a straight-line basis. If TCV is less than 12 months, 100% of value is included in ACV. Refer to Note (e) of the Consolidated Management Report for further details.

<sup>(2)</sup> "Headline" refers to operating performance in the normal course and excludes one-off significant transactions identified as separately reported items as detailed in Note 8 to the Consolidated financial statements.

<sup>(3)</sup> Defined as the net total of interest-bearing borrowings, unpaid liabilities to software vendors and cash and short-term deposits.

#### (i) Group performance

Revenue for the year ended 31 October 2020 was US\$447.4 million (2019: US\$246.4 million) and gross profit was US\$421.0 million (2019: US\$226.9 million), a margin of 94% (2019: 92%). Headline operating profit before depreciation and amortization for the year ended 31 October 2020 amounted to US\$151.7 million (2019: \$44.8 million), a margin of 34% (2019: 18%).

#### (ii) Fair value adjustment to acquired deferred revenue

Included within revenue is a charge of US\$18.6 million (2019: US\$24.7 million) in respect of the unwinding of a fair value adjustment to acquired deferred revenue. Excluding this adjustment, revenue was US\$466.0 million (2019: US\$271.1 million) resulting in an adjusted gross profit of US\$439.6 million.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

#### *(ii) Fair value adjustment to acquired deferred revenue (continued)*

(2019: US\$251.6 million) and an adjusted gross profit margin of 94% (2019: 93%). Headline operating profit before depreciation and amortization, excluding the fair value adjustment, was US\$170.3 million (2019: US\$69.5 million), a margin of 37% (2019: 26%).

#### *(iii) Separately reported items*

Items reported separately due to their significance and non-operating nature were US\$25.4 million (2019: US\$22.8 million) for the year and comprised transaction costs associated with an acquisition which completed subsequent to the reporting date (US\$6.0 million), severance costs associated with transformation initiatives (US\$2.0 million) and the write-down of a tax indemnity asset no longer required upon the release of a related uncertain tax position (US\$17.5 million). Further details of the items are set out in Note 8 to the Consolidated Financial Statements.

#### *(iv) Depreciation*

Depreciation of property, plant and equipment expense for the year was US\$4.5 million (2019: US\$2.2 million). Further details are set out in Note 16 to the Consolidated Financial Statements. Depreciation of right of use leased assets expense for the year was US\$10.5 million (2019: US\$8.3 million). Further details are set out in Note 24 to the Consolidated Financial Statements.

#### *(v) Amortization*

Intangible asset amortization expense for the year was US\$120.0 million (2019: US\$71.5 million) comprising US\$113.3 million (2019: US\$70.4 million) in respect of acquired intellectual property rights and customer relationships and US\$6.7 million (2019: US\$1.1 million) related to purchased software and capitalised development costs. Further details are set out in Note 15 to the Consolidated Financial Statements.

#### *(vi) Net finance costs*

Net finance costs for the year were US\$61.3 million (2019: US\$46.7 million). Net finance costs predominantly relate to interest payable on external borrowings, amortization of arrangement fees and fair value losses on derivative instruments not qualified for hedge accounting net of interest income earned. Further details are set out in Note 11 to the Consolidated Financial Statements.

#### *(vii) Taxation*

The Group recognized a net tax credit of US\$20.8 million (2019: credit of US\$27.3 million) including the release of an uncertain tax position liability inherited on acquisition. Further details are set out in Note 12 to the Consolidated Financial Statements.

#### *(viii) Loss for the year/period*

Combining the impact of movements described in (i) to (vii) above, the headline loss for the year was US\$42.4 million (2019: US\$64.5 million) while the loss for the year was US\$51.6 million (2019: US\$80.8 million).

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

<b>(d) Reconciliation of Operating loss to Cash Adjusted EBITDA</b>	<b>Year ended 31 October 2020 US\$m</b>	<b>Period ended 31 October 2019 US\$m</b>
<b>Operating loss</b>	<b>(8.7)</b>	<b>(60.0)</b>
<i>Add back / (deduct):</i>		
Depreciation and amortisation	135.0	82.0
Share based payment expense	11.8	4.4
Fair value adjustment to acquired deferred revenue <sup>(1)</sup>	18.6	24.7
Separately reported items <sup>(2)</sup>	25.4	22.8
Other non-recurring costs <sup>(3)</sup>	21.4	16.7
Net unrealised foreign exchange (gains)/losses <sup>(4)</sup>	(13.4)	1.0
<b>Adjusted EBITDA</b>	<b>190.1</b>	<b>91.6</b>
(Decrease)/increase in contract liabilities <sup>(5)</sup>	(6.0)	20.0
<b>Cash Adjusted EBITDA</b>	<b>184.1</b>	<b>111.6</b>

#### Footnotes

<sup>(1)</sup> As detailed in Note c (ii) to the Consolidated Management Report and Note 7 to the Consolidated Financial Statements.

<sup>(2)</sup> As detailed in Note c (iii) to the Consolidated Management Report and Note 8 to the Consolidated Financial Statements.

<sup>(3)</sup> Other non-recurring costs are a component of operating losses and pertain to specific project costs that management view as non-routine and do not expect to recur beyond the life of the related project. They include IT transformation costs, business integration costs and consultant's fees.

<sup>(4)</sup> Net unrealised foreign exchange gains and losses represents the unrealised portion of foreign exchange transaction gains and losses recorded in the Consolidated Statement of Comprehensive Income under the principles of IAS 21 'The Effects of Changes in Foreign Exchange Rates' and is disclosed together with realised gains and losses in Note 9 to the Consolidated Financial Statements.

<sup>(5)</sup> The movement in contract liabilities is consistent with that presented within the Consolidated Statement of Cash Flows.

#### (i) Adjusted EBITDA

Adjusted EBITDA for the year ended 31 October 2020 was US\$190.1 million (2019: US\$91.6 million) which represents a margin of 42% (2019: 37%). In addition to organic growth, the increase can be attributed to the impact of a 12-month performance period in 2020 with the prior period representing a 7.5-month trading period from the date of acquisition.

#### (ii) Cash Adjusted EBITDA

Combining the impact of movements described in (i) to (ii) above, Cash Adjusted EBITDA for the year was US\$184.1 million (2019: US\$111.6 million).

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

#### (d) Reconciliation of Operating loss to Cash Adjusted EBITDA (continued)

##### (iv) Adjusted earnings per share

The Group has complied with the requirements of IAS 33 *Earnings per share* as set out in Note 13 to the Consolidated Financial Statements. The calculation is based on 1,400,000 (2019: 1,400,000) ordinary shares in issue which are not subject to dilution. Adjusted earnings per share is calculated as follows:

	Year ended 31 October 2020	Period ended 31 October 2019
<b>Cash Adjusted EBITDA (US\$ millions)</b>	<b>184.1</b>	<b>111.6</b>
Weighted average ordinary shares (no. of shares, millions)	1.4	1.4
<b>Adjusted Earnings per share – basic (€)</b>	<b>131.5</b>	<b>79.7</b>
<b>Adjusted Earnings per share – diluted (€)</b>	<b>131.5</b>	<b>79.7</b>

#### (e) Key performance indicators

The Group uses key performance indicators ("KPIs") internally to monitor the performance of the business against its strategic objectives. The Group's primary KPI for the year was Annual Contract Value ("ACV").

##### Annual Contract Value ("ACV")

Annual Contract Value ("ACV") measures the first 12 month's revenue of a customer revenue order within a financial reporting period. ACV removes the impact of multi-year Total Contract Value ("TCV") which can be more volatile depending on the duration of the contracts, therefore allows a like-for-like comparison on the performance of the business. Where a revenue contract subscription term is less than 12 months, the TCV of that contract billing is included in ACV.

ACV for the year ended 31 October 2020 was US\$348.7 million (2019: US\$204.9 million). During the Year, Management reanalysed information supportive of the ACV disclosure as stated in the prior year to more accurately reflect the definition of the indicator. This resulted in an increase of US\$8.5 million from previously reported ACV of US\$196.4 million. Set out below are ACV by product class, sales channel and region for the year:

##### (i) ACV by product class

	Year ended 31 October 2020 US\$'m	Period ended 31 October 2019 US\$'m
Core products	341.5	201.4
Emerging products	7.2	3.5
<b>Total ACV for the year / period</b>	<b>348.7</b>	<b>204.9</b>

##### (ii) ACV by sales channel

	Year ended 31 October 2020 US\$'m	Period ended 31 October 2019 US\$'m
End users	278.0	150.1
Independent Hardware Vendors ("IHV")/Embedded solutions	70.7	54.8
<b>Total ACV for the year / period</b>	<b>348.7</b>	<b>204.9</b>



## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

#### (e) Key performance indicators (continued)

##### (iii) ACV by geographical region

	Year ended 31 October 2020 US\$'m	Period ended 31 October 2019 US\$'m
Europe, Middle East and Africa ("EMEA")	167.3	81.1
North America	122.5	82.0
Asia Pacific and Japan ("APJ")	24.2	14.1
Greater China	26.5	21.4
Latin America	8.2	6.3
<b>Total ACV for the year / period</b>	<b>348.7</b>	<b>204.9</b>

Amounts invoiced to customers during the year comprises ACV of US\$348.7 million (2019: US\$204.9 million) which is composite of (i) subscription contracts of a duration of less than 12 months and (ii) the first years revenue of contracts with a duration of greater than 12 months ("multi-year contracts"). The value of multi-year contracts that will be recognized as revenue in a period of greater than 12 months is US\$109.6 million (2019: US\$100.2 million), as reconciled below:

	Year ended 31 October 2020 US\$'m	Period ended 31 October 2019 US\$'m
Amounts invoiced during year / period (Note 28)	458.3	305.1
Less: – portion of invoiced amounts recognized in a period of greater than 12 months	(109.6)	(100.2)
<b>Total ACV for the year / period</b>	<b>348.7</b>	<b>204.9</b>

#### (f) Principal risks and uncertainties

The Group's business model, future performance, solvency, liquidity and reputation are exposed to a variety of risks and uncertainties.

The risks identified below are those key management considers to be the most relevant to the Group in relation to their potential impact on the achievement of its strategic objectives. All of the risks set out on these pages could materially affect the Group, its business, future operations and financial condition and could cause actual results to differ materially from expected or historical results.

These risks are not the only ones that the Group will face. Some risks are not yet known and some currently not deemed to be material could become so.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

#### (f) Principal risks and uncertainties (continued)

##### RISK: End market risks

<b>Description</b>	Products must continue to meet the requirements of customers. An effective 'Go-To-Market' strategy is required so that the Group meets revenue and growth targets.
<b>Potential Impact</b>	If products do not meet the requirements of customers, they will seek alternative solutions, resulting in the loss of new revenue and the cancellation of existing contracts. The success of the Group will be limited if the Group targets the wrong customers using the wrong product offerings.
<b>Mitigation</b>	Experienced technical staff knowledgeable in the application of our products.

##### RISK: People and Culture

<b>Description</b>	The retention and recruitment of highly skilled and motivated employees is critical to the success and future growth of the Group.
<b>Potential Impact</b>	Failure to attract and retain skilled employees will have an adverse impact on the Group to action strategic plans.
<b>Mitigation</b>	Internal focus on talent development and training. Roll-out of the SUSE Values – <i>'Living our values everyday'</i> .

##### RISK: Complex and changing regulatory environment

<b>Description</b>	The Group operates across a number of jurisdictions. Compliance with national and regional laws and regulations is essential to successful business operations.
<b>Potential Impact</b>	Failure to comply with local laws and regulations could result in civil or criminal sanctions, legal proceedings, fines, loss of revenue and reputational damage.
<b>Mitigation</b>	Experienced internal legal function.

##### RISK: Macro-economic environment

<b>Description</b>	The Group sells its product offering globally and is therefore subject to risks arising from the economic and political conditions in one or more of these markets.
<b>Potential Impact</b>	Adverse economic conditions could affect the revenues of the business.
<b>Mitigation</b>	Geographic diversification of revenues.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

#### (f) Principal risks and uncertainties (continued)

##### RISK: IT systems and information

<b>Description</b>	The operations of the Group are dependent on maintaining and protecting the integrity and security of the IT systems and management of information. Risk of hacking or other cybersecurity threat leading to data loss and/or disruption to business.
<b>Potential Impact</b>	Disruption to the IT systems could adversely affect the operations of the Group including an adverse impact in the event that they cannot resume business operations. Data loss could harm relationships with customers and suppliers and/or the perception of the effectiveness of the Group's product offering.
<b>Mitigation</b>	Physical and IT control systems security, access and training.  Cyber risks integrated into wider risk-management structure.

##### RISK: Acquisition strategy

<b>Description</b>	The Group may engage in the acquisition of companies to achieve the strategic objectives of the Group.
<b>Potential Impact</b>	Failure to identify, execute or integrate acquisitions could impact the attainment of profit targets and the strategic objectives of the Group.
<b>Mitigation</b>	The SUSE Leadership Team engage in active review of potential acquisitions. All potential acquisition targets are subject to an internal evaluation process and external due diligence prior to completion.

##### RISK: COVID-19 pandemic

<b>Description</b>	The operations of the Group may be subject to disruption as a result of the ongoing "COVID-19" pandemic.
<b>Potential Impact</b>	The current crisis could result in disruption to our operations globally. This may include an adverse impact on the results of the Group.
<b>Mitigation</b>	There is a business continuity plan in place to support the operations of the Group. This includes supporting employees to be able to work from home. The Group continues to monitor this crisis and make the necessary revisions to the business continuity plan. The budget for the FY21 period considered the ongoing COVID-19 pandemic. Additionally, we have considered the impact of COVID-19 on financial covenants on borrowings and are satisfied that there is no adverse impact.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

For the year ended 31 October 2020

### Consolidated Management Report (continued)

#### **(g) Other matters**

##### *(i) Share capital*

At 31 October 2020, the share capital of Marcel LUX IV SARL ("the Company") amounted to US\$14,000, (2019: US\$14,000) represented by 1,400,000 (2019: 1,400,000) shares fully paid-up with a nominal value of US\$0.01 (2019: US\$0.01).

##### *(ii) Research and development*

The Group is committed to the area of research and development in terms of both existing product lines and a range of new products. We focus and modify our research and development efforts based on our business strategy, the needs of our customers and changes in the marketplace. Our development efforts focus on adding new or improved functionality desired by customers to our portfolio of products and software solutions.

##### *(iii) Financial Risk Management*

A description of the financial risk management of the Group is set out in Note 29 of the Consolidated Financial Statements which details management's consideration of market risk, credit risk and liquidity risk.

##### *(iv) Impact of COVID-19*

An impact assessment performed by Management has analysed the risk posed by the pandemic, further details are set out in Note 2 (c) and Note 34 to the Consolidated Financial Statements. The status of the pandemic is constantly evolving, Management continues to monitor and observe performance to ensure changes in circumstances or events do not impact the assessment.

##### *(v) Outlook for the Group*

We are very pleased to report our strong financial performance for FY20. We have had a positive start into FY21 and whilst we are conscious of the current macro-economic risks, we look forward to making further progress in the year ahead.



**Patrick Andersson**

On behalf of EQT Luxembourg Management S.À R.L.  
Manager, Marcel LUX IV SARL



**Antoine Rosquoet**

On behalf of EQT Luxembourg Management S.À R.L.  
Manager, Marcel LUX IV SARL

**24 February 2021**



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To the Sole Shareholder of  
Marcel Lux IV S.à r.l.  
26A, Boulevard Royal  
L-2449 Luxembourg  
Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the audit of the consolidated financial statements***

#### ***Opinion***

We have audited the consolidated financial statements of Marcel Lux IV S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 October 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 October 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2020 and of its consolidated financial performance and its consolidated cash flows for the year ended 31 October 2020 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other information***

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### ***Responsibilities of the Board of Managers for the consolidated financial statements***

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 the Board of Managers 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.

#### ***Report on other legal and regulatory requirements***

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 25 February 2021

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé

  
Christelle Bousser

Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2020

		Year ended 31 October 2020			Period ended 31 October 2019		
	Notes	Headline US\$'000	Separately reported items US\$'000	Total US\$'000	Headline US\$'000	Separately reported items US\$'000	Total US\$'000
<b>Income statement:</b>							
Revenue	7	447,421	-	447,421	246,422	-	246,422
Cost of sales		(26,453)	-	(26,453)	(19,560)	-	(19,560)
Gross profit		420,968	-	420,968	226,862	-	226,862
Selling and distribution costs		(119,133)	-	(119,133)	(88,447)	(433)	(88,880)
Research and development costs		(73,090)	(2)	(73,092)	(54,560)	(2,004)	(56,564)
Administrative expenses		(76,010)	(25,448)	(101,458)	(38,652)	(20,385)	(59,037)
Impairment loss on trade receivables	19	(1,023)	-	(1,023)	(443)	-	(443)
Operating profit before depreciation and amortisation		151,712	(25,450)	126,262	44,760	(22,822)	21,938
Amortisation of intangible assets	15	(119,990)	-	(119,990)	(71,454)	-	(71,454)
Depreciation – Property, plant and equipment	16	(4,496)	-	(4,496)	(2,203)	-	(2,203)
Depreciation/impairment – Right of use assets	24	(10,460)	-	(10,460)	(8,336)	-	(8,336)
Operating profit / (loss)	8,9	16,766	(25,450)	(8,684)	(37,233)	(22,822)	(60,055)
Finance costs		(61,333)	-	(61,333)	(52,711)	-	(52,711)
Finance income		21	-	21	6,036	-	6,036
Net finance costs	11	(61,312)	-	(61,312)	(46,675)	-	(46,675)
Share of losses on associate	18	(2,449)	-	(2,449)	(1,377)	-	(1,377)
Loss before tax		(46,995)	(25,450)	(72,445)	(85,285)	(22,822)	(108,107)
Taxation	12	4,590	16,231	20,821	20,757	6,551	27,308
Loss for the year/period		(42,405)	(9,219)	(51,624)	(64,528)	(16,271)	(80,799)
Attributable to:							
Equity shareholders of the parent		(42,405)	(9,219)	(51,624)	(64,528)	(16,271)	(80,799)
Non-controlling interests		-	-	-	-	-	-
Loss for the year/period		(42,405)	(9,219)	(51,624)	(64,528)	(16,271)	(80,799)
Earnings per share							
Basic and diluted (€)	13	-	-	(36.9)	-	-	(57.7)



Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2020

	Notes	Year ended 31 October 2020			Period ended 31 October 2019		
		Headline US\$'000	Separately reported items US\$'000	Total US\$'000	Headline US\$'000	Separately reported items US\$'000	Total US\$'000
<b>Loss for the year /period</b>		<b>(42,405)</b>	<b>(9,219)</b>	<b>(51,624)</b>	<b>(64,528)</b>	<b>(16,271)</b>	<b>(80,799)</b>
<b>Other comprehensive income:</b>							
<b>Items not to be reclassified to income statement:</b>							
Remeasurement of defined benefit pension schemes	<b>26</b>	(72)	-	(72)	(2,781)	-	(2,781)
Related tax impact	<b>12, 26</b>	(8)	-	(8)	559	-	559
<b>Items that may subsequently reclassify to income statement:</b>							
Currency translation differences		(26,600)	-	(26,600)	10,102	-	10,102
Cash flow hedge – changes in fair value	<b>29(d)</b>	(7,335)	-	(7,335)	(12,945)	-	(12,945)
Cash flow hedge – reclassified to income statement	<b>29(d)</b>	6,498	-	6,498	984	-	984
Related tax impact	<b>12</b>	917	-	917	2,984	-	2,984
<b>Other comprehensive losses for the year/period</b>		<b>(26,600)</b>	<b>-</b>	<b>(26,600)</b>	<b>(1,097)</b>	<b>-</b>	<b>(1,097)</b>
<b>Total comprehensive loss for the year/period</b>		<b>(69,005)</b>	<b>(9,219)</b>	<b>(78,224)</b>	<b>(65,625)</b>	<b>(16,271)</b>	<b>(81,896)</b>
<b>Attributable to:</b>							
Equity shareholders of the parent		(69,005)	(9,219)	(78,224)	(65,625)	(16,271)	(81,896)
Non-controlling interests		-	-	-	-	-	-
<b>Total comprehensive loss for the year/period</b>		<b>(69,005)</b>	<b>(9,219)</b>	<b>(78,224)</b>	<b>(65,625)</b>	<b>(16,271)</b>	<b>(81,896)</b>

The accompanying notes are integral part of these Consolidated Financial Statements.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Consolidated Statement of Financial Position

As at 31 October 2020

		As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
	Notes		
<b>Non-current assets</b>			
Goodwill	15	2,134,881	2,134,881
Intangible assets	15	519,370	606,754
Property, plant and equipment	16	7,624	10,098
Right of use assets	24	13,677	19,227
Investment in associate	18	16,174	18,623
Derivative asset	29(d)	11	50
Long-term pension assets	26	1,039	1,552
Other receivables	12	7,895	25,167
Deferred tax assets	12	106,770	90,159
Contract related assets	20	25,761	10,698
		<b>2,833,202</b>	<b>2,917,209</b>
<b>Current assets</b>			
Trade and other receivables	19	101,042	96,716
Current tax receivables	12	1,523	445
Deferred tax assets	12	577	200
Cash and cash equivalents	21	94,933	38,197
Contract related assets	20	19,649	9,139
		<b>217,724</b>	<b>144,697</b>
<b>Total assets</b>		<b>3,050,926</b>	<b>3,061,906</b>
<b>Current liabilities</b>			
Trade and other payables	22	93,128	67,785
Borrowings	23	3,600	3,600
Lease liabilities	24	5,721	10,090
Provisions	25	7,199	6,981
Current tax liabilities	12	10,584	9,168
Deferred tax liabilities	12	8,407	9,408
Deferred income – contract liabilities	28	246,485	221,649
		<b>375,124</b>	<b>328,681</b>
<b>Non-current liabilities</b>			
Borrowings	23	934,660	919,391
Lease liabilities	24	10,729	11,271
Provisions	25	2,329	3,483
Non-current tax liabilities	12	6,601	22,758
Deferred tax liabilities	12	60,288	54,488
Retirement benefit obligations	26(b)	7,541	7,539
Share-based payments	27	13,019	3,553
Deferred income – contract liabilities	28	155,989	169,842
Derivative liabilities	29(d)	25,440	17,692
Other payables	22	11,861	-
		<b>1,228,457</b>	<b>1,210,017</b>
<b>Total liabilities</b>		<b>1,603,581</b>	<b>1,538,698</b>
<b>Net assets</b>		<b>1,447,345</b>	<b>1,523,208</b>

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Consolidated Statement of Financial Position

As at 31 October 2020

		As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<b>Equity</b>			
Share capital	30	14	14
Share premium	30	1,604,251	1,604,251
Retained losses	30	(130,824)	(80,037)
Capital contribution reserve	27(b)	3,200	839
Hedging reserve	29(d)	(12,798)	(11,961)
Foreign currency translation reserve	30	(16,498)	10,102
<b>Total equity</b>		<b>1,447,345</b>	<b>1,523,208</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

#### Patrick Andersson

On behalf of EQT Luxembourg Management S.À R.L.  
Manager, Marcel LUX IV SARL

#### Antoine Rosquoet

On behalf of EQT Luxembourg Management S.À R.L.  
Manager, Marcel LUX IV SARL

Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

Consolidated Statement of Changes in Equity

For the year ended to 31 October 2020

	Notes	Share capital US\$'000	Share premium US\$'000	Retained losses US\$'000	Capital contribution reserve US\$'000	Cash flow Hedging reserve US\$'000	Foreign currency translation reserve US\$'000	Total equity US\$'000
<b>As at 1 November 2019</b>		<b>14</b>	<b>1,604,251</b>	<b>(80,037)</b>	<b>839</b>	<b>(11,961)</b>	<b>10,102</b>	<b>1,523,208</b>
Loss for the year		-	-	(51,624)	-	-	-	(51,624)
Other comprehensive income/(expense) for the year		-	-	837	-	(837)	(26,600)	(26,600)
<b>Total comprehensive income/(expense) for the year</b>		<b>-</b>	<b>-</b>	<b>(50,787)</b>	<b>-</b>	<b>(837)</b>	<b>(26,600)</b>	<b>(78,224)</b>
<i>Transactions recorded in equity:</i>								
Equity settled share-based payments	<b>27</b>	-	-	-	2,361	-	-	2,361
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,361</b>	<b>-</b>	<b>-</b>	<b>2,361</b>
<b>At 31 October 2020</b>		<b>14</b>	<b>1,604,251</b>	<b>(130,824)</b>	<b>3,200</b>	<b>(12,798)</b>	<b>(16,498)</b>	<b>1,447,345</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

Consolidated Statement of Changes in Equity

For the period from 1 January 2019 to 31 October 2019

	Notes	Share capital US\$'000	Share premium US\$'000	Retained losses US\$'000	Capital contribution reserve US\$'000	Cash flow Hedging reserve US\$'000	Foreign currency translation reserve US\$'000	Total equity US\$'000
<b>As at 1 January 2019</b>		<b>14</b>	-	-	-	-	-	<b>14</b>
Loss for the period		-	-	(80,799)	-	-	-	(80,799)
Other comprehensive income/(expense) for the year		-	-	762	-	(11,961)	10,102	(1,097)
<b>Total comprehensive income/(expense) for the year</b>		<b>-</b>	<b>-</b>	<b>(80,037)</b>	<b>-</b>	<b>(11,961)</b>	<b>10,102</b>	<b>(81,896)</b>
<i>Transactions recorded in equity:</i>								
Contribution of capital	<b>30</b>	-	1,604,251	-	-	-	-	1,604,251
Equity settled share-based payments	<b>27</b>	-	-	-	839	-	-	839
<b>Total transactions with owners</b>		<b>-</b>	<b>1,604,251</b>	<b>-</b>	<b>839</b>	<b>-</b>	<b>-</b>	<b>1,605,090</b>
<b>At 31 October 2019</b>		<b>14</b>	<b>1,604,251</b>	<b>(80,037)</b>	<b>839</b>	<b>(11,961)</b>	<b>10,102</b>	<b>1,523,208</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Consolidated Statement of Cash Flows

For the year ended 31 October 2020

		Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<b>Loss for the year/period</b>		<b>(51,624)</b>	<b>(80,799)</b>
Net finance costs	11	61,312	46,675
Taxation	12	(20,821)	(27,308)
Share of losses on associate	18	2,449	1,377
<b>Operating loss for the year/period</b>		<b>(8,684)</b>	<b>(60,055)</b>
<b>Addback:</b>			
Depreciation – Property, plant and equipment	16	4,496	2,203
Depreciation – Right of use assets	24	10,460	8,336
Amortization of intangible assets	15	119,990	71,454
Amortization of contract related assets	20	4,068	2,723
Contract liabilities - fair value haircut	28	20,179	27,105
Contract assets – fair value haircut	20	(1,600)	(2,383)
Share based payments expense	27	11,827	4,392
Foreign exchange movements	9	(5,001)	2,741
Restructuring costs	8	4,259	2,023
Tax indemnity asset	12	17,441	-
Impairment loss on trade receivables	19	1,023	443
<b>Movements:</b>			
Movements in trade receivables	19	2,623	8,354
Movements in other receivables	19	8,813	(7,461)
Movements in trade payables	22	956	1,139
Movements in other payables	22	36,765	14,666
Movement in other pensions	26	517	(246)
Movements in provisions	25	(5,195)	(6,235)
Movements in contract related assets	20	(31,241)	(20,177)
Movements in contract liabilities	28	(5,991)	29,576
<b>Cash generated from operations</b>		<b>185,705</b>	<b>78,598</b>
Interest paid	11	(50,133)	(37,487)
Interest received	11	21	102
Tax paid	12	(6,271)	(2,615)
<b>Net cash inflow from operating activities</b>		<b>129,322</b>	<b>38,598</b>
<b>Cash flow from/(used in) investing activities</b>			
Purchase of property, plant and equipment	16	(2,171)	(2,694)
Disposal of property, plant and equipment	16	181	-
Purchase and development of intangible assets	15	(33,943)	(2,789)
Acquisition of a business, net of cash	14	(15,964)	(2,518,434)
<b>Net cash outflow from investing activities</b>		<b>(51,897)</b>	<b>(2,523,917)</b>
<b>Net cash inflow/(outflow) before financing activities</b>		<b>77,425</b>	<b>(2,485,319)</b>

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Consolidated Statement of Cash Flows

For the year ended 31 October 2020

		Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from contribution of capital	30	-	1,604,265
Proceeds from bank borrowings	23	-	989,354
Payment of arrangement fees	23	-	(38,559)
Repayment of bank borrowings	23	(3,600)	(21,800)
Payment of interest rate swap premia	29	(6,498)	(984)
Lease payments	24	(9,822)	(8,901)
Loan advanced to intermediary parent undertaking	32	(1,500)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(21,420)</b>	<b>2,523,375</b>
<b>Net increase in cash and cash equivalents</b>			
Foreign exchange movements		731	141
Cash and cash equivalents at beginning of year/period		38,197	-
<b>Cash and cash equivalents at end of year/period</b>	<b>21</b>	<b>94,933</b>	<b>38,197</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

## Notes to the Consolidated Financial Statements

### For the year ended 31 October 2020

#### 1. General information

Marcel LUX IV SARL (the “**Company**”) is a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B225816. The Company together with its wholly owned subsidiaries (the “**Group**” or the “**SUSE Group**”) collectively represent the operations of SUSE.

The principal activity of the Group is that of an enterprise software company. The Group is a pioneer in open source software which develops, markets and supports an enterprise grade ‘Linux’ operating system, open source software defined infrastructure and application delivery solutions that give enterprises greater control and flexibility over their IT systems.

The Company was incorporated on 20 June 2018 and the financial statements for the period from incorporation to 31 December 2018 represent the inaugural financial period of the Company which was prior to the acquisition of the SUSE business on 15 March 2019. The Company subsequently changed its financial reporting date to 31 October. As a consequence, the prior year Consolidated Financial Statements were prepared in respect of the 10 month period to 31 October 2019 (herein after referred to as the “**period ended 31 October 2019**” or “**2019**”) in which the acquisition of the SUSE business from Micro Focus International plc on 15 March 2019 occurred. The current financial period presented is in respect of the period from 1 November 2019 to 31 October 2020 (“**year ended 31 October 2020**” or “**2020**”). These Consolidated Financial Statements present the results of the Group as a whole. Details of the financial statements of the Company can be obtained at their registered office and at the Luxembourg Register of Commerce and Companies.

These Consolidated Financial Statements were authorized for issuance on **24 February 2021**. Information presented in the notes to these Consolidated Financial Statements have been presented in a systematic manner and typically following the order of the line items in Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

#### 2. Basis of preparation

##### A. Basis of measurement

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS” or “IFRS”). The Consolidated Financial Statements have been prepared under the historical cost basis except for the following items:

Items	Measurement basis
Derivative financial instruments	Fair value through profit and loss (“ <b>FVTPL</b> ”).
Cash-settled share-based payments	FVTPL.
Retirement benefit obligations	Plan assets and similar arrangements measured at fair value through other comprehensive income (“ <b>FVOCI</b> ”) less the present value of the defined benefit obligation measured under the projected unit method (“ <b>actuarial basis</b> ”).



## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 2. Basis of preparation (continued)

##### A. Basis of measurement (continued)

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed below in Note 3 ‘*Critical judgements and sources of estimation uncertainty*’.

The principal accounting policies adopted by the Group in the preparation of the Consolidated Financial Statements are set out below in Note 4 ‘*Significant accounting policies*’.

##### B. Basis of consolidation

The Consolidated Financial Statements include the Company and its subsidiary undertakings together with the Group’s share of the results and net assets of equity accounted investments.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group has control over an entity where the Group is exposed to, or has rights to, variable returns from its involvement within the entity and it has the power over the entity to affect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control. Control is presumed to exist when the Group owns more than half of the voting rights (which does not always equal percentage ownership) unless it can be demonstrated that ownership does not constitute control. The results of subsidiaries are consolidated from the date on which control passes to the Group. The results of disposed subsidiaries are consolidated up to the date on which control passes from the Group.

Inter-company transactions and balances on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### *Associates*

An associate is an entity that is neither a subsidiary nor a joint venture, over who’s operating and financial policies the Group exercises significant influence. Significant influence is presumed to exist where the Group has between 20% and 50% of the voting rights but can also arise where the Group holds less than 20% if it has the power to be actively involved and influential in operating and financial policy decisions affecting the entity.

Associates are accounted for under the equity method, where the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position includes the Group’s share of their profits and losses and net assets less any dividends received, less any impairment in value. Associates recorded as a result of an acquisition are recorded initially at cost.

Unrealized gains arising from transactions between the Group and its associates are eliminated to the extent of the Group’s interests in the associates. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent there is no evidence of impairment.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 2. Basis of preparation (continued)

##### C. Going concern

The Groups’ Sole Manager and Leadership Team (“**Key Management Personnel**” or “**Management**”) consider that the Company and its subsidiaries have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these Consolidated Financial Statements. This assessment was made with due regard to an impact assessment of the ongoing COVID-19 (“**Coronavirus**”) pandemic, which initially emerged in March 2020.

Management does not currently envisage a significant impact from COVID-19. An impact assessment performed by Management has analysed the risk posed by the pandemic under the following categories:

- (i) **Operations** – the Group operates in a virtual environment and has the system and processes that enables its employees and operations to continue to function in a remote environment across all departments and all geographical areas.
- (ii) **Going concern** – the Group has sufficient resources to meet its obligations as they fall due. Currently there are no financial covenants applicable to the Group owing to the unutilised status of the Revolving Credit Facility as at 31 October 2020 and the date of approval of the Consolidated Financial Statements. As such, there are no risk of breach of financial covenants.
- (iii) **Performance** – Management performed a sensitivity analysis of budgeted performance for the year in response to the crisis. The vast majority of the planned future revenues for 2021 arise from subscription contracts. The business model is a recurring revenues model and we are currently not experiencing any significant change to our renewal rate. In FY20, the Group performed substantially in line with expectations and no significant slowdown has been noted in the current business. This is evident in key performance indicators of the Group like Annual Contract Value (“**ACV**”) which was in line with expectation. Equally Group has not observed a significant deterioration in cash collections or illiquidity of its customers since the pandemic began.
- (iv) **Impairment and overall business review**- as a consequence of the performance assessment above, Management view that significant non-current assets such as goodwill, intangible assets and deferred tax assets continue to be carried at an amount that is at least the recoverable amount. As the performance of the business to date coupled with future expected performance during the FY21 financial period is not expected to be significantly off budget there is no conditions for impairment in the post year end period. In addition, Management has reviewed the business and recorded an expected credit loss provision that considers the macro-economic conditions relevant to the Group.

While the status of the pandemic is constantly evolving, Management continues to monitor and observe performance to ensure changes in circumstances or events do not impact the assessment set out above.

Accordingly, they continue to adopt a going concern basis in preparing the Consolidated Financial Statements of the Group.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

## 2. Basis of preparation (continued)

### D. Functional and presentational currency

The financial statements are presented in thousands of US Dollars (denoted as “US\$”), which is the functional currency of the Company in addition to several principal subsidiaries of the Group.

### E. Adoption of new and revised International Financial Reporting Standards

In the prior period, the Group early adopted IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*. These standards would have required mandatory adoption in the current financial year had early adoption not been applied, along with the following amendments which the Group applied for the first time in the year ended 31 October 2020:

- *Prepayment features with Negative Compensation (Amendments to IFRS 9);*
- *Long-term interests and Associates and Joint Ventures (Amendments to IAS 28);*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19); and*
- *Annual Improvements to IFRS Standards (2015-2017 Cycle) – various Standards.*

Amendments to current standards and interpretations available for early adoption or not yet endorsed by the EU which the Group did not apply were as follows:

- *Amendments to References to Conceptual Framework (various standards)\**
- *Definition of ‘Material’ (Amendments to IAS 1 and IAS 8)\**
- *Definition of a ‘Business’ (Amendments to IFRS 3)\**
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)\**
- *COVID-19 Related Rent Concessions (Amendment to IFRS 16)\**
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)\*\**
- *Annual Improvements to IFRS Standards (2018-2020 Cycle)\*\**
- *Property Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)\*\**
- *IFRS 17 Insurance Contracts\*\**
- *Classification of liabilities as current or non-current (Amendments to IAS 1)\*\**
- *Sale or contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10, IAS 28)\*\**
- *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)\*\**

\* *Effective for periods beginning on or after 1 January 2020 and available for early adoption.*

\*\* *Not yet endorsed by the EU with adoption not early than periods beginning on or after 1 January 2021.*

Management do not believe that the future impact of the amendments and interpretations to existing standards listed above will have a material impact on the Consolidated Financial Statements. Given its applicability to the funding structure of the Group, further details of the assessed impact of ‘*Interest Rate Benchmark Reform*’ are set out below.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

## 2. Basis of preparation (continued)

### F. Interest Rate Benchmark Reform

The effective dates of Phase 1 and Phase 2 Amendments to Interest Rate Benchmark Reform are set out above. The Group does not intend to early adopt either phase. The Group plans to apply the Phase 1 and Phase 2 amendments from 1 November 2020 and 1 November 2021, respectively. Application will not impact amounts reported for the year ended 31 October 2020 or prior periods. Phase 1 Amendments permit the continuation of hedge accounting for hedge relationships that reference IBORs that are expected to be replaced by IBOR Reform. Phase 2 Amendments are that, to the extent that modifications are made to financial instruments that are necessary to implement IBOR Reform and the new basis for calculating cash flows is 'economically equivalent' to the previous basis.

At 31 October 2020, the Group has US\$ LIBOR (US\$ 360 million and US\$270 million) and EURIBOR (€ 300 million) related loan facilities that will be subject to IBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to SOFR and ESTR during the year ended 31 October 2021 and that no significant modification gain or loss will arise in applying the amendments to these changes.

At 31 October 2020, the Group has interest rate swap agreement in place with a notional amount of US\$315 million to hedge US\$ LIBOR risk. The Group expects that indexation of the hedged items and hedging instruments to US\$ LIBOR will be replaced with SOFR during the year ended 31 October 2021. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. The Group does not expect this to significantly impact the hedge accounting.

## 3. Critical judgements and sources of estimation uncertainty

In preparing these Consolidated Financial Statements, management has made critical judgements and estimates in respect of assets and liabilities that are inherently uncertain. The Group regularly reviews these estimates and updates them as required. Revisions to estimates are recognized prospectively. The following estimates are those which management view as critical and therefore could result in a material adjustment to the carrying amount of assets and liabilities in the next financial period should actual results differ:

### A. Measurement of assets and liabilities acquired in a business combination

Goodwill and other intangible assets such as intellectual property and customer relationships are subject to allocation adjustments under the acquisition method accounting for business combinations. Management evaluate the best available evidence for the allocation and measurement of intangible assets. The application of this method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition. For instance, as part of the prior period acquisition, intellectual property recognized was determined in reference to the contractually agreed price with the Vendor, a market participant. The fair value of customer relationships was identified using an independent specialist by applying an income approach valuation methodology as there is a lack of comparable market given specific nature of these assets.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 3. Critical judgements and sources of estimation uncertainty (continued)

##### A. Measurement of assets and liabilities acquired in a business combination (continued)

The recognition of acquired deferred revenue involved a step-down adjustment to reflect its fair value based on the cost to deliver the related service (“the Haircut” to deferred revenue). The process involved a ‘bottom up approach’ where the costs needed to fulfil the performance obligation are added to an appropriate profit margin. The costs to fulfil are reflective of those that market participants would incur to fulfil the service and do not include costs such as marketing, recruiting, and training, which are incurred prior to the business combination.

##### B. Potential impairment of goodwill and intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the Group being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimated parameters have the highest impact on the calculation of the value in use for the entire SUSE Group. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, as disclosed in the notes to the financial statements.

##### C. Calculation of provisions

A provision is a liability of uncertain timing or amount. The Group holds provisions in respect of loss-making operations, a restructuring program, future dilapidation costs, and litigation costs. Provisions are made for the expected amounts payable in respect of known or probable costs as at each reporting date. Provisions are measured at present value where the time value of money is deemed significant.

##### D. Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes including structuring activities undertaken by the Group and the application of complex transfer pricing rules. The Group recognizes liabilities for anticipated settlement of tax issues based on judgements of whether additional taxes will be due. Significant issues may take several periods to resolve. In making judgments on the probability and amount of any tax charge, management considers:

- Status of the unresolved matter;
- Strength of technical argument and clarity of legislation;
- External advice;
- Resolution process, past experience and precedents set with the particular taxing authority;
- Agreements previously reached in other jurisdictions on comparable issues; and
- Statute of limitations.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 3. Critical judgements and sources of estimation uncertainty (continued)

##### D. Uncertain tax positions (continued)

The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the financial statements in the period in which such determination is made.

Most of the Group's uncertain tax positions are inherited as part of a business combination and therefore are subject to indemnification. The recoverability of related indemnification assets is itself a judgement.

##### E. Recoverability of Deferred tax assets

The recoverability of deferred tax assets recognized by the Group is dependent on the future generation of taxable profits. The Group has a proven record of sustained taxable profits and Management are satisfied that losses generated in prior periods are substantially as a result of the costs the acquisition transaction and other costs of integration.

##### F. Capitalization of software contracts and development costs

In determining whether software contracts and development expenditure can be capitalized as intangible assets, judgment is required to determine whether intangible asset recognition criteria have been met at the time the expenditure is incurred or contract has commenced. These judgements impact the total amount of intangible assets presented on the Consolidated Balance Sheet. Additionally, Management exercise judgement in selecting an amortization period for development costs, the determinations of which are based on estimates regarding the period over which the intangible asset is expected to provide economic benefits to the Group.

#### 4. Significant accounting policies

Set out below are the significant accounting policies of the Group to 31 October 2020 which have been applied consistently in the current year and prior financial reporting period:

##### A. Revenue Recognition

The Group derives its revenues primarily from subscription license services it offers to its customers under various software solutions. Customer subscriptions are usually 12, 24, 36 or 60 months in term and are typically billed in advance. Occasionally income is derived from fees collected retrospectively for service already provided. The Group also generates ancillary revenues from training and consulting contracts.

Revenue is recognized when benefits arising from contractual performance obligations are transferred to a customer for an amount that reflects the consideration the Group expects to receive from a customer contract. IFRS 15 *Revenue from Contracts with Customers* establishes a five-step model of recognizing revenue from customer contracts that requires revenue to be recognized when control over goods and services are transferred to the customer.

The Group applies five steps in recognizing revenue as follows:

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### A. Revenue Recognition (continued)

###### 1. *Identify the contract with a customer*

The Group determines that it has a contract with a customer when the contract is approved, the party’s rights regarding the products and services to be transferred can be identified, the payment terms for the products and services are identified, the customer’s ability to pay can be determined and the contract has commercial substance. Judgement is used to assess the customer’s ability and intent to pay, which is based upon factors including the customer’s historical payment experience or credit and financial information pertaining to the customer.

###### 2. *Identify the performance obligations in the contract*

The Group’s performance obligations are identified based on the products and services that will be transferred to the customer that are both capable of being distinct and are distinct in the context of the contract. They consist of subscriptions including technical support and consulting services. Subscriptions and technical support are combined into one single performance obligation as both are rarely sold independent of one another and customers expect to receive both when purchasing a subscription. Performance obligations in relation to consulting are distinct and depend on the terms and conditions of the specific customer contract.

###### 3. *Determine the transaction price*

The Group determines the transaction price based on the consideration expected to be received in exchange for transferring performance obligations to the customer. Rebates paid to resellers as part of a contracted program are accounted for as a reduction to the transaction price. Rebates are measured in accordance with the contractual terms as agreed with the customer and are variable on account of sales volume within a period. The Group’s contracts do not contain significant financing components. The Group does not typically extend customer payment terms beyond a standard 30-day term. Rebates paid to partners as part of a contracted program are netted against revenue where the rebate paid is based on the achievement of sales targets made by the partner.

###### 4. *Allocate the transaction price to performance obligations in the contract*

When a contract contains a single performance obligation, the entire transaction price is allocated to that one performance obligation. The majority of revenue earned is delivered as part of a single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (“SSP”). The Group determines the SSP based on the observable price when the Group sells the subscriptions or consulting services separately.

###### 5. *Recognize revenue when or as the performance obligation is satisfied*

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised subscription and service offerings to a customer. For each performance obligation, a determination is made as to whether the control is transferred over time or at a point in time.

For performance obligations satisfied over time, a method to measure progress towards complete satisfaction is selected, based upon the most faithful depiction of performance. The selected method for each performance obligation type is applied consistently to similar contracts.



## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### A. Revenue Recognition (continued)

Subscription license revenues are provided evenly over a defined term, such that revenue is deferred and recognized on a straight-line basis, over the contractual period of performance, (“over time”). For subscription license revenue where performance obligations are already provided, the revenue is recognized immediately as there are no future performance obligations (“point in time”). The Group recognizes certain professional services revenue as services are rendered and recognizes costs as they are incurred. The Group recognizes other revenue from fixed-price professional services contracts as work progresses over the contract period on a proportional performance basis, as determined by the percentage of labor costs incurred to date compared to the total estimated labor costs of a contract.

The Group accounts for costs incurred and rebates offered related to acquiring revenue contracts as follows:

- *Cost of obtaining customer contracts* - The Group capitalizes sales commission costs when they are incremental and, if expected to be recovered, they are amortized over the customer life or pattern of revenue for the related contract. The Group applies a practical expedient to expense sales commission’s costs as incurred where the related benefit is one year or less.
- *Cost of consideration payable and rebates offered to a customer* - Certain payments to customers such as rebates are treated as a reduction of the transaction price and are included in revenue as a variable consideration component.
- *Rebillable expenses* - The Group reports gross expenses that are recharged to customers, such as travel and accommodation, as a component of consulting revenue.

The Group presents deferred revenue as a contract liability. Rights to consideration from customers are only presented as accounts receivable if the rights are unconditional. Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods.

##### B. Cost of Sales

Cost of sales includes costs of consulting, helpline support and royalty’s payable to third parties.

##### C. Pension obligations and long-term pension assets

###### (i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.



## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### C. Pension obligations and long-term pension assets

###### (ii) *Defined benefit plans*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement. This is usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the obligation at the end of the reporting period less the fair value of pledged plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to mature approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the Consolidated Statement of Comprehensive Income.

The current service cost is recognized in the Consolidated Statement of Comprehensive Income as an employee benefit and reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated Statement of Comprehensive Income.

Long-term pension assets relate to the reimbursement right under insurance policies held in the Group with guaranteed interest rates that do not meet the definition of a qualifying insurance policy as they have not been pledged to the plan and are subject to the creditors of the Group. Such reimbursement rights assets are recorded in the Consolidated Statement of Financial Position as long-term pension assets. These contractual arrangements are measured at fair value through other comprehensive income (“FVOCI”). Fair value of the reimbursement right asset is deemed to be the present value of the related obligation because the right to reimbursement exactly matches the amount of benefits payable.

##### D. Share based payments

###### (i) *Equity-settled transactions*

The Management Investment Participation Program (“MIPP”) is an equity-settled group share based payment arrangement under which certain members of management have rights to subscribe for ordinary shares of an intermediary parent company as a means of profit participation in return for services rendered to the Group. As the characteristics of the shares are similar to an option, the grant date fair value of shares issued is determined using a Black Scholes Merton valuation model. As a group share based payment arrangement, the cost is recognized in employee expense with a corresponding increase in the capital contribution. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### D. Share based payments (continued)

###### (i) *Equity-settled transactions (continued)*

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

###### (ii) *Cash-settled transactions*

The Virtual Share Option Programme (“VSOP”) is a cash-settled scheme in which certain employees can participate in the future share appreciation rights of the Group’s equity until an exit event. A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially at the date of grant and at each reporting date up to and including the settlement date, with changes in fair value recognized as an employee expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. Fair value is determined using valuation techniques as appropriate to the conditions of the options issued. The approach used to account for modifications and cancellations when measuring equity-settled transactions also applies to cash-settled transactions.

##### E. Foreign currency

###### (i) *Functional and presentation currency*

The presentation currency of the Group is US dollars (denoted as “US\$”). Items included in the financial statements of each of the Group’s entities are measured in the functional currency of each entity.

###### (ii) *Transaction and balances*

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Comprehensive Income.

###### (iii) *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:

- Income and expenses for each consolidated statement of profit or loss items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### E. Foreign currency (continued)

- Assets and liabilities for each Consolidated Statement of Financial Position presented are translated at the closing rate as at the date of that Consolidated Statement of Financial Position.
- All resulting exchange difference are recognized in other comprehensive income and accumulated in the foreign currency translation reserve.

##### (iv) Exchange rates

The most significant foreign currencies for the Group are the Euro (“€”) and Pound Sterling (“£”). The exchange rates used as at 31 October 2020 (“Closing”) and for the 12-month period then ended (“Average”) are as follows:

Exchange	Average	Closing
£1.00 : US\$	1.30	1.29
€1.00 : US\$	1.18	1.16

##### F. Business combinations and goodwill

Business combinations are accounted for using the acquisition method when control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs, not related to the issuance of debt, are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments* (“IFRS 9”), is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### F. Business combinations and goodwill (continued)

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash-generating unit (“CGU”) or group of CGUs within the Group being the lowest level of independently functioning components capable of generating cashflow. Where goodwill has been allocated to a CGU as part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

##### G. Intangible assets

###### (i) *Purchased software including cloud arrangements*

Software contracts including cloud arrangements which contain a lease in the scope of IFRS 16 *Leases* can also be accounted for under IAS 38 *Intangible assets*, should the underlying software or arrangement meet the definition of an ‘intangible asset’ through demonstration of ability to control that asset. The definition of an intangible asset is assumed to be met if the software is either located on premise, or, in the case of a cloud arrangement, is highly customized regarding its application architecture, and the software is fully integrated into the Group’s IT environment, as control is demonstrable. Software contracts are amortized over the contract term from the date the software is ready for its intended use.

In cases where cloud arrangements involve customization of applicable architecture that is not deemed to be of a level sufficient to demonstrate control of an asset, the related arrangement is treated as a service contract with the service costs recognized rateably over the service period and any advance payments recognized as prepaid asset.

###### (ii) *Capitalized development costs*

The Group capitalizes directly attributable costs that meet the definition of ‘development expenditure’ under the standard in preparing software for its intended use as it expects to obtain the future economic benefit from the underlying resource developed. Development costs are amortized over a period of ten years relating to the expected useful life of the related IT systems developed.

###### (iii) *Other intangible assets*

Other intangible assets include customer relationships and intellectual property as a result of acquisitions and are stated at cost less accumulated amortization and accumulated impairment losses. Amortization is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful life of each intangible assets, details of which are set out in the notes to the financial statements. Such intangible assets are amortized from the date they are available for use.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### H. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the Consolidated Statement of Comprehensive Income during the financial year in which they are incurred. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Asset class	Estimated Useful Life
Leasehold improvements	3 to 10 years
Fixtures and fittings	2 to 7 years
Computer equipment	1 to 5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. 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. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated Statement of Comprehensive Income.

##### I. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life such as goodwill are not subject to amortization and are tested annually for impairment. 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 costs 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 flows being cash-generating units. For annual impairment testing purposes, assets with indefinite useful lives are allocated to a group of two geographical based CGUs being the EMEA and Non-EMEA operations. Impairment is determined for goodwill by assessing the recoverable amount of the group of CGUs to which the goodwill relates. Management monitors goodwill only at a segment level as the Group currently operates as a single Operating Segment as defined by IFRS 8 *Operating Segments*.

In calculating value in use, the estimated future cash flows are discounted to their present value using after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of three years. A four-year transition phase is applied in order to smooth the revenue growth in the latest year, covered by budgets, to the terminal revenue growth. A long-term growth rate is calculated and applied to project future cash flows after the seventh year.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### I. Impairment of non-financial assets (continued)

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. When the recoverable amount of a CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized.

##### J. Trade receivables

Trade receivables are initially recognized at the transaction price and subsequently measured at amortized cost less impairment losses based upon an expected credit loss methodology. The Group applies the IFRS 9 *Financial Instruments* simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. The Group assumes that the credit risk of a financial asset has increased if it is more than 30 days past due and considers a financial asset to be in default when the financial asset is more than 90 days past due.

Loss rates applied are based on forecasted credit loss for individual customers based on observed patterns of trading history as adjusted for specific risk applied based on country of operation. The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers. The expected loss rates are based on the historical credit loss experience. These historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors. The Group considers economic factors prevailing at the measurement date (for example, the ongoing COVID-19 pandemic) and country specific risks to be the most relevant factors and has adjusted the historical loss rates based on expected changes in these factors.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses (“ECLs”), the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

##### K. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

##### L. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost using the Effective Interest Method (“EIR”) with the interest expense recognized in the Consolidated Statement of Comprehensive Income. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### L. Borrowings (continued)

When a financial liability is extinguished or transferred, the difference between the carrying amount of the transferred financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the Consolidated Statement of Comprehensive Income. Where the net present value of the cash flows under the new terms is less than 10% different from the discounted present value of the remaining cash flows of the original debt instrument and the new terms of the liability are not substantially different, such modification does not result in extinguishment of the liability.

The amortized cost of the financial liability should be recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial instrument's original EIR. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

##### M. Leases

The Group assesses at contract inception whether a contract is or contains a lease under IFRS 16 *Leases* and to establish if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee, the Group applies a single recognition and measurement approach for all leases and recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use); for lease contracts acquired in a business combination the acquirer recognizes a right-of-use asset and a lease liability. The lease liability is measured at the present value of the remaining lease payments. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. In addition, the right-of-use asset is periodically reduced by impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lease category	Estimated Useful Life
Office buildings	1 to 6 years
Office equipment	2 to 6 years
Motor vehicles	3 to 5 years
Leased software	0.5 to 1.5 years
IT equipment	5 years

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. Lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.



## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### N. Taxation

Income tax expense represents the sum of current and deferred taxes. Current tax payable is based on taxable profit for the year. The Group’s liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

The Group recognizes accruals for tax liabilities in respect of uncertain tax positions when it has a present obligation as a result of a past event and Management judge that it is probable that there will be a future outflow of economic benefits to settle the obligation. The Group recognizes indemnity assets in respect of acquired accruals for tax liabilities only, where the liability in question is recoverable under contractual obligation by the Vendor and when the asset is deemed recoverable.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax liabilities are not recognized to the extent they arise from the initial recognition of non-tax-deductible goodwill. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or on different taxable entities, which intend to settle the tax assets and liabilities on a net basis. Tax is charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognized in other comprehensive income or in equity.

##### O. Share capital, share premium and dividend distribution

Incremental cost not forming part of an acquisition and directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distributions to the Company’s shareholders are recognized as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders. Interim dividends are recognized the entity has an obligation to make the payment and the amount to be paid can be determined reliably.

##### P. Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares and the shares held under the liquidity program. The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There is currently no category of dilutive potential ordinary shares.



## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### Q. Financial assets and financial liabilities

###### (i) *Financial assets measured at amortized cost*

Financial assets are measured at amortized cost if it meets both of the following conditions and is not designated as fair value through profit or loss; it is held within a business model whose objective is to hold assets to collect contractual cashflows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### (ii) *Financial assets at fair value through profit or loss or through other comprehensive income*

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment by investment basis. All financial assets not classified as measured at amortized cost of FVOCI are measured at Fair Value through profit or loss. Financial assets at fair value through profit or loss are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognized in the Consolidated Statement of Comprehensive Income.

###### (iii) *Write-offs*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset. Financial assets that are written off could still be subject to enforcement activities to comply with the Group’s procedures for recovery of amounts due.

###### (iv) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as ‘held for trading’ if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments (including separated embedded derivatives) entered into by the Group that are not designated as hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition as ‘fair value through profit or loss’ (“FVTPL”) are designated at the initial date of recognition, and only if the criteria in IFRS 9 *Financial Instruments* are satisfied.

A derivative embedded in a host contract is separated if (i) the economic characteristics and risks are not closely related to the host (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and (iii) the hybrid contract itself is not measured at FVTPL. Embedded derivatives are measured at FVTPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

###### (v) *Derivative financial instruments and hedge accounting*

Group uses interest rate swap to hedge its interest rate risk. The derivative financial instrument is initially recognized at fair value on the date on which a derivative contract is entered into and is subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 4. Significant accounting policies (continued)

##### R. Cash flow hedges

The Group uses an interest rate swap to hedge its exposure to interest rate risk in a floating rate borrowing agreement. The effective portion of the gain or loss on the hedging instrument is recognized in Other Comprehensive Income ("OCI") in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss as finance income or expense. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI remains in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if (i) there is an 'economic relationship' between the hedged item and the hedging instrument; and (ii) the effect of credit risk does not 'dominate the value changes' that result from that economic relationship. The ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge.

##### S. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

#### 5. Financial risk factors

Refer to Note 29 Financial risk management, for details of financial risk factors.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 6. Segmental analysis

In accordance with IFRS 8 *Operating Segments*, the Group has derived the information for its segmental reporting using the information used by the Chief Operating Decision Makers ("CODMs") for the purposes of resource allocation and assessment of segment performance. The CODMs comprise the SUSE Leadership Team ("Key Management Personnel") which are disclosed on page 3 of the Annual Report. The Group is organized into a single reporting segment for the following reasons:

- All key decision-making and overall control is centralised;
- Only revenues (and not profits) are reviewed on a geographical level; and
- Costs of the Group are reviewed at a functional level.

As the Group comprises a single reporting segment, the results reported in these Consolidated Financial Statements and accompanying notes relate to this single segment. Further disaggregation of the Group's total revenue is disclosed in Note 7. All segment revenue is derived wholly from external customers and, as the Group has a single reportable segment, inter-segment revenue is zero.

The Group is not dependent on any single customer for its revenue and no single customer in the current year or prior period, accounts for more than 10% of the Group's revenue. The total of non-current assets other than financial instruments and deferred tax assets of the segment is as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Europe, Middle East and Africa	1,268,487	1,298,631
North America	1,451,873	1,518,311
Asia, Pacific and Japan	2,248	3,454
Greater China	3,326	5,771
Latin America	487	833
<b>Total</b>	<b>2,726,421</b>	<b>2,827,000</b>

#### 7. Revenue

Subscription revenue is recognized as a single performance obligation over the contractual term of a contract. In determining the transaction price, the Group considers the effects of reseller rebates to be the main source of variable consideration where certain customers are entitled to rebates on the basis of volume of unit sales generated within a period.

(a) Analysis of revenue from contracts with customers	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<b>Recognised over time:</b>		
- Subscription revenue	432,410	236,938
<b>Recognised at a point in time:</b>		
- Subscription revenue	10,008	6,117
- Consulting revenue	5,003	3,367
<b>Total revenue</b>	<b>447,421</b>	<b>246,422</b>

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

### For the year ended 31 October 2020

#### 7. Revenue (continued)

In the prior period, the Group acquired contract liabilities with a fair value of US\$334.8 million. The following table shows the impact of the acquisition accounting adjustment of the contract liability haircut on recognized revenues:

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Effect of contract liability haircut:</i>		
Recognized revenue before fair value adjustment	466,000	271,144
Contract liability haircut amortised	(18,579)	(24,722)
<b>Total revenue</b>	<b>447,421</b>	<b>246,422</b>

<b>(b) Revenue by product type</b>	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Core products	435,744	241,031
Emerging products	11,677	5,391
<b>Total revenue</b>	<b>447,421</b>	<b>246,422</b>

<b>(c) Revenue by route to market</b>	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
End user	344,899	182,395
Independent Hardware Vendor & Embedded	102,522	64,027
<b>Total revenue</b>	<b>447,421</b>	<b>246,422</b>

<b>(d) Revenue by geographical location</b>	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Europe, Middle East and Africa	217,790	121,367
North America	155,801	82,197
Asia, Pacific and Japan	31,719	14,103
Greater China	29,841	22,044
Latin America	12,270	6,711
<b>Total revenue</b>	<b>447,421</b>	<b>246,422</b>

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 8. Separately reported items

The Group has adopted a columnar presentation in its presentation of the Statement of Comprehensive Income in order to disaggregate items of specific importance from operations in the normal course (referred to as "Headline"). In doing so, Management considers that this gives a better indication of the underlying results of the ongoing business. Such items are those which are expected to have standalone significance and are typically confined to a single financial reporting period.

In determining this format, Management note IAS 1 *Presentation of Financial Statements* does not provide definitive guidance as to the format of the Consolidated Statement of Comprehensive Income, but states key lines, which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the Consolidated Statement of Comprehensive Income when appropriate for a proper understanding of the entity's financial performance.

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Separately reported items:</i>		
Transaction costs (a)	6,013	20,799
Costs arising from a restructuring programme (b)	1,996	2,023
Reduction in tax indemnity asset recoverable (c)	17,441	-
<b>Expense items forming part of operating losses</b>	<b>25,450</b>	<b>22,822</b>
Release of acquired uncertain tax liability (c)	(15,658)	-
Tax credit on transaction and restructuring costs	(573)	(6,551)
<b>Total tax credit reported separately</b>	<b>(16,231)</b>	<b>(6,551)</b>
<b>Separately reported items, net</b>	<b>9,219</b>	<b>16,271</b>

(a) Transaction costs of US\$6.0 million (2019: US\$20.8 million) for the year ended 31 October 2020 relate to legal and other fees associated with the acquisition of Rancher (Note 34). Prior year transaction costs related to legal, company secretarial and other fees paid to professional advisors relating to the acquisition of the SUSE business (Note 14).

(b) Restructuring costs of US\$2.0 million (2019: US\$2.0 million) for the year ended 31 October 2020 relates to a program announced during the year to align the operations of the Group with its strategic objectives. Further details are set out in Note 25.

During the prior period, Management discontinued a loss-making operation which the Group had acquired on acquisition of the SUSE business. The related restructuring program included severance costs of US\$2.0 million. During the year, the loss-making operation earned revenues of US\$2.3 million (2019: US\$3.5 million) and incurred costs of US\$4.0 million (2019: US\$10.5 million) in fulfilling its contractual obligations. Management do not consider the loss-making operation to be a 'Discontinued Operation' as defined by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as it was neither a separate major line of business nor a subsidiary acquired exclusively with a view to resale.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 8. Separately reported items (continued)

(c) The Group accrued for pre-acquisition tax liabilities of US\$24.4 million on acquisition of the SUSE business in respect of which it is legally indemnified under the terms of the acquisition agreement. A related tax indemnity asset of the same amount was recorded on acquisition. During the year, following tax authority agreement of certain open assessment periods, US\$15.7 million of the accrued pre-acquisition tax liabilities were released and the same amount of the tax indemnity asset written down (refer to Note 12 for details). In addition, there is a further reduction of US\$1.7 million in indemnity asset (total reduction US\$17.4 million) reflecting the impact of post-acquisition restructuring activity on the value of the indemnity asset.

#### 9. Operating costs by nature

The Group classifies costs in the Statement of Comprehensive Income 'by function'. Operating losses of US\$8.7 million (2019: US\$60.1 million) for the year was recorded after charging/(crediting) the following costs as classified 'by nature' set out below:

	Note	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Operating costs by nature:</i>			
Staff costs	31	230,177	134,842
Depreciation – Property, plant and equipment	16	4,496	2,203
Depreciation – Right of use assets	24	10,460	8,336
Amortisation of intangible assets	15	119,990	71,454
Amortisation of contract related assets	20	4,068	2,723
Deferred revenue fair value haircut	28	18,579	24,722
Share based payments expense	27	11,827	4,392
Impairment loss on trade receivables	19	1,023	443
<i>Net foreign exchange gains and losses:</i>			
— Realised net foreign exchange loss		8,513	3,408
— Unrealised net foreign exchange gain		(13,514)	(667)
<b>Expense items forming part of operating losses</b>		<b>395,619</b>	<b>251,856</b>
<i>Plus:</i>			
Other expenses incurred		60,486	45,009
<b>Total operating expenses for year/period</b>		<b>456,105</b>	<b>296,865</b>

#### 10. Auditor's remuneration

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Audit services:</i>		
Audit of Group Consolidated Financial Statements	540	1,105
Subsidiary financial statement audits	310	483
<b>Total audit fees</b>	<b>850</b>	<b>1,588</b>
<i>Non audit services:</i>		
Tax compliance services	76	83
<b>Total remuneration to Group auditors and network firms</b>	<b>926</b>	<b>1,671</b>

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 11. Net finance costs

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Finance costs	61,333	52,711
Finance income	(21)	(6,036)
<b>Net finance costs</b>	<b>61,312</b>	<b>46,675</b>

	Note	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Finance costs</i>			
Interest payable on borrowings		48,412	37,135
Amortisation of facility and debt issuance costs		5,043	4,204
Interest rate swap premia	29(d)	6,498	984
Commitment fees		1,589	341
Foreign exchange (gain)/loss on borrowings		(7,972)	3,031
Fair value loss on derivative liabilities	29(d)	6,884	6,162
<b>Finance costs on borrowings</b>		<b>60,454</b>	<b>51,857</b>
Bank fees		-	10
Net interest on retirement benefit obligations	26	56	145
Present value un-wind of lease obligations	24	823	699
<b>Total finance costs</b>		<b>61,333</b>	<b>52,711</b>

The total fair value of derivative liabilities at 31 October 2020 was US\$25.4 million (2019: US\$17.7 million) comprising US\$12.8 million (2019: US\$12.0 million) in respect of those designated as hedging instruments and US\$12.6 million (2019: US\$5.7 million) attributed to the derivatives embedded in borrowings.

#### *Derivatives designated as hedging instruments*

As the interest rate swap derivative is deemed to be hedge effective, the change in fair value of this hedging instrument of US\$7.3 million (2019: US\$ 12.9 million) has been recognized in other comprehensive income. Premia paid of US\$6.5 million (2019: US\$1.0 million) in respect of this hedging instrument have been recycled from the cash flow hedge reserve to the income statement.

#### *Embedded derivatives*

During the year a fair value loss of US\$6.9 million (2019: US\$ 6.2 million) in respect of the derivatives embedded in borrowings has been recognized as a component of finance costs.

	Note	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Finance income</i>			
Bank interest income		21	99
Gain on modification to borrowings	23	-	5,937
<b>Total finance income</b>		<b>21</b>	<b>6,036</b>



# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 12. Taxation

<b>(a) Income tax expense / (credit)</b>	<b>Year ended 31 October 2020 US\$'000</b>	<b>Period ended 31 October 2019 US\$'000</b>
<i>Current tax</i>		
Current tax expense – current year	6,220	6,406
Current tax credit – prior period	(15,769)	-
<b>Total current tax (credit) / expense</b>	<b>(9,549)</b>	<b>6,406</b>
<i>Deferred tax</i>		
Deferred tax credit – current year	(14,038)	(33,714)
Deferred tax expense – prior period	2,766	-
<b>Total deferred tax credit</b>	<b>(11,272)</b>	<b>(33,714)</b>
<b>Total income tax credit for the year/period</b>	<b>(20,821)</b>	<b>(27,308)</b>

<b>(b) Tax credited to other comprehensive income</b>	<b>Year ended 31 October 2020 US\$'000</b>	<b>Period ended 31 October 2019 US\$'000</b>
Deferred tax credit	(917)	(3,543)
<b>Total tax credited to other comprehensive income</b>	<b>(917)</b>	<b>(3,543)</b>

### (c) Factors affecting income tax for the year / period

The Group's total tax credit for the period of US\$20.8 million (2019: US\$27.3 million) represents an effective tax rate of 28.7% (2019: 25.3%). Differences between the expected tax credit, being the aggregate of the Group's geographical split of losses multiplied by local tax rates and the total tax credit are explained as:

	<b>Year ended 31 October 2020 US\$'000</b>	<b>Period ended 31 October 2019 US\$'000</b>
<b>Loss before tax for the year/period</b>	<b>(72,445)</b>	<b>(108,107)</b>
<b>Aggregate expected income tax credit using weighted local tax rate of 26.2% (2019: 28.0%)</b>	<b>(18,981)</b>	<b>(30,270)</b>
<i>Tax effect of:</i>		
Non-deductible acquisition related expenses	1,532	1,329
Non-deductible share-based payment expenses	811	270
Non-deductible interest expense in Germany	1,403	1,154
Temporary differences not expected to reverse	1,523	125
Alternative basis of state and local taxes	328	-
Prior period over-provision	(13,003)	-
Non-deductible reduction in tax indemnity asset	4,971	-
Other differences	595	84
<b>Total income tax credit</b>	<b>(20,821)</b>	<b>(27,308)</b>
<b>Effective tax rate</b>	<b>(28.7%)</b>	<b>(25.3%)</b>



## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 12. Taxation (continued)

##### (d) Factors affecting the income tax charge / (credit) in future years

The Group's future tax charge and effective tax rate could be affected by several factors including challenges by tax authorities to the Group's transfer pricing arrangements and the pricing of intra-group transactions, tax legislation developments in countries around the world, including reforms related to the taxation of the digital economy, and future acquisitions.

##### (e) Recognition of acquired accruals for tax liabilities and tax indemnity asset

The Group maintains accruals for tax liabilities in respect of certain potential tax risks in legal entities acquired as part of the prior period business combination which have been indemnified by the vendor of the business. Non-current tax liabilities include US\$6.6 million (2019: US\$22.8 million) relate to such potential risks with an indemnity asset of equal value recorded in "other non-current receivables". A US\$15.7 million (2019: US\$Nil) reduction in liability reflects tax authority agreement of open assessment periods to which a portion of the accrued liability related. The reduction in liability resulted in a decrease of the same value to the indemnity asset no longer realizable. There are no accrued tax liabilities in respect of uncertain tax positions arising in relation to the post acquisition period.

##### (f) Deferred taxes

Deferred tax assets and liabilities recognized by the Group as at 31 October 2020 are detailed as follows:

	Tax losses US\$'000	Contract liabilities US\$'000	Interest expenses US\$'000	Financial derivatives US\$'000	Other items US\$'000	Total US\$'000
<i>Deferred tax assets</i>						
<b>As at 1 November 2019</b>	26,361	34,472	15,828	3,265	10,433	<b>90,359</b>
(Charged)/credited to the Income statement	26,982	(13,165)	(917)	2,229	591	<b>15,720</b>
(Charged)/credited to other Comprehensive income	368	-	515	210	175	<b>1,268</b>
<b>As at 31 October 2020</b>	<b>53,711</b>	<b>21,307</b>	<b>15,426</b>	<b>5,704</b>	<b>11,199</b>	<b>107,347</b>

Deferred tax assets are recognized to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilized. Recognized deferred tax assets are mainly in respect of German and US subsidiaries.

Deferred tax assets in Germany of US\$31.9 million (2019: US\$25.6 million) are recognized on the basis that they are fully offset by deferred tax liabilities in the same legal entity or tax group. A net deferred tax asset of US\$73.3 million (2019: US\$60.5 million) in the US is recognized on the basis of a deferred tax asset reversal calculation based on Management's projections of future profitability which forecast to fully reverse in the long term (between 5 and 15 years). It is considered appropriate to recognize the asset as the business has previously and is expected to continue to realize significant taxable profits. The Group has an unrecognized deferred tax asset in relation to temporary differences of US\$2.2 million (2019: US\$0.9 million) relating to unutilized foreign tax credits and carried forward tax losses.

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 12. Taxation (continued)

#### (f) Deferred taxes (continued)

<i>Deferred tax liabilities</i>	Intangible assets US\$'000	Contract related assets US\$'000	Finance costs US\$'000	Other items US\$'000	Total US\$'000
<b>As at 1 November 2019</b>	(48,776)	(4,522)	(5,875)	(4,723)	<b>(63,896)</b>
(Charged)/credited to the income statement	4,673	(7,486)	(91)	(1,544)	(4,448)
(Charged)/credited to other Comprehensive income	-	(29)	(257)	(65)	(351)
<b>As at 31 October 2020</b>	<b>(44,103)</b>	<b>(12,037)</b>	<b>(6,223)</b>	<b>(6,332)</b>	<b>(68,695)</b>

A deferred tax liability of US\$1.5 million (2019: US\$1.5 million) is recognized in respect of tax liabilities expected to arise on the future repatriation of proceeds. Otherwise, no deferred tax liability is recognized in respect of unremitted earnings (including pre-acquisition earnings) of overseas subsidiaries of US\$148.3 million (2019: US\$129.1 million) as the Group can control the timing of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognized deferred tax liabilities in respect of such unremitted earnings.

### 13. Earnings per share

There are no arrangements in place at 31 October 2020 (2019: none) that might dilute the ordinary shareholding of the Company. The calculation of the basic and diluted earnings per share has been based on the loss attributable to ordinary shareholders and the weighted-average numbers of ordinary shares outstanding detailed as follows:

<b>(a) Loss attributable to ordinary shareholders</b>	<b>Year ended 31 October 2020 US\$'000</b>	<b>Period ended 31 October 2019 US\$'000</b>
<b>Loss for the year /period</b>	<b>(51,624)</b>	<b>(80,799)</b>

<b>(b) Loss attributable to ordinary shareholders</b>	<b>Year ended 31 October 2020 No. of shares</b>	<b>Period ended 31 October 2019 No. of shares</b>
<b>Issued ordinary shares at start and end of year/period</b>	<b>1,400,000</b>	<b>1,400,000</b>
<b>Weight average number of ordinary shares at 31 October</b>	<b>1,400,000</b>	<b>1,400,000</b>

<b>(c) Loss per share</b>	<b>Year ended 31 October 2020 US\$</b>	<b>Period ended 31 October 2019 US\$</b>
<b>Loss per share – basic</b>	<b>(36.9)</b>	<b>(57.7)</b>
<b>Loss per share – diluted</b>	<b>(36.9)</b>	<b>(57.7)</b>

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 14. Business combinations

##### (a) Acquisition in the current year

The Group did not acquire any business in the year ended 31 October 2020.

##### (b) Acquisition of the SUSE Group in the prior period

In the prior period, on 15 March 2019, the Group acquired 100% of the assets and liabilities of the SUSE Group from Micro Focus International plc, for cash consideration of US\$2,556.2 million, novation of a US\$154.6 million liability and subject to completion of working capital. A list of subsidiaries acquired by the Group was included in Note 17 of the 2019 Consolidated Financial Statements. The purchase price allocation exercise was finalized in the prior period. Total purchase consideration paid was as follows:

	Acquisition date 15 March 2019 US\$'000
<i>Cash consideration:</i>	
Cash transferred on closing	2,540,273
Deferred consideration	15,964
<b>Cash consideration paid and payable</b>	<b>2,556,237</b>
<i>Non-cash consideration:</i>	
Novation of liability on date of acquisition	154,573
<b>Total consideration</b>	<b>2,710,810</b>

Deferred consideration of US\$16.0 million represented an increase in the purchase price relating to balance receivable by Group entities acquired of US\$22.4 million less a reduction relating to adjustments to working capital. Amounts were agreed and settled between the vendor and the Group in March 2020.

##### (c) Acquisition subsequent to the reporting date

On 25 November 2020, the Group acquired 100% of the assets and liabilities of Rancher Labs Inc. and its affiliates ("Rancher"). Refer to Note 34 for further details.

#### 15. Goodwill and intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Asset class	Remaining useful life at reporting date
Purchased software	Varies by contractual term of license
Development costs	9.5 years
Intellectual property	3.3 years
Customer relationships	5.1 years

Intellectual property is amortized over the period in which the Group expects to derive benefit on the basis of technical obsolescence. Customer relationships are amortized on the basis of average contract duration which averages 8 years reflecting the approximate mix of acquired customer contracts.

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 15. Goodwill and intangible assets (continued)

#### (a) Rollforward of goodwill and intangible assets

<i>Current year</i>	Development costs US\$'000	Purchased software US\$'000	Intellectual property US\$'000	Customer relationships US\$'000	Goodwill US\$'000	Total US\$'000
<b>Cost</b>						
1 November 2019	-	2,871	315,963	360,035	2,134,881	2,813,750
Additions in the year	8,963	24,980	-	-	-	33,943
Fx movements	83	(28)	-	(30)	-	25
<b>31 October 2020</b>	<b>9,046</b>	<b>27,823</b>	<b>315,963</b>	<b>360,005</b>	<b>2,134,881</b>	<b>2,847,718</b>

#### *Accumulated amortization*

1 November 2019	-	1,088	43,568	27,459	-	72,115
Charge for the year	788	5,929	69,682	43,591	-	119,990
Fx movements	-	108	28	1,226	-	1,362
<b>31 October 2020</b>	<b>788</b>	<b>7,125</b>	<b>113,278</b>	<b>72,276</b>	<b>-</b>	<b>193,467</b>

#### *Carrying value*

<b>31 October 2020</b>	<b>8,258</b>	<b>20,698</b>	<b>202,685</b>	<b>287,729</b>	<b>2,134,881</b>	<b>2,654,251</b>
1 November 2019	-	1,783	272,395	332,576	2,134,881	2,741,635

<i>Prior period</i>	Development costs US\$'000	Purchased software US\$'000	Intellectual property US\$'000	Customer relationships US\$'000	Goodwill US\$'000	Total US\$'000
<b>Cost</b>						
1 January 2019	-	-	-	-	-	-
Acquired in the period	-	31	315,963	360,005	2,134,881	2,810,880
Additions in the period	-	2,789	-	-	-	2,789
Fx movements	-	51	-	30	-	81
<b>31 October 2019</b>	<b>-</b>	<b>2,871</b>	<b>315,963</b>	<b>360,035</b>	<b>2,134,881</b>	<b>2,813,750</b>

#### *Accumulated amortization*

1 January 2019	-	-	-	-	-	-
Charge for the period	-	1,059	43,070	27,325	-	71,454
Fx movements	-	29	498	134	-	661
<b>31 October 2019</b>	<b>-</b>	<b>1,088</b>	<b>43,568</b>	<b>27,459</b>	<b>-</b>	<b>72,115</b>

#### *Carrying value*

<b>31 October 2019</b>	<b>-</b>	<b>1,783</b>	<b>272,395</b>	<b>332,576</b>	<b>2,134,881</b>	<b>2,741,635</b>
1 January 2019	-	-	-	-	-	-

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 15. Goodwill and intangible assets (continued)

##### (b) Carrying value assessment

The annual impairment test of goodwill is performed on a single Group operating segment level. This represents the Group as a whole, being a single operating segment under IFRS 8 *Operating Segments*, that is the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill had a carrying value of US\$2,134.9 million (2019: US\$2,134.9 million) as at the balance sheet date and is tested for impairment annually. The Group performed its annual impairment test as of ‘30 September 2020’ during October 2020.

The Group considers its operating performance in relation to the approved budgets to be the key factor, when reviewing for indicators of impairment. The annual impairment test of goodwill is performed on a single Group operating segment level as the EBITDA of the Group is reviewed at this level. The recoverable amount has been determined based through a ‘value in use’ calculation using cash flow projections from financial budgets approved by Management covering a three-year period.

The after-tax discount rate applied to the three-year period cash flow projections and smoothing four-year period is 7.1% (2019: 7.9%). Cash flows beyond a seven-year forecast period are extrapolated using a 2.0% growth rate (2019: 2.0%). This growth rate is in line with the long-term average growth rate for the industry. As a result of this analysis, Management has recognized no impairment in the current year (2019: US\$Nil).

##### Key assumptions used in value in use calculations and sensitivity to changes in assumptions

Management view a reasonably possible change to the key assumptions which would result in an impairment for the financial year ended 31 October 2020 to be unlikely. The assumptions used in the impairment testing reflect past experience of the Group, are based on the Group’s current forecasts and are consistent with external sources of information.

The sensitivity analysis for the key assumptions reflects the existence of sufficient headroom between the recoverable amount and the carrying value of the Group’s long-term assets. The headroom remains positive even in case of hypothetical adverse changes of the key assumptions. The Group’s forecasts used in the ‘value in use’ calculation, and related sensitivity analysis include uncertainties related to the COVID-19 pandemic. The calculation of ‘value in use’ for the Group is most sensitive to the following key assumptions:

- Revenue growth rates
- EBITDA margins
- Discount rate

**Revenue growth rate** - Revenue growth rate increases from 14.2% to 22.3% in the three-year budget period, which is consistent with the most recent budgets and objectives of the Group. While the Group can maintain high growth rates for extended periods, for purposes of a perpetual valuation, it is assumed that the Group will approach a “steady state” with stable growth rates at some point in time. This implies that once the steady state is reached, the terminal growth rate should not exceed, for example, the long-term average inflation rate in the country, in which a business operates. Hence, a terminal revenue increase of 2.0% was applied and consequently a four-year transition phase was included in order to account for the convergence of the revenue growth of 22.3% in FY23 to 2.0% in the terminal value. The Growth rate used to extrapolate cash flows beyond the forecast period is based on published software industry research.

Sensitivity analysis for the revenue growth rates in the terminal period is presented in the table below:

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 15. Goodwill and intangible assets (continued)

#### (b) Carrying value assessment (continued)

Revenue growth rate %	Headroom US\$'000
0.5%	600,864
1.0%	806,472
1.5%	1,048,955
2.0%	1,339,228
2.5%	1,692,986

Management analyzed reasonable possible changes in the revenue growth rates in the terminal period between 0.5% and 2.5%. The base assumption was 2%. The lowest revenue growth rate considered by Management as reasonably possible of 0.5% resulted in headroom of US\$600.9 million.

**EBITDA margins** – EBITDA margins are based on average values achieved in the years preceding the beginning of the budget period. The EBITDA margin of the Group was 28.6% (2019: 26.8%) adjusted to 30.9% over the budget period allowing for anticipated efficiencies. Sensitivity analysis for the EBITDA margin in the terminal period is presented in the table below:

EBITDA Margin %	Headroom US\$'000
20.0%	353,153
22.5%	579,721
25.0%	806,289
27.5%	1,032,857
30.9%	1,339,228

Management analyzed reasonable possible changes in the EBITDA margin in the terminal period between 20.0% and 30.9%. The base assumption was 30.9% (as noted above). The lowest EBITDA margin considered by Management as reasonably possible of 20.0% resulted in headroom of US\$353.2 million.

**Discount rates** – Discount rates represent the current market risk of the Group and its weighted average cost of capital ("WACC") which considers both debt and equity. The cost of equity is derived starting with a risk-free return, adding a relevant inflation spread and adjusting for country risk and market risk premia (adjusted for peer group beta factors). The cost of debt is also calculated in a similar manner. Adjustments to the discount rate are made to factor in the amount and timing of future tax flows in order to reflect after-tax discount rate. Sensitivity analysis for the WACC rate is presented in the table below:

WACC Rate %	Headroom US\$'000
9.0%	262,870
8.0%	732,392
7.1%	1,339,228
6.5%	1,832,721
6.0%	2,384,407

Management analyzed possible changes in the after-tax discount rate between 6.0% and 9.0%. The highest rate considered by Management as reasonably possible of 9.0% resulted in headroom of US\$262.9 million.

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 16. Property, plant and equipment

<i>Current year</i>	Leasehold improvements US\$'000	Computer equipment US\$'000	Fixtures and fittings US\$'000	Total US\$'000
<b>Cost</b>				
1 November 2019	2,303	9,123	971	12,397
Additions during the year	201	1,424	546	2,171
Disposals	(230)	(25)	(14)	(269)
Exchange rate movements	42	287	11	340
<b>31 October 2020</b>	<b>2,316</b>	<b>10,809</b>	<b>1,514</b>	<b>14,639</b>
<b>Accumulated depreciation</b>				
1 November 2019	257	1,834	208	2,299
Charge for the year	612	3,401	483	4,496
Disposal	(27)	(36)	(25)	(88)
Exchange rate movements	120	236	(48)	308
<b>31 October 2020</b>	<b>962</b>	<b>5,435</b>	<b>618</b>	<b>7,015</b>
<b>Net book value</b>				
<b>31 October 2020</b>	<b>1,354</b>	<b>5,374</b>	<b>896</b>	<b>7,624</b>
1 November 2019	2,046	7,289	763	10,098

  

<i>Prior period</i>	Leasehold improvements US\$'000	Computer equipment US\$'000	Fixtures and fittings US\$'000	Total US\$'000
<b>Cost</b>				
1 January 2019	-	-	-	-
Acquired during the period	1,835	7,706	457	9,998
Additions during the period	563	1,595	536	2,694
Exchange rate movements	(95)	(178)	(22)	(295)
<b>31 October 2019</b>	<b>2,303</b>	<b>9,123</b>	<b>971</b>	<b>12,397</b>
<b>Accumulated depreciation</b>				
1 January 2019	-	-	-	-
Charge for the period	316	1,817	70	2,203
Exchange rate movements	(59)	17	138	96
<b>31 October 2019</b>	<b>257</b>	<b>1,834</b>	<b>208</b>	<b>2,299</b>
<b>Net book value</b>				
<b>31 October 2019</b>	<b>2,046</b>	<b>7,289</b>	<b>763</b>	<b>10,098</b>
1 January 2019	-	-	-	-

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 17. Subsidiary undertakings

Details of subsidiaries of the Company as at 31 October 2020 are provided below. The principal activities of subsidiary undertakings are (A) Software sales and support functions, (B) Development of software, (C) investment holding and (D) Intellectual property licensing.

Company name	Country of incorporation	Principal activities	Ownership <sup>(3)</sup>	Registered office address
Marcel Topco GmbH	Germany	(C)	100.0% <sup>(1)</sup>	Maxfeldstraße 5, 90409 Nürnberg
Marcel UK Topco Ltd <sup>(4)</sup>	UK	(C)	100.0%	One Station Square, Bracknell, Berkshire, United Kingdom, RG12 1QB
Marcel LUX DebtCo S.À R.L. <sup>(4)</sup>	Luxembourg	(C)	100.0%	26A, boulevard Royal, L-2449, Luxembourg, RCS Luxembourg B 225816
Marcel Bidco GmbH	Germany	(D)	100.0%	Maxfeldstraße 5, 90409 Nürnberg
SUSE International Holdings GmbH	Germany	(C)	100.0%	Maxfeldstraße 5, 90409 Nürnberg
Marcel Topco LLC	USA	(C)	100.0% <sup>(2)</sup>	Capitol Services, Inc. , 1675 S. State St., Ste B, Dover DE 19901
Marcel Bidco LLC	USA	(D)	100.0%	Capitol Services, Inc. , 1675 S. State St., Ste B, Dover DE 19901
SUSE Software Solutions Australia Pty Ltd	Australia	(A)	100.0%	Tower One International Towers Sydney', Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000
SUSE Software Solutions Austria GmbH	Austria	(A)	100.0%	Parkring 2, 1010 Wien
SUSE Software Solutions Brasil Ltda	Brazil	(A)	100.0%	Rua Joaqui Floriano, 466, 12th floor, part, Building Corporate, Itaim Bibi, Postal Code 04534-002, São Paulo
SUSE Software Solutions Canada ULC	Canada	(A)	100.0%	701 Georgia St. W, PO Box 10149, Vancouver, British Colombia, Canada,
Novell Software (Beijing) Ltd.	China	(A),(B)	100.0%	Unit 01-04 and 14-16 of 1401 Unit 2, Building 1, No. 1 East Sanhuan Middle Road, Chaoyang District, Beijing
SUSE LINUX s.r.o.	Czech Republic	(A),(B)	100.0%	Křižíkova 148/34, Karlín, 186 00 Praha 8
SUSE Software Solutions France Sarl	France	(A)	100.0%	3 place Giovanni da Verrazzano Campus Verrazzano Bâtiment A RdC 69009 Lyon
SUSE Software Solutions Germany GmbH	Germany	(A),(B)	100.0%	Maxfeldstraße 5, 90409 Nürnberg
SUSE Software Solutions Hong Kong Ltd	Hong Kong	(A)	100.0%	21/F, Edinburgh Tower, The Lanmark, 15 Queen's Road Central, Hong Kong
SUSE Software Solutions India Private Ltd	India	(A)	100.0%	U & I Corporate Centre, 47, ECHELON, Sector 32, Gurgaon 122001, Haryana



# Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 17. Subsidiary undertakings (continued)

Company name	Country of incorporation	Principal activities	Ownership <sup>(3)</sup>	Registered office address
SUSE Software Solutions Ireland Ltd	Ireland	(A)	100.0%	One Spencer Dock, North Wall Quay, Dublin 1
SUSE Software Solutions International Services Ltd	Ireland	(A)	100.0%	One Spencer Dock, North Wall Quay, Dublin 1
SUSE Software Solutions Israel Ltd	Israel	(A)	100.0%	11 Amal St., P.O.Box 11785, Rosh Ha’Ayin, Israel, 11716
SUSE Software Solutions Italy srl	Italy	(A)	100.0%	Viale Sarca 235, 20126 Milan
SUSE Software Solutions Japan KK	Japan	(A)	100.0%	9-7-1 Akasaka, Minato-ku, Tokyo
SUSE Software Solutions Korea Ltd	Korea	(A)	100.0%	41F, Gangnam Finance Center 152, Teheran-ro, Gangnam-gu, Seoul
SUSE Software Solutions Netherlands BV	Netherlands	(A)	100.0%	Herengracht 282, 1016 BX Amsterdam
SUSE Software Solutions Portugal Sociedade Unipessoal Lda	Portugal	(A)	100.0%	Palácio Sottomayor, Rua Sousa Martins, 1 - 1.º esquerdo, 1069-316 Lisbon
SUSE Software Solutions Singapore Pte Ltd	Singapore	(A)	100.0%	80 Robinson Road #02-00 Singapore 068898
SUSE Software Solutions South Africa Pty Ltd	South Africa	(A)	100.0%	222 Smit Street, Braamfontein, Johannesburg, 2000
SUSE Software Solutions Spain S.L.	Spain	(A)	100.0%	Paseo de la Castellana 42, Madrid (28046)
SUSE Software Solutions Sweden AB	Sweden	(A)	100.0%	Kronborgsgränd 1, 16446 Kista
SUSE Software Solutions Schweiz AG	Switzerland	(A)	100.0%	Merkurstrasse 14, 8953, Dietikon
SUSE Software Solutions Taiwan Co Ltd	Taiwan	(A),(B)	100.0%	14F., NO. 8, SEC. 5, XINYI RD., XINYI DIST., TAIPEI CITY 11049, TAIWAN
SUSE YAZILIM ÇÖZÜMLERİ LTD.ŞTİ	Turkey	(A)	100.0%	Kuştepe Mahallesi Mecidiyeköy Yolu Cad. Trump Tower, Şişli İstanbul
SUSE Software Solutions Middle East FZ-LLC	UAE	(A)	100.0%	Premises 315, Bldg 2, Level 3, Dubai
SUSE Software Solutions UK Ltd	UK	(A)	100.0%	Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT
SUSE LLC	USA	(C),(D)	100.0%	CT Corporation System 155 Federal St. Suite 700 Boston, MA

#### Footnotes:

<sup>(1)</sup>The ordinary share capital of Marcel Topco GmbH is 100% held by the Company.

<sup>(2)</sup>The ordinary share capital of Marcel Topco LLC is 99.99% held by the Company and 0.01% held by Marcel Topco GmbH.

<sup>(3)</sup>The ordinary share capital of all other subsidiaries is wholly owned by a subsidiary of the Company.

<sup>(4)</sup>During the period, Marcel UK Topco Ltd and Marcel LUX DebtCo S.À R.L. were incorporated.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 18. Investment in associate

Open Invention Network LLC ("OIN") is a strategic partnership of software corporations that licenses global patent pools in exchange for a pledge of non-aggression by its participants. The initiative encourages freedom of action in the use of 'Linux' and the sharing of new ideas and inventions. At 31 October 2020 the Group's 12.5% (2019: 12.5%) interest was carried at US\$16.2 million (2019: US\$18.7 million) after recording its share of losses for the year of US\$2.5 million (2019: US\$1.3 million) as detailed below:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Carrying value of associate investment:</i>		
<b>At beginning of year/period</b>	<b>18,623</b>	<b>-</b>
Acquired during the year/period	-	20,000
<b>Carrying value of associate before share of losses</b>	<b>18,623</b>	<b>20,000</b>
Share of losses after tax for the year/period	(2,449)	(1,377)
<b>At end of year/period</b>	<b>16,174</b>	<b>18,623</b>

The investment is accounted for under the equity method of accounting. The accounting year-end date of the associate investment is 31 December, and results are reported on a quarterly basis. The Group records an adjustment to align the reporting period of the associate and the basis for measurement of the Group. Assets, liabilities, and equity of the investment in the current year and prior period and the results for the period ended 31 October 2020 as adjusted was as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Condensed balance sheet of associate investment:</i>		
Non-current assets	21,731	27,831
Current assets	36,354	41,680
Current liabilities	(433)	(537)
Non-current liabilities	(2,069)	(1,646)
<b>At end of year/period</b>	<b>55,583</b>	<b>67,328</b>

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Condensed income statement of associate investment:</i>		
Revenue	-	-
Loss after taxation for the year/period	11,745	7,627
<b>Loss attributable to the Group for the year/period</b>	<b>1,468</b>	<b>953</b>
Adjustment recorded for the year/period	981	424
<b>Loss attributable to the Group for the year/period</b>	<b>2,449</b>	<b>1,377</b>

There are no significant restrictions on the ability of the associate investment to transfer returns to the Group. There are no contingent liabilities to the Group's interest in associate investments (2019: US\$:Nil).

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 19. Trade and other receivables

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Trade receivables	79,600	82,223
Less: expected credit losses	(1,466)	(443)
Trade receivables, net	78,134	81,780
Prepayments	6,368	6,916
Other receivables	16,540	8,020
<b>Total trade and other receivables</b>	<b>101,042</b>	<b>96,716</b>

At 31 October 2020, the carrying amount of trade and other receivables approximates their fair value due to their short-term nature. The following table provides information about the ageing and the expected credit losses for trade receivables from individual customers as at 31 October 2020. The loss rates presented below have considered country specific risks.

	Weighted average loss rate %	Gross carrying amount US\$'000	Expected credit loss US\$'000	Net carrying amount US\$'000
<i>Category:</i>				
Current	1%	75,138	(1,096)	74,042
Up to three months	3%	4,192	(122)	4,070
Three to four months	86%	157	(135)	22
Over four months	100%	113	(113)	-
<b>As at 31 October 2020</b>		<b>79,600</b>	<b>(1,466)</b>	<b>78,134</b>

The loss allowance for receivables has been included in the selling and distributions costs in the Consolidated Statement of Comprehensive Income. Amounts charged in the allowance account are generally written off when there is no expectation of recovering additional cash. The movement in the loss allowance in the year is as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Provision roll forward:</i>		
At beginning of year / period	443	-
Loss allowance provided in the year/period	1,023	443
<b>At end of year/period</b>	<b>1,466</b>	<b>443</b>

Further details relating to the credit risk of financial instruments are disclosed in Note 29.

Included within 'Other receivables' at 31 October 2020 was US\$5.5 million (2019: US\$3.8 million) in respect of accrued income resulting from completed performance obligations that are yet to be invoiced as at the reporting date. Accrued income is reclassified to trade receivables upon invoicing.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 20. Contract-related assets

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Presented as:</i>		
Non-current	25,761	10,698
Current	19,649	9,139
<b>Total contract-related assets</b>	<b>45,410</b>	<b>19,837</b>

Contract-related assets are costs related to obtaining a customer contract which are capitalized when they are deemed to be incremental and expected to be recovered. The Group incurs directly attributable costs relating to a obtaining a contract in respect of consideration payable to customers (reseller funds), and employees and third-party providers (sales commissions).

Reseller rebates are amortized over the estimated duration of the related revenue contract term. The Group incurred and capitalized reseller rebates of US\$4.5 million (2019: US\$3.6 million) during the year with related amortization of US\$3.4 million (2019: US\$0.4 million) expensed in the Statement of Comprehensive Income net of revenue recognized under the principles of IFRS 15 *Revenue from Contracts with Customers*.

Sales commissions paid for new customer contracts are amortized on a straight-line basis over an expected customer life, which averages 96 months based on analysis of transactions which considers expected renewal frequency. Sales commissions paid for customer contract renewals are not commensurate with new contracts and are amortized over 40 months, except where the renewal is less than one year, in which case the costs are expensed when incurred. Sales commissions paid to partners are amortized over the contract term. The Group incurred and capitalized sales commission costs of US\$27.0 million (2019: US\$19.0 million) during the year with related amortization of US\$4.1 million (2019: US\$2.8 million) expensed to the Statement of Comprehensive Income as a sales and marketing costs.

#### 21. Cash and cash equivalents

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Cash at bank and in hand	94,933	38,197
<b>Total cash and cash equivalents</b>	<b>94,933</b>	<b>38,197</b>

Included in cash and cash equivalents at 31 October 2020 was US\$0.5 million (2019: US\$0.5 million) which is restricted for the purposes of lease deposits covered by actual cash deposits.

Further details relating to the credit risk of financial institutions at which cash is deposited are disclosed in Note 29.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 22. Trade and other payables

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Current:</i>		
Trade payables	4,700	3,744
Payroll related accruals	38,099	30,124
Tax and social security	10,505	10,685
Accrued royalties	7,082	8,075
Other payables	32,742	15,157
<b>Total current trade and other payables</b>	<b>93,128</b>	<b>67,785</b>
<i>Non-current:</i>		
Other payables	10,295	-
Taxes and social security	1,566	-
<b>Total non-current trade and other payables</b>	<b>11,861</b>	<b>-</b>
<b>Total trade and other payables</b>	<b>104,989</b>	<b>67,785</b>

At 31 October 2020, the carrying amount approximates to the fair value. Further information regarding the Group's exposure to foreign currency and liquidity risk is set out in Note 29. Current other payables includes US\$8.5 million (2019: US\$:Nil) and non-current other payables of US\$10.3 million (2019: US\$:Nil) relate to contractual amounts payable under cloud software arrangements.

#### 23. Borrowings

##### (a) Amounts outstanding at the reporting date

<i>Current borrowings</i>	Contractual Interest Terms	Effective interest rate	Contractual Maturity date	31 October 2020 US\$'000	31 October 2019 US\$'000
Loan note description					
USD 360,000,000 (B1)	LIBOR + 3.25%	6.46%	March 2026	3,600	3,600
EUR 300,000,000 (B2)	EURIBOR + 3.5%	4.03%	March 2026	-	-
USD 270,000,000 (2L)	LIBOR + 7%	10.45%	March 2027	-	-
USD 81,000,000 (RCF)*	LIBOR/EURIBOR + 3%	5.68%	Sept 2025	-	-
<b>Total current interest-bearing loans and borrowings</b>				<b>3,600</b>	<b>3,600</b>

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 23. Borrowings (continued)

##### (a) Amounts outstanding at the reporting date (continued)

<i>Non-current borrowings</i>					
Loan note description	Contractual Interest Terms	Effective interest rate	Contractual Maturity date	31 October 2020 US\$'000	31 October 2019 US\$'000
USD 360,000,000 (B1)	LIBOR + 3.25%	6.46%	March 2026	338,037	339,605
EUR 300,000,000 (B2)	EURIBOR + 3.5%	4.03%	March 2026	340,156	324,729
USD 270,000,000 (2L)	LIBOR + 7%	10.45%	March 2027	256,467	255,057
USD 81,000,000 (RCF)*	LIBOR/EURIBOR + 3%	5.68%	Sept 2025	-	-
<b>Total current interest-bearing loans and borrowings</b>				<b>934,660</b>	<b>919,391</b>
<b>Total interest-bearing loans and borrowings</b>				<b>938,260</b>	<b>922,991</b>

Arrangement fees of US\$38.6 million (2019: US\$38.6 million) included in the calculation of the amortized cost using the effective interest method, are attributable to the origination of the B1, B2 and 2<sup>nd</sup> Lien loan notes.

##### (b) Reconciliation of Movement in Consolidated Net Leverage

Consolidated Net Leverage, in applying the definition in the Group's loan agreements, comprises the net total of (i) current and non-current interest-bearing borrowings, (ii) unpaid software liabilities and (iii) cash and short-term deposits as set out below:

	Beginning of year US\$'000	Foreign exchange US\$'000	Other movements US\$'000	Cash flow US\$'000	End of year US\$'000
<i>Related to borrowings:</i>					
Interest bearing borrowings	(922,991)	(14,327)	(4,542)	3,600	(938,260)
Capitalized arrangement fees	(38,584)	-	-	-	(38,584)
Amortization of arrangement fees	4,229	-	4,542	-	8,771
Gain on loan modification	(5,937)	-	-	-	(5,937)
<b>Movement in borrowings</b>	<b>(963,283)</b>	<b>(14,327)</b>	<b>-</b>	<b>3,600</b>	<b>(974,010)</b>
<i>Related to other items:</i>					
Other payables	-	-	(18,814)	-	(18,814)
Cash and cash equivalents	38,197	-	-	56,736	94,933
<b>Consolidated net leverage</b>	<b>(925,086)</b>	<b>(14,327)</b>	<b>(18,814)</b>	<b>60,336</b>	<b>(897,891)</b>

During the prior period, the frequency of interest payments on the US\$360 million and US\$270 million facilities was amended from quarterly to monthly. A gain on loan modification of these arrangements of US\$5.9 million was credited to the Statement of Comprehensive Income following an assessment of the qualitative and quantitative impacts of this change.

Other payables amounts relate to unpaid software liabilities of US\$18.8 million (2019: US\$: Nil). US\$8.5 million is included in current payables and US\$10.3 million in non-current payables. These amounts are included in the movement in other payables in the Consolidated of Cash Flows. Repayments of borrowings of US\$3.6 million (2019: US\$21.8 million) together with payments of premia on interest rate swaps of US\$6.5 million (2019: \$1.0 million) and lease payments of US\$9.8 million (2019: US\$8.9 million) result in a net cash outflow from financing activities during the year of US\$19.9 million.

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 24. Leases

<i>Current year</i>	IT equipment US\$'000	Office buildings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Leased software US\$'000	Total US\$'000
<b>Cost</b>						
1 November 2019	-	18,026	56	955	7,659	26,696
Additions in the year	933	4,813	132	915	-	6,793
Terminations in year	-	(2,876)	-	(182)	(6,951)	(10,009)
Modifications in year	-	(1,411)	(22)	(25)	(708)	(2,166)
Fx movements	-	431	(4)	12	-	439
<b>31 October 2020</b>	<b>933</b>	<b>18,983</b>	<b>162</b>	<b>1,675</b>	<b>-</b>	<b>21,753</b>

#### *Accumulated depreciation and impairment*

1 November 2019	-	3,570	7	251	3,641	7,469
Charge for the year	92	5,680	41	565	3,310	9,688
Impairment charge	-	772	-	-	-	772
Terminations in year	-	(2,876)	-	(182)	(6,951)	(10,009)
Fx movements	1	153	1	1	-	156
<b>31 October 2020</b>	<b>93</b>	<b>7,299</b>	<b>49</b>	<b>635</b>	<b>-</b>	<b>8,076</b>

#### *Net book value*

<b>31 October 2020</b>	<b>840</b>	<b>11,684</b>	<b>113</b>	<b>1,040</b>	<b>-</b>	<b>13,677</b>
1 November 2019	-	14,456	49	704	4,018	19,227

<i>Prior period</i>	IT equipment US\$'000	Office buildings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Leased software US\$'000	Total US\$'000
<b>Cost</b>						
1 January 2019	-	-	-	-	-	-
Acquired in period	-	14,404	40	861	8,395	23,700
Additions in period	-	4,136	16	129	-	4,281
Terminations in period	-	(436)	-	(33)	(736)	(1,205)
Modifications in period	-	(43)	-	-	-	(43)
Fx movements	-	(35)	-	(2)	-	(37)
<b>31 October 2019</b>	<b>-</b>	<b>18,026</b>	<b>56</b>	<b>955</b>	<b>7,659</b>	<b>26,696</b>

#### *Accumulated depreciation and impairment*

1 January 2019	-	-	-	-	-	-
Charge for the period	-	3,957	7	284	4,373	8,621
Reversal of impairment	-	(285)	-	-	-	(285)
Terminations in period	-	(436)	-	(33)	(736)	(1,205)
Fx movements	-	334	-	-	4	338
<b>31 October 2019</b>	<b>-</b>	<b>3,570</b>	<b>7</b>	<b>251</b>	<b>3,641</b>	<b>7,469</b>

#### *Net book value*

<b>31 October 2019</b>	<b>-</b>	<b>14,456</b>	<b>49</b>	<b>704</b>	<b>4,018</b>	<b>19,227</b>
1 January 2019	-	-	-	-	-	-

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 24. Leases (continued)

The majority of the Group's contracted lease value are office buildings. The relevant lease population was ascertained following a review of all major supplier contracts to the Group to identify implied or embedded lease terms. The remaining term of the lease contracts varies between one month and six years. While extension options are available on some contracts, Management does not consider an exercise of the options reasonably certain and therefore have not been included in the lease term.

The Group recognized lease liabilities of US\$16.4 million (2019: US\$21.4 million) and right-of-use assets of US\$13.7 million (2019: US\$19.2 million) as at 31 October 2020. Lease contracts related to two vacant office buildings include a right-of-use asset impairment provision of US\$3.4 million (2019: US\$2.6 million), which increased by US\$0.8 million (2019: decreased by US\$0.3 million) on remeasurement during the year as expensed in the Statement of Comprehensive Income in the current year. Management have performed a review of all leased assets at the financial reporting date and are satisfied that no further impairments to right-of-use assets exist as of 31 October 2020. The present value of lease liabilities at the balance sheet date was as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Present value of lease liabilities:</i>		
Current	5,721	10,090
Non-current	10,729	11,271
<b>Total lease liabilities</b>	<b>16,450</b>	<b>21,361</b>

Lease liabilities are discounted at the incremental borrowing rate at the lease commencement date. In order to calculate the incremental borrowing rate, the interbank offering rates in the country of the respective leased asset for the corresponding duration were taken as the reference rate and a spread of the Group's cost of debt was added as a risk premium. The weighted average discount rate applied during the year was 4.04% (2019: 5.23%). The maturity profile of the Group's lease portfolio at the balance sheet date was as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Maturity analysis (contractual cash flows):</i>		
Less than one year	6,362	10,867
One to five years	11,041	12,012
More than five years	303	123
<b>Total undiscounted cash flows</b>	<b>17,706</b>	<b>23,002</b>

The undiscounted potential future lease payments relating to periods following the exercise date of extension options that are not included in the lease term are US\$2.0 million (2019: US\$0.7 million) as at 31 October 2020. The total cash outflow for leases for the year was US\$10.6 million (2019: US\$9.4 million). The interest expense on liabilities for the year was US\$0.8 million (2019: US\$0.7 million).



# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 25. Provisions

<i>Current year</i>	Dilapidation provision US\$'000	Loss-making Operation US\$'000	Restructuring provision US\$'000	Legal provision US\$'000	Total US\$'000
<b>1 November 2019</b>	<b>790</b>	<b>8,400</b>	<b>1,161</b>	<b>113</b>	<b>10,464</b>
Charged during the year	50	-	4,259	120	4,429
Released during the year	-	-	(252)	-	(252)
Utilised during the year	(69)	(2,470)	(2,486)	-	(5,025)
Reclassification	-	-	(120)	120	-
Fx movements	(3)	-	(48)	(37)	(88)
<b>31 October 2020</b>	<b>768</b>	<b>5,930</b>	<b>2,514</b>	<b>316</b>	<b>9,528</b>
<i>Split as:</i>					
Current	61	4,330	2,492	316	7,199
Non-current	707	1,600	22	-	2,329
<b>Total provisions</b>	<b>768</b>	<b>5,930</b>	<b>2,514</b>	<b>316</b>	<b>9,528</b>

  

<i>Prior period</i>	Dilapidation provision US\$'000	Loss-making Operation US\$'000	Restructuring provision US\$'000	Legal provision US\$'000	Total US\$'000
<b>1 January 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Acquired during period	575	13,800	164	138	14,677
Charged during period	334	1,600	2,023	-	3,957
Utilised during period	(107)	(7,000)	(1,023)	(17)	(8,147)
Fx movements	(12)	-	(3)	(8)	(23)
<b>31 October 2019</b>	<b>790</b>	<b>8,400</b>	<b>1,161</b>	<b>113</b>	<b>10,464</b>
<i>Split as:</i>					
Current	29	5,700	1,139	113	6,981
Non-current	761	2,700	22	-	3,483
<b>Total provisions</b>	<b>790</b>	<b>8,400</b>	<b>1,161</b>	<b>113</b>	<b>10,464</b>

Dilapidation provisions relate to leased office buildings with contractual obligations to restore the premises to its original condition on lease expiration. The provision is expected to be fully utilised within 5 years.

A provision for loss-making operations was identified on acquisition. During the year, US\$2.5 million (2019: US\$7.0 million) of the provision was utilised reflecting the net cash cost of fulfilling the contractual obligations of the loss-making operation.

The restructuring provision includes the costs of initiatives to rationalise its operating activities. The Group recognized a US\$4.3 million (2019: US\$2.0 million) which mainly includes employee termination benefits and is based on detailed plans announced by Management. US\$2.0 million (2019: US\$2.0 million) of the restructuring charge in the year is recorded within Separately Reported Items (Note 8), with the remaining US\$2.3 million (2019: US\$Nil) recorded within the Headline results of the Group. The restructuring is expected to be completed by the end of FY21.

Legal provisions of US\$0.3 million (2019: US\$0.1 million) include Management's best estimate of the likely outflow of economic benefits associated with legal matters.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 26. Retired benefit obligations

##### (a) Defined contribution schemes

The Group has a number of defined contribution pension schemes. The principal defined contribution schemes are located in the US, UK and Germany. Pension costs for defined contribution schemes as expensed during the year were US\$5.4 million (2019: US\$3.1 million) of which US\$1.4 million (2019: US\$1.2 million) remained outstanding at the balance sheet date and forms part of payroll related accruals.

##### (b) Defined benefit schemes

There are defined benefit schemes in SUSE Software Solutions Germany GmbH and SUSE Software Solutions Schweiz AG, two wholly owned subsidiaries of the Group. The schemes are 'final salary' pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life in the case of retirement, disability and death. Benefits provided depend on the final salary, member's length of service, social security ceilings and other factors. Pension entitlements are calculated by an independent actuary. There is no requirement for the appointment of Trustees. The schemes are administered locally with the assistance of pension experts. The German plan is closed for new membership. The schemes are composite of Long-term pension assets and retirement benefit obligations as set forth below.

##### (i) Long-term pension assets

Long-term pension assets relate to the contractual arrangement under insurance policies held by SUSE Software Solutions Germany GmbH with guaranteed interest rates. The assets have not been pledged to a plan and are recorded in the Consolidated Statement of Financial Position as long-term pension assets. These contractual arrangements are treated as financial assets held at fair value since there is not a matching amount of benefits payable under the defined benefit plan. Movements in fair value of long-term pension assets are included in the Statement of Comprehensive Income. The movement on the long-term pension asset for the year is as follows:

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<b>At beginning of year / period</b>	<b>1,552</b>	<b>-</b>
Acquired during the year / period	-	1,570
Interest on long term pension assets	18	17
Benefits paid	-	(7)
Contributions received	33	118
Transfer to pledged plan assets	(609)	-
Fair value loss recognized during year / period	(1)	(33)
Exchange rate movements	46	(113)
<b>At end of year / period</b>	<b>1,039</b>	<b>1,552</b>

Long-term pension assets are Level 3 assets under the fair value hierarchy. These assets have been valued by applying a discount rate to the future cash flows and considering the fixed interest rate, mortality rates and term of the insurance contract. There have been no transfers between levels for the period ended 31 October 2020 (2019: None).

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 26. Retired benefit obligations (continued)

#### (b) Defined benefit schemes (continued)

##### (ii) Retirement benefit obligations

The following amounts have been included in the Consolidated Statement of Comprehensive Income for defined benefit schemes:

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Current service cost	449	309
Past service curtailment gain	-	(497)
<b>Pension costs/(credit) in operating expenses</b>	<b>-</b>	<b>(188)</b>
Net interest expense on defined benefit scheme	56	(145)
<b>Total defined pension expense/(credit) for year/period</b>	<b>505</b>	<b>(333)</b>

The following amount has been recognized as movements in the Statement Other Comprehensive Income:

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
<i>Re-measurement of retirement benefit obligations:</i>		
— Changes in actuarial assumptions	(70)	(1,489)
— Experience losses	74	(985)
<b>Total actuarial movement for the year/period</b>	<b>4</b>	<b>(2,474)</b>
Fair value loss on plan assets	(76)	(123)
Net interest expense on defined benefit scheme	-	(184)
<b>Total defined pension expense/(credit) for year/period</b>	<b>(72)</b>	<b>(2,781)</b>

The key assumptions used in the actuarial valuation of the schemes as at the reporting date were:

	As at 31 October 2020	As at 31 October 2019
<i>Key assumptions:</i>		
Rate of increase in final pensionable salary	1.50% - 2.50%	1.50% - 2.50%
Rate of increase in pension payments	1.50%	2.00%
Discount rate	0.05% - 0.80%	0.15% - 1.10%
Inflation	1.00% - 1.50%	1.00% - 2.00%
<b>Life expectancy – retiring at age 65 at the end of the reporting year/period</b>		
- Male	86 years	86 years
- Female	89 years	89 years
<b>Life expectancy – retiring 15 years after the end of the reporting year/period</b>		
- Male	88 years	88 years
- Female	90 years	90 years

Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

26. Retired benefit obligations (continued)

(b) Defined benefit schemes (continued)

(ii) Retirement benefit obligations (continued)

The net liability included in the Consolidated Statement of Financial Position arising from obligations in respect of defined benefit schemes is as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Present value of funded obligations	(13,916)	(12,408)
Fair value of plan assets	6,375	4,869
<b>Defined benefit pension obligation for the year/period</b>	<b>(7,541)</b>	<b>(7,539)</b>

The defined benefit obligation has moved as follows during the year and prior period:

Current year	Defined benefit obligation US\$'000	Pledged plan assets US\$'000	Net obligation US\$'000
<i>Included in Income Statement:</i>			
<b>1 November 2019</b>	<b>(12,408)</b>	<b>4,869</b>	<b>(7,539)</b>
Transfer from non-plan assets	-	609	609
Current service cost	(449)	-	(449)
Net interest expense	(75)	19	(56)
Benefits paid	15	(9)	6
Employer contributions	-	391	391
Employee contributions	(209)	209	-
Administration expenses	-	(13)	(13)
<b>Sub-total</b>	<b>(13,126)</b>	<b>6,075</b>	<b>(7,051)</b>
<i>Included in Other Comprehensive Income:</i>			
<b>Re-measurement of retirement benefit obligations:</b>			
— Changes in actuarial assumptions	(70)	-	(70)
— Experience losses	74	-	74
Return on plan assets	-	(76)	(76)
<b>Sub-total</b>	<b>(13,122)</b>	<b>5,999</b>	<b>(7,123)</b>
Exchange rate movements	(794)	376	(418)
<b>31 October 2020</b>	<b>(13,916)</b>	<b>6,375</b>	<b>(7,541)</b>

Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

26. Retired benefit obligations (continued)

(b) Defined benefit schemes (continued)

(ii) Retirement benefit obligations (continued)

Prior period	Defined benefit obligation US\$'000	Pledged plan assets US\$'000	Net obligation US\$'000
<i>Included in Income Statement:</i>			
<b>1 January 2019</b>	-	-	-
Acquired during period	(8,825)	3,515	(5,310)
Past service curtailment gain	497	-	497
Current service cost	(309)	-	(309)
Net interest expense	(145)	-	(145)
Benefits paid	(1,137)	1,137	-
Employer contributions	(128)	128	-
Employee contributions	-	180	180
Administration expenses	-	(6)	(6)
<b>Sub-total</b>	<b>(10,047)</b>	<b>4,954</b>	<b>(5,093)</b>
<i>Included in Other Comprehensive Income:</i>			
<b>Re-measurement of retirement benefit obligations:</b>			
— Changes in actuarial assumptions	(1,489)	-	(1,489)
— Experience losses	(985)	-	(985)
Return on plan assets	-	(123)	(123)
<b>Sub-total</b>	<b>(12,521)</b>	<b>4,831</b>	<b>(7,690)</b>
Exchange rate movements	113	38	151
<b>31 October 2019</b>	<b>(12,408)</b>	<b>4,869</b>	<b>(7,539)</b>

The past service curtailment of US\$0.5 million arose in respect of a reduction in the conversion rates in respect of the Swiss Defined Benefit Pension scheme.

The expected contributions for the next annual reporting period are US\$0.2 million (2019: US\$0.2 million) in respect of the Germany scheme and US\$0.2 million (2019: US\$0.2 million) in respect of the Swiss scheme.

The major categories of the plan assets are as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Full insurance contract – with the collective foundation	4,655	4,000
Re-insurance contracts - guaranteed interest rates	1,720	869
<b>Total defined benefit assets</b>	<b>6,375</b>	<b>4,869</b>

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 26. Retired benefit obligations (continued)

##### (b) Defined benefit schemes (continued)

###### (ii) Retirement benefit obligations (continued)

The majority of the re-insurance contracts have guaranteed interest rates of 4.0%, with the remaining at 3.25% or 2.75%. None of the plan assets are represented by financial instruments of the Group. None of the plan assets are occupied or used by the Group.

Through its defined benefit schemes the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Life expectancy* – the majority of the plan obligations are to provide benefits over the life of the member, so increases in life expectancy will result in an increase in the plan liabilities as benefits would be paid over a longer period; and
- *Inflation* – some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning an increase in inflation will also increase the deficit.

The table below provides information on the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The table shows the impact of changes to each assumption in isolation, although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation. These sensitivities have been calculated using the same methodology as used for the main calculations:

Sensitivity	Change in assumption %	As at 31 October 2020		As at 31 October 2019	
		Decrease in obligation US\$'000	Increase in obligation US\$'000	Increase in obligation US\$'000	Decrease in obligation US\$'000
Discount rate for liabilities	0.50%	1,625	(1,401)	1,540	(1,373)
Price inflation	0.25%	(435)	464	(404)	431
Salary growth rate	0.50%	(246)	258	(264)	269

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligations by 2.4% as at 31 October 2020 (2019: 1.8%).

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 27. Share based payments

The Group incurred a share-based payment expense of US\$11.8 million (2019: US\$4.4 million) in respect of the following share-based payment schemes that were established during the prior period:

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Cash-settled share-based payment transactions (a)	9,466	3,553
Equity-settled share-based payment transactions (b)	2,361	839
<b>Total expense arising from share-based payments</b>	<b>11,827</b>	<b>4,392</b>

#### (a) Virtual Share Options Program

The Virtual Share Option Programme ("VSOP") is a cash-settled scheme in which employees can participate in the future share appreciation rights of the Group's equity. The programme terms include service and performance conditions to be satisfied before the Virtual Share Options ("VSOs") vest. Settlement of VSOs occurs only on an exit event or on expiration of the scheme, is in the form of cash and is in part dependent on the share prices of the Group as valued from an exit event therefore none (2019: none) of the VSOs are exercisable at the end of the year. The VSOP expires at the earlier of (i) 31 December 2026 or (ii) 3 months after the occurrence of an exit event. VSOs have an exercise price of between US\$1.00 and US\$1.40, being the fair values of a share on the date participants join the VSOP.

50% of VSOs granted are subject to a service condition and follow a graded vesting pattern over a contractual period of five years which implicitly will result in an acceleration should the exit occur within the anticipated timeframe. The other 50% of VSOs are dependent on the share price realized in an exit event, with none, some or all of these units vesting according to the terms of the scheme.

The liability under the VSOP is measured initially at the grant date and is re-measured at the end of each reporting period until settled. The fair value of the VSOP attributable to both market and service conditions was measured by applying a *Monte-Carlo* simulation. The fair value of the VSOP liability was US\$13.1 million (2019: US\$3.6 million) at the reporting date with the following movements in units recorded during the year:

	31 October 2020 Units	31 October 2020 WAEP	31 October 2019 Units	31 October 2019 WAEP
<b>Outstanding at start of year/period</b>	<b>72,497,570</b>	<b>\$1.00</b>	<b>-</b>	<b>\$1.00</b>
Issued on inception of scheme	-	-	69,312,125	\$1.00
Granted during the year / period	11,028,998	\$1.16	5,292,603	\$1.00
Cancelled during the year / period	(10,886,767)	(\$1.00)	(2,107,158)	(\$1.00)
<b>Outstanding at the end of year/period</b>	<b>72,639,801</b>	<b>\$1.03</b>	<b>72,497,570</b>	<b>\$1.00</b>

As at 31 October 2020, the service condition was satisfied for 33,807,121 units (2019: 10,119,452 units).

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 27. Share based payments (continued)

##### (a) Virtual Share Options Program (continued)

The contractual life of the virtual options may extend to 31 December 2026, which corresponds to the remaining life of 6.2 years (2019: 7.2 years). The fair value of a VSO at the reporting date was US\$0.39 (2019: US\$0.35). The following lists the inputs into the Monte Carlo Simulation model for the valuation of the VSOP as of the reporting date:

Key input assumption	31 October 2020	31 October 2019
Exercise price	US\$ 1.00 – US\$ 1.40	US\$ 1.00 – US\$ 1.20
Risk free rate	0.17%	1.51%
Volatility	38.6%	35%
Expected dividend yield	0%	0%
Anticipated number of units vesting	87.5%	62.5%
Anticipated exit event at reporting date	March 2023	March 2023

The expected volatility of the share price was determined based on the peer group analysis.

##### (b) Management Investment Participation Programme

The Management Investment Participation Program ("MIPP") is an equity-settled group share based payment arrangement under which certain members of management have rights to subscribe for ordinary and preference shares of an intermediary parent company as a means of profit participation in return for services rendered to the Group. Members invest through two participation vehicles that own equity in that intermediary parent company. The purchase price per share paid by each member of US\$1.00 equals the price paid by the shareholder of the Company on initial investment.

There are two share categories in the parent company: ordinary shares and preferred shares. MIPP members are primarily invested in the ordinary shares, which result in higher return in the event of a favourable exit scenario. The MIPP agreement includes the call right for the Shareholder and the put right for the respective member in the scenario of a leaver event. MIPP members will receive a payment from the intermediary parent company (not the Company or Group) in an exit event. Given that the payment is settled outside of the Group with no obligation on the Group or its subsidiaries, the MIPP is classified as an equity-settled plan. The implicit service condition is that members remain with the Group up to such time that an exit event occurs. In a bad leaver scenario, the investment is repurchased by the Group at cost. In a good leaver scenario, the investment is repurchased at the fair value of the shares on the leaving date. The total expense estimated to be recorded over the life of the scheme is US\$6.5 million. The amount of MIPP award recognized in equity as at 31 October 2020 amounted to US\$3.2 million (2019: US\$0.9 million) with the following movements in ordinary share units recorded during the year:

	Year ended 31 October 2020 No. of units	Period ended 31 October 2019 No. of units
<b>At beginning of year / period</b>	<b>9,407,771</b>	<b>-</b>
Granted on inception of the scheme	-	7,676,063
Additional units granted during year/period	1,039,619	1,731,708
Units repurchased during year/period	(1,188,000)	-
<b>At end of year / period</b>	<b>9,259,390</b>	<b>9,407,771</b>



## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 27. Share based payments (continued)

##### (b) Management Investment Participation Programme (continued)

The intermediary parent company that administers the scheme has a call option on repurchasing units from members who leave the Group during the financial year. 108,000 (2019: zero) of ordinary share units repurchased were in respect of bad leavers which under the arrangements of the scheme are entitled to reimbursement of the initial cost of the investment only. A further 1,080,000 (2019: zero) of ordinary share units repurchased from good leavers who left the Group during the year, which are entitled to reimbursement by the intermediary parent company, determined based on the fair value of the share on their respective leaving dates. The share-based payments charge associated with leavers was accelerated and expensed in full at the reporting date.

Given the presence of preference shares at the investment level, the payoff on the scheme on the MIPP is similar to an option and a Black-Scholes Merton ("BSM") model has been used to value the grant date fair value of the instruments granted. Set out below are valuation inputs used in estimating the grant date fair value of instruments issued during the current year and prior period:

Key input assumption	31 October 2020	31 October 2019
Purchase price of unit on commencement	US\$1.00	US\$1.00
Fair value of an ordinary MIPP share	US1.72	US1.70
Volatility	38.6%	35%
Expected dividend yield	0%	0%
Anticipated exit event at reporting date	March 2023	March 2023

#### 28. Contract liabilities

Revenue billed but not recognized in the Statement of Comprehensive Income is classified as 'contract liabilities - deferred income'. Contract liabilities primarily relates to undelivered subscription services on multi-year billed contracts.

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Presentation in Statement of Financial Position:</i>		
Current	246,485	221,649
Non-current	155,989	169,842
<b>Total contract liabilities</b>	<b>402,474</b>	<b>391,491</b>

Contract liabilities as at 31 October 2020 were US\$402.5 million (2019: US\$391.5 million) and included an unamortized fair value reserve of US\$16.5 million (2019: US\$36.7 million) relating to deferred income acquired as part of a business combination in the prior period.

Remaining performance obligations represents contracted revenue that has not yet been recognized and which includes amounts that will be invoiced and recognized as revenue in future periods. The remaining performance obligations were US\$27.2 million as at 31 October 2020 (2019: US\$43.6 million).

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 28. Contract liabilities (continued)

The movement in contract liabilities during the financial year detailed as follows:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
<i>Deferred income roll-forward:</i>		
Beginning of year / period	391,491	-
Acquired during year / period	-	392,982
Fair value adjustment recorded on acquisition	-	(58,215)
<b>Fair value of contract liabilities acquired</b>	<b>-</b>	<b>334,767</b>
<i>Plus:</i>		
Amounts invoiced during year/period	458,314	305,123
Amounts recognized during year/period	(447,421)	(246,422)
Other adjustments	90	(1,977)
<b>End of year / period</b>	<b>402,474</b>	<b>391,491</b>

#### 29. Financial risk management

The table below sets out the carrying amounts of financial assets and liabilities of the Group as at the reporting date:

Financial assets - current year	Amortised cost US\$'000	FVOCI US\$'000	FVTPL US\$'000	Total US\$'000
<b>Non-current assets</b>				
Derivative assets	-	-	11	11
<b>Current assets</b>				
Cash and cash equivalents	94,933	-	-	94,933
Trade receivables	78,134	-	-	78,134
Other receivables	16,540	-	-	16,540
<b>As at 31 October 2020</b>	<b>189,607</b>	<b>-</b>	<b>11</b>	<b>189,618</b>

Financial assets - prior period	Amortised cost US\$'000	FVOCI US\$'000	FVTPL US\$'000	Total US\$'000
<b>Non-current assets</b>				
Derivative assets	-	-	50	50
<b>Current assets</b>				
Cash and cash equivalents	38,197	-	-	38,197
Trade receivables	81,780	-	-	81,780
Other receivables	8,020	-	-	8,020
<b>As at 31 October 2019</b>	<b>127,997</b>	<b>-</b>	<b>50</b>	<b>128,047</b>

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 29. Financial risk management (continued)

Financial liabilities - current year	Amortised cost US\$'000	FVOCI US\$'000	FVTPL US\$'000	Total US\$'000
<b>Current liabilities</b>				
Trade payables	4,700	-	-	4,700
Borrowings	3,600	-	-	3,600
<b>Non-current liabilities</b>				
Derivative liabilities	-	12,798	12,642	25,440
Borrowings	934,660	-	-	934,660
<b>As at 31 October 2020</b>	<b>942,960</b>	<b>12,798</b>	<b>12,642</b>	<b>968,400</b>
<b>Financial liabilities – prior period</b>	<b>Amortised cost US\$'000</b>	<b>FVOCI US\$'000</b>	<b>FVTPL US\$'000</b>	<b>Total US\$'000</b>
<b>Current liabilities</b>				
Trade payables	3,744	-	-	3,744
Borrowings	3,600	-	-	3,600
<b>Non-current liabilities</b>				
Derivative liabilities	-	11,961	5,731	17,692
Borrowings	919,391	-	-	919,391
<b>As at 31 October 2019</b>	<b>926,735</b>	<b>11,961</b>	<b>5,731</b>	<b>944,427</b>

The Group does not hold any financial instruments that are classified as level 1 assets or liabilities as at 31 October 2020 (2019: none).

Derivative financial instruments measured at fair value are classified as level 2 in the fair value measurement hierarchy as they have been determined using significant inputs based on observable market data. The fair values of financial derivatives are derived from forward interest rates based on yield curves observable at the reporting date together with the contractual interest rates.

Interest-bearing borrowings are initially measured at fair value, net of transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost using the Effective Interest Method. Interest-bearing borrowings are classified as level 2 in the fair value measurement hierarchy. Future cash outflows for principal and interest are discounted over the remaining term using market interest rates at the reporting date. The fair value of borrowings amounted to US\$976.4 million (2019: US\$911.2 million) as at 31 October 2020.

For other financial instruments such trade and other receivables, cash and cash equivalents, trade and other payables, fair values approximate to book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within book value for credit risk.

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the current year or prior period.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 29. Financial risk management (continued)

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in credit risk, foreign currency risk, interest rate risk and liquidity risk. Risk management is carried out by Group Treasury under the direction of Management. Group Treasury identifies and evaluates financial risks alongside the Group's operating units. Management provides written principles for risk management together with specific policies covering the risks set out below:

##### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or financial institution fails to meet its contractual obligations and arises principally from the Group's receivables from customers and financial institutions. Financial instruments which potentially expose the Group to a concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Trade receivables	78,134	81,780
Cash and cash equivalents	94,933	38,197
<b>Total</b>	<b>173,067</b>	<b>119,977</b>

##### (i) Impairment of trade receivables

The Group provides credit to customers in the normal course of business. Collateral is not required for those receivables, but on-going credit evaluations of customers' financial conditions are performed. The Group maintains a provision for impairment based upon the expected collectability of accounts receivable.

During the year a US\$1.0 million (2019: US\$ 0.4 million) loss allowance was recognized in the Consolidated Statement of Comprehensive Income. The Group applies the IFRS 9 *Financial Instruments* simplified approach to measure its expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers. The expected loss rates are based on the actual credit loss experience. These historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors. The Group has identified macro-economics, including the ongoing COVID-19 pandemic and country specific risks to be the most relevant factors and has adjusted the historical loss rates based on expected changes in these factors.

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentration risk, the Group's policies and procedures include guidelines to focus on the maintenance of a diversified portfolio. Identified concentration credit risk is controlled and managed accordingly. The Group evaluates the concentration risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 29. Financial risk management (continued)

#### (a) Credit risk (continued)

##### (ii) *Impairment of cash and cash equivalents*

Risk of counterparty default arising on cash and cash equivalents is controlled by banking with high quality institutions. The Group considers that its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. The Group's total cash and cash equivalents at 31 October 2020 of US\$94.9 million (2019: US\$38.2 million) was held with financial institutions with the following ratings:

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Standard & Poor's A+	78,890	13,392
Standard & Poor's AA-	7,211	21,875
Standard & Poor's A-	4,972	-
Moody's A1	2,005	1,950
Fitch A	236	-
Fitch A-	431	-
Fitch AA-	677	-
Moody's A3	157	73
Standard & Poor's BB	107	-
Fitch BB+	48	-
Fitch BB	176	-
Moody's B1	23	-
Fitch A+	-	693
Standard & Poor's BB+	-	45
Moody's B2	-	63
Standard & Poor's BB-	-	106
<b>Total</b>	<b>94,933</b>	<b>38,197</b>

#### (b) Market risk

Market risk is the risk that changes in market prices will affect the Groups income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures.

The impact of the current COVID-19 pandemic is detailed in Note 34.

The Group's treasury function aims to reduce exposures to interest rate, foreign exchange and other capital management risks, to ensure liquidity is available as and when required, and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments.

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 29. Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. To manage this, the Group entered into an interest rate swap (Note 29(d)), in which it exchanges, monthly, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings, as follows for a range determined by Management to be significant:

	Fair value of borrowings US\$'000	Increase/decrease in basis points	Effect on loss before tax US\$'000
Euro	349,982	+45	(7,774)
US dollar <sup>1</sup>	310,753	+60	(9,299)
	<b>660,735</b>		<b>(17,073)</b>
Euro	349,982	- 45	7,774
US dollar <sup>1</sup>	310,753	-60	9,299
	<b>660,735</b>		<b>17,073</b>

<sup>1</sup>Excludes the portion of the US dollar borrowings subject to the cash flow hedge as described in Note 29 (d).

##### (ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when such transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Consolidated Statement of Comprehensive Income is exposed to currency risk on monetary items that are denominated in currencies other than the functional currency in which they are held. Foreign exchange exposures that give rise to net currency gains and losses are recognized in the Consolidated Statement of Comprehensive Income. Any gains or losses on consolidation are reported in the foreign currency translation reserve in the Consolidated Statement of Changes in Equity. The functional currencies of group companies are primarily US Dollar and Euro. The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group companies. The following table demonstrates the sensitivity to a change in US Dollar and Euro exchange rates, with all other variables held constant.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 29. Financial risk management (continued)

##### (b) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

Increase/decrease EUR rate %	Effect on loss before tax US\$'000
5% increase	14,378
5% decrease	(14,378)

The Group's exposure to foreign currency changes for other currencies is not material. The Group manages the foreign exchange exposure from trade receivables by invoicing multi-year contracts up-front and minimizing credit periods granted to customers. Trade payable are primarily denominated in the functional currencies of the Group companies.

##### (iii) Capital management risk

The Group's objective when managing its capital structures is to minimize the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximize shareholder return over the investment cycle. For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity shareholders. The primary objective of the Group's capital management is to maximize shareholder value.

The Group manages its capital structure and adjusts considering changes in economic conditions and the requirements of the financial covenants associated with borrowings. The Group monitors capital using a debt/equity gearing ratio in accordance with its borrowing agreements. Consolidated Net Leverage, applying the definition in the Group's Senior Facilities Agreement and Second Lien Facility Agreement, comprises the net total of current and non-current interest-bearing borrowings, unpaid software liabilities and cash and short-term deposits.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

The Group's borrowing agreements contain a Consolidated Senior Secured Net Leverage Ratio covenant; which only applies in specific circumstances, in particular if the amount drawn on the Revolving Credit Facility ("RCF") less cash and cash equivalents exceeds US\$32.0 million, (being 40% of the total committed RCF). In the event that the US\$32.0 million threshold is exceeded, the relevant covenant states that Consolidated Senior Secure Net Leverage (Borrowings and certain other payables less unsecured second lien debt less cash in proportion to EBITDA as defined by the Senior Facility Agreements) must not exceed 8.09. As at 31 October 2020, the ratio was 3.51 (2019: 3.74).

No changes were made in the objectives, policies or processes for managing capital during the reporting period. The consolidated debt/equity ratio of the Group at 31 October 2020 is as follows:

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 29. Financial risk management (continued)

#### (b) Market risk (continued)

##### (iii) Capital management risk (continued)

	As at 31 October 2020 US\$'000	As at 31 October 2019 US\$'000
Total consolidated net leverage	897,891	925,086
Total equity	1,447,345	1,523,208
<b>Debt/equity %</b>	<b>62.04%</b>	<b>60.73%</b>

#### (c) Liquidity risk

Liquidity risk is the risk that the Group might have difficulties in meeting its financial obligations. The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents to ensure that it can meet its operational cash flow requirements and any maturing financial liabilities, whilst at all times operating within its financial covenants. The level of operational headroom provided by the Group's committed borrowing facilities is regularly reviewed. Where this process indicates a need for additional finance, this is addressed on a timely basis. The table below summarizes the maturity profile of the Group's financial liabilities as at 31 October 2020 based on contractual undiscounted payments:

		Lease liabilities US\$'000	Trade and other payables US\$'000	Derivative liabilities US\$'000	Total US\$'000
<i>Current year</i>	<b>Borrowings US\$'000</b>				
On demand or within one year	46,059	6,362	4,700	8,801	65,922
Between 1 and 2 years	45,990	4,772	-	4,320	55,082
Between 2 and 5 years	142,169	6,269	-	1,200	149,638
After 5 years	994,947	303	-	3,332	998,582
<b>As at 31 October 2020</b>	<b>1,229,165</b>	<b>17,706</b>	<b>4,700</b>	<b>17,653</b>	<b>1,269,224</b>

		Lease liabilities US\$'000	Trade and other payables US\$'000	Derivative liabilities US\$'000	Total US\$'000
<i>Prior period</i>	<b>Borrowings US\$'000</b>				
On demand or within one year	57,905	10,867	3,744	4,559	77,075
Between 1 and 2 years	57,573	4,600	-	5,672	67,845
Between 2 and 5 years	164,343	7,412	-	6,010	177,765
After 5 years	1,049,631	123	-	2,787	1,052,541
<b>As at 31 October 2019</b>	<b>1,329,452</b>	<b>23,002</b>	<b>3,744</b>	<b>19,028</b>	<b>1,375,226</b>



# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### 29. Financial risk management (continued)

#### (d) Hedging activities and derivatives

The Group is exposed to certain cash flow risks relating to its ongoing business operations and financing structure. The primary risks are managed using derivative instruments is interest rate risk. The fair value of derivative assets and liabilities as at 31 October 2020 was as follows:

	<b>As at 31 October 2020</b>		<b>As at 31 October 2019</b>	
	<b>Derivative Assets</b>	<b>Derivative liabilities</b>	<b>Derivative Assets</b>	<b>Derivative liabilities</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<i>Derivative not designated as hedging instruments:</i>				
— Interest rate caps	11	-	50	-
— Embedded derivative liability	-	12,642	-	5,731
<i>Derivative designated as hedging instruments:</i>				
— Interest rate swap	-	12,798	-	11,961
<b>Total</b>	<b>11</b>	<b>25,440</b>	<b>50</b>	<b>17,692</b>

#### (i) Embedded derivatives

In the prior period, the Group entered into a US\$270.0 million loan agreement with an interest rate of LIBOR +7%. An embedded LIBOR floor of 1% and prepayment option were separated and carried at fair value. The fair value of the embedded derivative was US\$12.6 million (2019: US\$5.7 million) at 31 October 2020.

#### (ii) Derivatives not designated as hedging instruments

In the prior period, the Group entered a EUR 200 million EURIBOR interest rate cap and USD 105 million LIBOR interest rate cap to reduce interest rate volatility. Both interest rate caps have a termination date of 30 April 2022 and are designated at fair value through profit and loss. The fair values of these derivatives as at 31 October 2020, included in other financial assets was US\$0.01 million (2019: US\$0.05 million).

#### (iii) Cash flow hedges

As at 31 October 2020, the Group had an interest rate swap agreement in place with a notional amount of US\$315 million to hedge the exposure to variable interest in a US\$360 million loan. Under this agreement, the Group pays a fixed rate of interest of 2.927% and receives interest at a variable rate equal to 1-month LIBOR on the notional amount. The agreement matures in April 2022. The amounts relating to items designated as hedging instruments as at 31 October 2020 were as follows:

	<b>As at 31 October 2020 US\$'000</b>	<b>As at 31 October 2019 US\$'000</b>
At beginning of year / period	11,961	-
<i>Other comprehensive income:</i>		
Cash flow hedge reserve	7,335	12,945
Payments reclassified to profit or loss (Note 11)	(6,498)	(984)
<b>As at 31 October</b>	<b>12,798</b>	<b>11,961</b>

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 29. Financial risk management (continued)

##### (d) Hedging activities and derivatives

###### (iii) Cash flow hedges (continued)

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the critical terms of the fixed rate loan. The Group has established a hedge ratio of 87.5% (2019: 87.5%) for the hedging relationship as the underlying risk of the interest rate swap is identical to the hedged risk component. The Group uses the hypothetical derivative method to test effectiveness which compares changes in the fair value of the hedging instrument and hedging item attributable to the hedged risk. Hedge ineffectiveness can arise:

- From different interest rate curve applied to discount the hedged item and hedging instrument;
- From differences in timing of cash flows of the hedged item and hedging instrument; and
- From the counterparties’ credit risk differently impacting the fair value movements.

The remaining portion of US\$7.3 million (2019: US\$12.9 million) in respect of the hedged instrument is deemed to be wholly effective and has been recognized in other comprehensive income. Premia paid of US\$6.5 million (2019: US\$1.0 million) have been recycled from the cash flow hedge reserve during the year.

#### 30. Capital and reserves

##### (a) Share capital

At 31 October 2020, the subscribed capital of the Company was US\$14,000 (2019: US\$14,000) as represented by 1,400,000 (2019: 1,400,000) shares fully paid-up with a nominal value of US\$0.01.

##### (b) Share premium (capital contribution without the issuance of shares)

At 31 October 2020, the share premium of the Company amounted to US\$1,604.3 million (2019: US\$1,604.3 million). In the prior year, on 14 March 2019, Marcel LUX III S.À R.L, the immediate parent company, made the following capital contributions without the issuance of shares to the Company which were unconditional and without rights to receive any repayment or redemption prior to liquidation:

- A first capital contribution of US\$173,036;
- A second capital contribution of US\$1,602,688,986; and
- A third capital contribution of €1,228,914 (US\$1,388,917).

##### (c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

##### (d) Foreign currency translation reserved

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 31 October 2020

#### 30. Capital and reserves (continued)

##### *(e) Reserve requirements as a matter of Luxembourg Company Law*

In accordance with relevant law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. The total loss for the year was US\$51.6 million (2019: US\$80.8 million).

#### 31. Employees and key management personnel

##### *(a) Employee expenses*

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Wages and salaries	159,662	97,356
Redundancy and termination costs	4,259	2,023
Social security costs	13,521	8,600
Commission and bonuses	35,020	19,542
Pension costs	5,828	2,929
Share based payment expenses	11,887	4,392
<b>Total employee expenses for the year / period</b>	<b>230,177</b>	<b>134,842</b>

##### *(b) Pensions expenses*

	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Defined benefit schemes	449	(188)
Defined contribution schemes	5,379	3,117
<b>Total pension costs</b>	<b>5,828</b>	<b>2,929</b>

##### *(c) Key management personnel*

Key management personnel ("Management") are those people having authority and responsibility for planning, directing, and controlling the activities of the Group as well as those appointed managers of the Company.

There were no advances and loans granted to members of Management during the current year or prior period. The Group did not enter into any commitment or guarantee on behalf of key management personnel during the current year or period.

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in *IAS 24 Related Party Disclosures*:

# Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

## Notes to the Consolidated Financial Statements (continued)

### For the year ended 31 October 2020

#### 31. Employees and key management personnel (continued)

<i>(c) Key management personnel (continued)</i>	Year ended 31 October 2020 US\$'000	Period ended 31 October 2019 US\$'000
Wages and salaries	4,651	2,877
Social security costs	973	475
Directors' fees	311	48
Commission and bonuses	4,377	4,656
Pension costs	142	47
Cost of employee share schemes	1,528	415
<b>Total remuneration for the year/period</b>	<b>11,982</b>	<b>8,518</b>

<i>(d) Number of employees</i>	Year ended 31 October 2020 Number	Period ended 31 October 2019 Number
Engineering & Innovation	585	605
Global Customer Office	436	430
Marketing and Product Development	129	141
Services	110	119
Customer Care	93	93
Chief Operations Officer	64	67
Finance	78	60
Corporate Development & Alliances	45	43
HR	35	28
IT	41	23
Operations	10	13
Legal	8	7
Corporate	6	3
<b>Total employees</b>	<b>1,640</b>	<b>1,632</b>

The average number of employees of the Group for the year was 1,631 (2019: 1,580).

#### 32. Related party transactions

To enable users of our financial statements to form a view on the effects of related party relationships on the Group, we disclose the related party relationship where control exists, irrespective of whether there have been transactions between related parties.

All transactions with related parties are conducted on an arm's-length basis and in accordance with normal business terms. Transactions between related parties that are Group subsidiaries are eliminated on consolidation.

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 32. Related party transactions (continued)

##### *(i) Ultimate controlling party*

The ultimate controlling party of the Group is EQT VIII SCSp, a special limited partnership registered with the Luxembourg Register of Commerce and Companies under number B217 293.

##### *(ii) Transactions with subsidiaries*

All transactions between subsidiaries of the Group are in the normal course of business. Transactions between Group subsidiaries are eliminated on consolidated. Further details of the subsidiaries of the Group are included in Note 17.

##### *(iii) Transactions with associate investments*

All transactions with associate investments are in the normal course of business. There were no transactions with associate investments during the year. Further details are included in Note 18.

##### *(iv) Transactions with key management personnel*

The remuneration of key management personnel is set out in Note 31. There were no other transactions with key management personnel during the year.

##### *(v) Transactions with shareholders*

US\$1.5 million was loaned by the Group to Marcel LUX I S.À R.L. on 20 August 2020. This loan was repaid in full on 23 November 2020.

##### *(vi) Transactions with other related parties*

Pension contributions to Group schemes are disclosed in Note 26.

#### 33. Commitments and Contingencies

##### *(i) Directors and Officer insurance*

The Group maintains insurance cover for all Directors’ and Officers’ of Group companies against liabilities which may be incurred by them while acting in that capacity at the Group’s request.

##### *(ii) External borrowings guarantee*

The obligations of the obligor members of the Group under the external loan agreements (Senior Facilities Agreement, Second Lien Facilities Agreement and the related finance documents) are secured (subject to certain agreed security principles) by liens granted by obligor members of the Group over shares in obligors members of the Group, material intercompany receivables and material bank accounts.

The Group’s guarantees under the external loan agreements include upstream, cross-stream and downstream guarantees by obligor members of the Group to each finance party under such agreements for the punctual performance by each other obligor member of the Group of their obligations under such agreements (subject to jurisdiction-specific guarantee limitations as set out therein).

## Marcel LUX IV SARL and its subsidiaries ("the SUSE Group")

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 34. Post balance sheet events

##### (a) Acquisition of the Rancher Group

###### (i) Background

On 6 July 2020, SUSE LLC, a subsidiary of the SUSE Group, agreed to purchase 100% of the shares in Rancher Labs Inc, Rancher Federal Inc and its subsidiaries and registered branch offices in China, UK and Netherlands (together known as the "Rancher Group"). On 25 November 2020, the transaction completed and the Group acquired a 100% ownership interest in the Rancher Group as at that date. Both acquired entities are non-listed entities headquartered in Cupertino, California. The Rancher Group builds innovative, open source software to deploy and manage containers in the production of any infrastructure. The software of the Rancher Group enables organizations to accelerate all aspects of their software development pipeline. The Group acquired the Rancher Group to combine the businesses of two open source leaders to create the world's largest independent organization dedicated exclusively to powering digital transformation with open source and cloud native solutions.

###### (ii) Purchase consideration

The total consideration was US\$583.7 million and included US\$53.2 million payables to the employees and creditors of the Rancher Group subsequent to the acquisition date. The purchase consideration transferred to the former owners of the Rancher Group was US\$530.5 million. There was no variable purchase consideration agreed. The purchase price, which is subject to finalization of working capital completion was as follows:

	Acquisition date 25 November 2020 US\$'000
<i>Cash consideration:</i>	
Cash transferred to former owners	491,809
Amounts paid to settle obligations to employees and third parties	53,164
<b>Cash consideration paid and payable</b>	<b>544,973</b>
<i>Non-cash consideration:</i>	
Capital contribution (without issuance of shares)	38,699
<b>Total consideration (subject to working capital finalisation)</b>	<b>583,672</b>

The working capital adjustment will be finalized no later than 90 days from the transaction date and is not anticipated to significantly vary the purchase price set out above.

Total consideration excludes transaction costs which have been expensed to the Consolidated Statement of Comprehensive Income in accordance with IFRS 3 *Business Combinations*. Analysis of cash flows on acquisition (included in cash flows from investing activities) is as follows:

	Acquisition date 25 November 2020 US\$'000
<i>Cash outflow on investing activity:</i>	
Cash consideration paid and payable	(544,973)
Net cash acquired with the subsidiary	55,059
<b>Net cash outflow on acquisition</b>	<b>(489,914)</b>

## Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

### Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

#### 34. Post balance sheet events (continued)

##### (a) Acquisition of Rancher Group (continued)

###### *(iii) Net assets acquired*

A preliminary assessment of the fair value of the net identifiable assets is not yet available due to the proximity of the closure of the transaction (25 November 2020) to the approval of these Consolidated Financial Statements. The Group has commenced a review to identify the fair value of the net identifiable assets of the Rancher Group. This includes the conversion of the US GAAP balances of the Rancher Group to EU-IFRS. The assignment of the fair value to net identifiable assets acquired will be finalized within the 12-month timeframe from the date of acquisition, as permitted by IFRS 3 *Business Combinations*.

##### (b) Ongoing impact of COVID-19

Management does not currently envisage a significant impact from the ongoing COVID-19 pandemic. An impact assessment performed by Management has analysed the risk posed by the pandemic. Further details are included in Note 2C ‘Going Concern’.

While the status of the pandemic is constantly evolving, Management continues to monitor and observe performance to ensure changes in circumstances or events do not impact this assessment.

# Marcel LUX IV SARL and its subsidiaries (“the SUSE Group”)

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 October 2020

### Appendix 1: Glossary of Key Terms

Key Term	Definition
<b>Annual contract value (‘ACV’)</b>	Monthly total contract value summing the values of the first 12 months on a straight-line basis. If TCV is less than 12 months, 100% of value is included in ACV.
<b>Total contract value</b>	Total amount invoiced.
<b>Emerging products</b>	SUSE 'next generation' offering of software solutions.
<b>Core products</b>	All products excluding those included as “Emerging products”
<b>End-user (route to market)</b>	SUSE sells directly to a customer, through a distributor or through a Cloud Service Provider who hosts the SUSE solution offerings.
<b>IHV (route to market)</b>	Independent Hardware Vendors (IHVs) make equipment and accessories for usage within mainframe computers, laptops or desktops. IHVs bundle SUSE solutions together with their hardware and sell directly to customers or through their reseller network.
<b>Embedded (route to market)</b>	The customer’s application software is place permanently inside a device to perform a specific set of functions.
<b>Renewal rate</b>	A renewal occurs where a customer renews the same product. This does not include upsell, cross sale or a gap in the renewal of more than 1 quarter. The renewal rate is calculated with respect to the total value of the deal.
<b>Completion accounts</b>	The completion accounts prepared in accordance with the SUSE Transaction Agreement in order to calculate Net Debt, Completion Working Capital, Completion Non-Trading Intercompany Payables and Completion Non-Trading Intercompany Receivables.
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortisation (‘EBITDA’) is calculated as the total operating profit before depreciation, amortisation and separately reported items.
<b>Adjusted EBITDA</b>	Adjusted EBITDA is calculated as EBITDA before specific non-recurring items.
<b>Separately reported items</b>	Separately reported items are items presented separately on the face of the Consolidated Statement of Comprehensive Income to assist in a better understanding of the financial performance achieved for a given year.
<b>Headline</b>	Headline performance, reported separately on the face of the Consolidated Statement of Comprehensive Income is from continuing operations and before items reported separately on the face of the Consolidated Statement of Comprehensive Income.
<b>Consolidated net leverage</b>	Consolidated Net Leverage, applying the definition in the Group’s Senior Facilities Agreement and Second Lien Facility Agreement, comprises the net total of current and non-current interest-bearing borrowings, unpaid software liabilities and cash and short-term depositions.