SUSE

Interim Report of SUSE S.A. (formerly Marcel Lux IV SARL) and its subsidiaries

For the six months ended 30 April 2021

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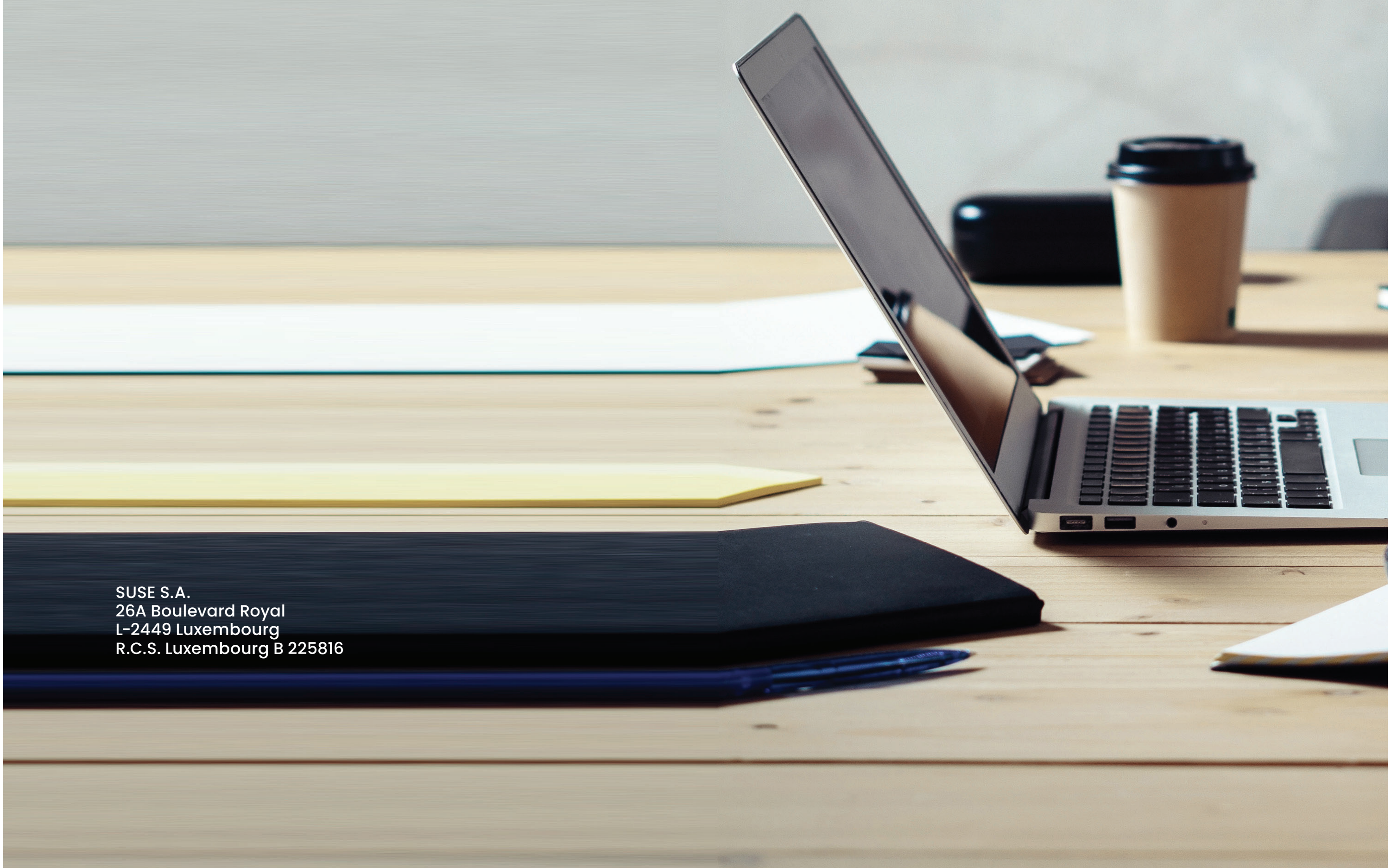

SUSE S.A.
26A Boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg B 225816

Interim Consolidated Management Report

Introduction

SUSE S.A. (the "Company") (*société anonyme*) 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.

Key events

(i) Acquisition of the Rancher Group

Pursuant to the terms of the "Agreements and Plans of Merger" ("the Agreement") dated 6 July 2020, and with the completion date of 25 November 2020, the Group acquired 100% of the assets and liabilities of Rancher Labs Inc. and Rancher Federal Inc and their affiliates ("the Rancher Group") during the period.

Per the Agreement, total consideration of US$583.7 million was satisfied in cash, transfer of shares of an intermediate parent company and a novation of liabilities as at the date of acquisition. The purchase consideration transferred to the former owners of the Rancher Group was US$530.0 million which included cash of US$491.3 million and shares in an intermediary parent undertaking of US$38.7 million.

(ii) Initial public offering ('IPO')

The Initial Public Offering (IPO) of the Company was completed on 19 May 2021 when SUSE S.A. issued 18,300,000 shares at €30.00 per share for net proceeds of €540,765,000 and listed those shares together with the existing shares of the Company on the regulated market of the Frankfurt Stock Exchange (Prime Standard). As at 30 April 2021 an Initial Public Offering (IPO) was considered highly probable.

In anticipation of the IPO the following changes were approved on 3 May 2021:

- the corporate name of the Company amended from Marcel LUX IV S.À R.L. to SUSE S.A. and the Company was transformed into a public limited liability company;
- EQT Luxembourg Management SARL resigned as manager of the Company. A management board comprising two members and a supervisory board comprising eight members were appointed;
- The share capital of the Company was increased to US$15,000,000. Further details are set out in Note 20 of the Interim Condensed Consolidated Financial Statements;

On 18 May 2021, the share capital of the Company was increased to US$16,830,000.

(iii) Management and Employee Incentive Plans

Following the IPO on 19 May 2021, management chose to settle the Virtual Share Option Plan ("VSOP") obligation partially through cash (30%) and the issuance of SUSE S.A. equity instruments (70%). In addition, 6,338,962 of ordinary shares were repurchased from participants of the Management Investment Participation Plan ("MIPP") in cash or in exchange for ordinary shares in SUSE S.A. Further details are set out in Note 14 of the Interim Condensed Consolidated Financial Statements.

(iv) Repayment of Loan Notes

On 21 May 2021, following the IPO at the Frankfurt Stock Exchange on 19 May 2021, the Group used the proceeds from the transaction to repay the 2nd Lien loan note of US$270.0 million and partially repay US$232.3 million of the SC loan note, as already anticipated as at 30 April 2021.

The modification of the expected cash flows for these loan notes as at 30 April 2021 resulted in an acceleration of the amortization of the loan related capitalized arrangement fees and the recognition of a loss due to the expected (and subsequent to the reporting date confirmed) loan repayments in the amount of US$15.3 million. As at 30 April 2021, the Group has also accrued for a prepayment fee of US$5.4 million in other current payables related to the expected 2nd Lien loan note repayment. Further details are set out in Note 12 of the Interim Condensed Consolidated Financial Statements.

Risks and uncertainties

The Group's business model, future performance, solvency, liquidity and reputation are exposed to a variety of risks and uncertainties, including risks related to the Group's business activities and industry and specific legal and regulatory risks.

The risks identified are consistent with those disclosed in the last annual financial statements for the year ended 31 October 2020.

Related party transactions

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.

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.

Outlook

Trading for the six months ended 30 April 2021 has been in line with expectations, and SUSE's outlook and guidance for the full year remains unchanged.

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Melissa Di Donato
Member of the Management Board, SUSE S.A.

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Andrew Myers
Member of the Management Board, SUSE S.A.

14 July 2021

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim consolidated management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

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Member of the Management Board, SUSE S.A.

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Andrew Myers
Member of the Management Board, SUSE S.A.

14 July 2021

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 April 2021

		Six months ended 30 April 2021			Six months ended 30 April 2020		
	Notes	Headline US$'000	Separately reported items US$'000	Total US$'000	Headline US$'000	Separately reported items US$'000	Total US$'000
Income statement:							
Revenue	7	**259,654**	**–**	**259,654**	**215,667**	**–**	**215,667**
Cost of sales		(19,822)	–	(19,822)	(13,860)	–	(13,860)
Gross profit		**239,832**	**–**	**239,832**	**201,807**	**–**	**201,807**
Selling and distribution costs		(66,217)	–	(66,217)	(66,992)	–	(66,992)
Research and development costs		(44,683)	–	(44,683)	(36,208)	–	(36,208)
Administrative expenses	8, 14	(191,911)	(9,226)	(201,137)	(32,769)	–	(32,769)
Reversal of/(impairment loss) on trade receivables		166	–	166	(359)	–	(359)
Operating (loss)/profit before depreciation and amortization		**(62,813)**	**(9,226)**	**(72,039)**	**65,479**	**–**	**65,479**
Amortization of intangible assets	11	(73,398)	–	(73,398)	(60,137)	–	(60,137)
Depreciation – Property, plant and equipment		(2,281)	–	(2,281)	(1,816)	–	(1,816)
Depreciation/impairment – Right of use assets		(3,094)	–	(3,094)	(5,856)	–	(5,856)
Operating loss		**(141,586)**	**(9,226)**	**(150,812)**	**(2,330)**	**–**	**(2,330)**
Finance costs		(29,969)	–	(29,969)	(40,267)	–	(40,267)
Finance income		5	–	5	12	–	12
Net finance costs		**(29,964)**	**–**	**(29,964)**	**(40,255)**	**–**	**(40,255)**
Share of losses on associate		(1,110)	–	(1,110)	(1,235)	–	(1,235)
Loss before tax		**(172,660)**	**(9,226)**	**(181,886)**	**(43,820)**	**–**	**(43,820)**
Taxation	9	41,080	1,115	42,195	7,791	–	7,791
Loss for the period		**(131,580)**	**(8,111)**	**(139,691)**	**(36,029)**	**–**	**(36,029)**
Attributable to:							
Equity shareholders of the parent		(131,580)	(8,111)	(139,691)	(36,029)	–	(36,029)
Non-controlling interests		–	–	–	–	–	–
Loss for the period		**(131,580)**	**(8,111)**	**(139,691)**	**(36,029)**	**–**	**(36,029)**
Loss per share							
Basic and diluted				**(99.8)**			**(25.7)**

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

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 April 2021 (continued)

		Six months ended 30 April 2021			Six months ended 30 April 2020		
	Notes	Headline US$'000	Separately reported items US$'000	Total US$'000	Headline US$'000	Separately reported items US$'000	Total US$'000
Loss for the period		**(131,580)**	**(8,111)**	**(139,691)**	**(36,029)**	**–**	**(36,029)**
Other comprehensive income:							
Items not to be reclassified to income statement:							
Remeasurement of defined benefit pension schemes		1,068	–	1,068	2,811	–	2,811
Related tax impact		(288)	–	(288)	(8)	–	(8)
Items that may subsequently reclassify to income statement:							
Currency translation differences		(26,172)	–	(26,172)	7,399	–	7,399
Cash flow hedge – changes in fair value	16	(423)	–	(423)	(6,783)	–	(6,783)
Cash flow hedge – reclassified to income statement	16	4,453	–	4,453	2,133	–	2,133
Related tax impact		(990)	–	(990)	1,160	–	1,160
Other comprehensive losses for the period		**(22,352)**	**–**	**(22,352)**	**6,712**	**–**	**6,712**
Total comprehensive loss for the period		**(153,932)**	**(8,111)**	**(162,043)**	**(29,317)**	**–**	**(29,317)**
Attributable to:							
Equity shareholders of the parent		(153,932)	(8,111)	(162,043)	(29,317)	–	(29,317)
Non-controlling interests		–	–	–	–	–	–
Total comprehensive loss for the period		**(153,932)**	**(8,111)**	**(162,043)**	**(29,317)**	**–**	**(29,317)**

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

Interim Condensed Consolidated Statement of Financial Position
As at 30 April 2021

	Notes	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
Non-current assets			
Goodwill	11	2,573,318	2,134,881
Intangible assets	11	575,061	519,370
Property, plant and equipment		7,269	7,624
Right of use assets		12,375	13,677
Investment in associate		15,063	16,174
Derivative asset	16	1	11
Long-term pension assets		1,103	1,039
Other receivables		7,549	7,895
Deferred tax assets	9	162,977	107,347
Contract related assets		41,042	25,761
		3,395,758	**2,833,779**
Current assets			
Trade and other receivables		132,293	101,042
Current tax receivables		1,523	1,523
Cash and cash equivalents		77,746	94,933
Contract related assets		22,292	19,649
		233,854	**217,147**
Total assets		**3,629,612**	**3,050,926**
Current liabilities			
Trade and other payables		98,602	93,128
Borrowings	12	6,600	3,600
Lease liabilities		6,231	5,721
Provisions	13	5,550	7,199
Current tax liabilities		8,263	10,584
Deferred income – contract liabilities	15	316,378	246,485
		441,624	**366,717**
Non-current liabilities			
Borrowings	12	1,253,670	934,660
Lease liabilities		8,550	10,729
Provisions	13	2,342	2,329
Non-current tax liabilities		6,602	6,601
Deferred tax liabilities	9	98,424	68,695
Retirement benefit obligations		6,754	7,541
Share-based payments	14	158,656	13,019
Deferred income – contract liabilities	15	169,892	155,989
Derivative liabilities	16	9,973	25,440
Other payables		11,210	11,861
		1,726,073	**1,236,864**
Total liabilities		**2,167,697**	**1,603,581**

Interim Condensed Consolidated Statement of Financial Position
As at 30 April 2021 (continued)

	Notes	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
Equity			
Share capital	17	14	14
Share premium	17	1,778,287	1,604,251
Retained losses		(270,725)	(130,824)
Other reserves	14	5,777	3,200
Cash flow hedging reserve	16	(8,768)	(12,798)
Foreign currency translation reserve		(42,670)	(16,498)
Total equity		**1,461,915**	**1,447,345**

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

Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 April 2021

	Notes	Share capital US$'000	Share premium US$'000	Retained losses US$'000	Other reserve US$'000	Cash flow Hedging reserve US$'000	Foreign currency translation reserve US$'000	Total equity US$'000
As at 1 November 2020		**14**	**1,604,251**	**(130,824)**	**3,200**	**(12,798)**	**(16,498)**	**1,447,345**
Loss for the period		–	–	(139,691)	–	–	–	(139,691)
Other comprehensive income/(expense) for the period		–	–	(210)	–	4,030	(26,172)	(22,352)
Total comprehensive income/(expense) for the period		**–**	**–**	**(139,901)**	**–**	**4,030**	**(26,172)**	**(162,043)**
Transactions recorded in equity:								
Contribution of share premium	17	–	174,036	–	–	–	–	174,036
Equity settled share-based payments	14	–	–	–	2,577	–	–	2,577
Total transactions with owners		**–**	**174,036**	**–**	**2,577**	**–**	**–**	**176,613**
As at 30 April 2021		**14**	**1,778,287**	**(270,725)**	**5,777**	**(8,768)**	**(42,670)**	**1,461,915**

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

Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 April 2020

	Notes	Share capital US$'000	Share premium US$'000	Retained losses US$'000	Other reserve US$'000	Cash flow Hedging reserve US$'000	Foreign currency translation reserve US$'000	Total equity US$'000
As at 1 November 2019		**14**	**1,604,251**	**(80,037)**	**839**	**(11,961)**	**10,102**	**1,523,208**
Loss for the period		–	–	(36,029)	–	–	–	(36,029)
Other comprehensive income/(expense) for the period		–	–	3,963	–	(4,650)	7,399	6,712
Total comprehensive income/(expense) for the period		**–**	**–**	**(32,066)**	**–**	**(4,650)**	**7,399**	**(29,317)**
Transactions recorded in equity:								
Equity settled share-based payments	14	–	–	–	675	–	–	675
Total transactions with owners		**–**	**–**	**–**	**675**	**–**	**–**	**675**
As at 30 April 2020		**14**	**1,604,251**	**(112,103)**	**1,514**	**(16,611)**	**17,501**	**1,494,566**

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

Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 April 2021

	Notes	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Loss for the period		**(139,691)**	**(36,029)**
Net finance costs		29,964	40,255
Taxation	9	(42,195)	(7,791)
Share of losses on associate		1,110	1,235
Operating loss for the period		**(150,812)**	**(2,330)**
Addback:			
Depreciation – Property, plant and equipment		2,281	1,816
Depreciation – Right of use assets		3,094	5,856
Amortization of intangible assets	11	73,398	60,137
Amortization of contract related assets		3,874	2,477
Contract liabilities – fair value haircut	15	7,493	11,072
Share based payments expense	14	147,782	4,329
Restructuring charges		1,426	–
Foreign exchange movements		(3,256)	2,807
Impairment (credit)/loss on trade receivables		(166)	359
Movements:			
Movements in trade receivables		(12,454)	(8,907)
Movements in other receivables		(4,134)	23,893
Movements in trade payables		1,119	2,377
Movements in other payables		(10,260)	8,655
Movement in other pensions		123	172
Movements in provisions		(3,063)	(1,596)
Movements in contract related assets		(21,798)	(13,000)
Movements in contract liabilities	15	49,940	23,207
Cash generated from operations		**84,587**	**121,324**
Interest paid		(28,817)	(27,243)
Interest received		5	12
Tax paid		(4,020)	(3,353)
Net cash inflow from operating activities		**51,755**	**90,740**
Cash flow from/(used in) investing activities			
Purchase of property, plant and equipment		(754)	(1,034)
Purchase and development of intangible assets	11	(3,285)	(28,316)
Acquisition of a business, net of cash	10	(489,424)	(15,964)
Net cash outflow from investing activities		**(493,463)**	**(45,314)**
Net cash (outflow)/inflow before financing activities		**(441,708)**	**45,426**

Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 April 2021 (continued)

	Notes	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Cash flows from/(used in) financing activities			
Proceeds from contribution of share premium	17	135,338	–
Proceeds from bank borrowings	12	300,000	–
Payment of arrangement fees	12	(4,014)	–
Repayment of bank borrowings	12	(1,800)	(1,800)
Payment of interest rate swap premia	16	(4,453)	(6,205)
Lease payments		(1,982)	(2,133)
Loan repaid by intermediary parent undertaking	18	1,500	–
Net cash inflow/(outflow) from financing activities		**424,589**	**(10,138)**
Net (decrease)/increase in cash and cash equivalents		**(17,119)**	**35,288**
Foreign exchange movements		(68)	(1,708)
Cash and cash equivalents at beginning of period		94,933	38,197
Cash and cash equivalents at end of period	12	**77,746**	**71,777**

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

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021

1. General information

SUSE S.A. (the **"Company"**) (*société anonyme*) 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.

Subsequent to the period end, on 3 May 2021, the Company was transformed into a public limited liability company and the name of the Company changed from Marcel LUX IV SARL to SUSE S.A.

The Company together with its wholly owned subsidiaries (the **"Group"** or the **"SUSE Group"**) collectively represent the operations of SUSE. These Interim Condensed Consolidated Financial Statements of the Group are as at and for the six months ended 30 April 2021.

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.

Information presented in the notes to these Interim Condensed Consolidated Financial Statements have been presented in a systematic manner and typically following the order of the line items in Interim Condensed Consolidated Statement of Comprehensive Income and Interim Condensed Consolidated Statement of Financial Position.

2. Basis of preparation

A. Basis of measurement

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 October 2020 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS" or "IFRS").

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Certain prior period comparative figures on the Interim Condensed Consolidated Statement of Financial Position have been reclassified to enable comparability with this period's figures and achieve better presentation.

B. Going concern

The Groups' Manager's 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 Interim Condensed 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 as considered under the following indicators:

(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, the COVID-19 pandemic had limited impact on day-to-day operations. Trading for the six months ended 30 April 2021 has been in line with expectations, and SUSE's outlook and guidance for the full year, remains unchanged.

(ii) Liquidity – 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 30 April 2021 and the date of approval of the Consolidated Financial Statements. As such, there are no risk of breach of financial covenants.

On 21 May 2021, following the IPO at the Frankfurt Stock Exchange on 19 May 2021, the Group repaid the loan notes as already anticipated as at 30 April 2021, further details are disclosed in Note 12.

(iii) Performance – 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 and 2021 to date, 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 the 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 – 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.

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

C. 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.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

3. Critical judgements and sources of estimation uncertainty

The preparation of these Interim Condensed 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. In other respects, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Condensed Consolidated Financial Statements are consistent with those disclosed in Note 3 *'Critical judgements and sources of estimation uncertainty'* in the last annual financial statements.

Management consider the following critical judgments to specifically relate to the period under review:

A. Identification and 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.

Similarly, there is estimation uncertainty involved in the measurement of liabilities identified as part of a business combination. 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. Fair value of Share-based payments

Measuring the fair value of share-based payment transactions requires the estimation and judgement in predicting the timing of vesting and the ultimate number of instruments that will vest over the life of a scheme.

The events, as set out in Note 14, triggered the acceleration of the vesting of the share-based payments awards of the Group. Following the announcement of the Intention to Float ("ITF") on the 26 April 2021, at the reporting date, it was considered by management as highly probable that SUSE S.A. would be listed on the Frankfurt Stock Exchange. This judgement was supported by the preparations for the IPO which were completed as at 30 April 2021. This Initial Public Offering (IPO) was completed on 19 May 2021.

As at 30 April 2021, the Group re-measured the VSOP liability based on the SUSE S.A. IPO Listing Price of €30.00 which corresponded to the VSOP ordinary share reference price of an intermediary parent of US$2.87. The IPO event triggered the settlement of the VSOP liability in full and the acceleration of the vesting of the VSOs subject to a service condition. Further details are disclosed in Note 14.

C. Loan modification

On 26 April 2021, the Group announced its Intention to Float ("ITF") with a partial placement of share capital on the Frankfurt Stock Exchange (IPO). Consistent with management's assessment that as at the reporting date it was highly probable SUSE S.A. would be listed on the Frankfurt Stock Exchange, the Group modified the estimated cash flows for the 2nd Lien and SC Loan notes. As at 30 April 2021, the intent of the Group was to repay in full the 2nd Lien loan note of US$270.0 million and to partially repay US$232.3 million of the SC loan note, using the proceeds from the IPO.

The modification of the expected cash flows for these notes as at 30 April 2021 resulted in an acceleration of the amortization of the loan related capitalized arrangement fees. Management's assessment of the IPO event as highly probably at the reporting date also triggered an accrual for the contractually agreed prepayment fee for the 2nd Lien loan note. Refer to Note 12.

The loan notes that are intended to be repaid after the IPO are presented as non-current liabilities, reflecting the contractual obligations of the debt as at 30 April 2021.

On 21 May 2021, following the IPO at the Frankfurt Stock Exchange on 19 May 2021, the Group repaid the loan notes as already anticipated as at 30 April 2021.

4. Significant accounting policies

The principal accounting policies adopted by the Group in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those disclosed in Note 4 'Significant accounting policies' in the last annual financial statements.

5. Financial risk factors

The financial risk factors identified by the Group in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those disclosed in Note 29 *'Financial Risk Management'* in the last annual financial statements.

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"). The Group is organized into a single reporting segment for the following reasons:

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

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

6. Segmental analysis (continued)
As the Group comprises a single reporting segment, the results reported in these Interim Condensed 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 or prior periods, accounts for more than 10% of the Group's revenue. The total of non-current assets by region, other than financial instruments and deferred tax assets of the segment is as follows:

	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
Europe, Middle East and Africa	1,235,313	1,268,487
North America	1,991,833	1,451,873
Asia, Pacific and Japan	2,007	2,248
Greater China	3,115	3,326
Latin America	512	487
Sub-total	**3,232,780**	**2,726,421**
Derivative asset	1	11
Deferred tax assets	162,977	107,347
Total non-current assets	**3,395,758**	**2,833,779**

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

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Recognized over time:		
– Subscription revenue	247,098	206,485
Recognized at a point in time:		
– Subscription revenue	7,394	6,418
– Consulting revenue	5,162	2,764
Total revenue	**259,654**	**215,667**

On 15 March 2019, the Group acquired contract liabilities with a fair value of US$334.8 million. On 25 November 2020, the Group acquired contract liabilities with a fair value of US$26.4 million. The following table shows the impact of the acquisition accounting adjustment of the contract liability haircut on recognized revenues:

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Effect of contract liability haircut:		
Recognized revenue before fair value adjustment	267,147	226,739
Contract liability haircut amortized	(7,493)	(11,072)
Total revenue	**259,654**	**215,667**

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

7. Revenue (continued)
(b) Revenue by product type

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Core products	234,225	210,086
Emerging products	25,429	5,581
Total revenue	**259,654**	**215,667**

(c) Revenue by route to market

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
End user	209,473	163,157
Independent Hardware Vendor & Embedded	50,181	52,510
Total revenue	**259,654**	**215,667**

(d) Revenue by geographical location

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Europe, Middle East and Africa	124,570	103,275
North America	91,960	75,741
Asia, Pacific and Japan	18,320	15,740
Greater China	17,880	14,991
Latin America	6,924	5,920
Total revenue	**259,654**	**215,667**

8. Separately reported items
The Group has adopted a columnar presentation in its presentation of the Interim Condensed Consolidated 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 Interim Condensed 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 Interim Condensed Consolidated Statement of Comprehensive Income when appropriate for a proper understanding of the entity's financial performance.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

8. Separately reported items (continued)

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Separately reported items:		
Transaction costs – acquisition of the Rancher Group	3,365	–
Transaction costs – initial public offering	4,435	–
Total transaction costs (a)	7,800	–
Costs arising from a restructuring programme (b)	1,426	–
Expense items forming part of operating losses	**9,226**	**–**
Tax credit on transaction and restructuring costs	(1,115)	–
Total tax (credit) reported separately	**(1,115)**	**–**
Separately reported items, net	**8,111**	**–**

(a) Transaction costs of US$7.8 million (*six months ended 2020*: *US$ Nil*) for the six months ended 30 April 2021 relate to legal and other fees associated with the acquisition of Rancher and transaction costs relating to the partial placing of the share capital of the Group on the Frankfurt Stock Exchange that are not deemed directly attributable to the issuance of equity.

(b) Restructuring costs of US$1.4 million (*six months ended 2020*: *US$ Nil*) for the six months ended 30 April 2021 relates to a program announced during the prior year to align the operations of the Group with its strategic objectives.

9. Taxation

The tax charge for the period is a credit of US$42.2 million (*six months ended 2020*: *US$7.8 million*) in respect of the loss before tax of US$181.9 million (*six months ended 2020*: *US$43.8 million*), which represents an effective tax rate of 23.2% (*six months ended 2020*: *17.8%*). The tax rate for the period of 23.2% is lower than the statutory tax rates of the territories in which the Group operates of 25.9% (*six months ended 2020*: *25.5%*). This is the result mainly of non-deductible Rancher acquisition costs, tax costs relating to Rancher post-acquisition restructuring and the partial disallowance of interest expenses in Germany.

The tax rate for the period of 23.2% is higher than the prior year rate of 17.8% due to the significant VSOP expenses (see Note 14), which are expected to be fully deductible for tax purposes. As a result, permanent items which reduce the tax rate have a smaller impact on the tax rate than similar items in the prior year.

A deferred tax asset of US$13.1 million was recognized in relation to US tax losses acquired from the Rancher business which are expected to be utilized in the long term. The asset is recognized on the basis of a deferred tax asset reversal calculation based on Management's projections of future profitability, which forecasts that the Group's deferred tax assets in the US will fully reverse in the long term (between 5 and 15 years). Deferred tax liabilities of US$30.8 million were recognized mainly relating to acquired intangible assets, which are not tax deductible.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

10. Business combinations

Acquisition of the Rancher Group

Pursuant to the terms of the "Agreements and Plans of Merger" ("the Agreement") dated 6 July 2020, and with the completion date of 25 November 2020, the Group acquired 100% of the assets and liabilities of Rancher Labs Inc. and Rancher Federal Inc and their affiliates ("the Rancher Group") during the period. The acquired entities are non-listed entities headquartered in Cupertino, California.

(a) Transaction overview

The completion date of 25 November 2020 was established as the contractual date of control transfer owing to the fulfilment of certain obligations by the Group being met on this date under the Agreement. Assets and liabilities acquired as set out in (c) below are identified with reference to the books and records of Rancher as at 25 November 2020. Since its consolidation as of 25 November 2020, Rancher has contributed US$21.4 million to consolidated revenue and a loss of US$74.1 million to consolidated loss for the period. Included within this loss is a share-based payment charge of US$65.5 million following the accelerated vesting of the VSOP (refer to Note 14). If the transaction had occurred on 1 November 2020, Management estimates that consolidated revenue for the SUSE Group would be US$264.4 million and consolidated losses for the period would be US$141.3 million.

(b) Purchase consideration

Per the Agreement, total consideration of US$583.7 million was satisfied in cash, transfer of shares of an intermediate parent company and a novation of liabilities as at the date of acquisition. The purchase consideration transferred to the former owners of the Rancher Group was US$530.0 million which included cash of US$491.3 million and shares in an intermediary parent undertaking of US$38.7 million. During Q2 2021 a US$0.5 million completion adjustment was recorded which reduced the purchase consideration by the same amount.

	US$'000
Cash consideration:	
Cash transferred to former owners	491,325
Amounts paid to settle obligations to employees and third parties	53,164
Cash consideration paid and payable	**544,489**
Non-cash consideration	
Capital contribution (without issuance of shares)	38,698
Total non-cash consideration	**38,698**
Final purchase consideration	**583,187**

The consideration transferred in the acquisition is measured at fair value. Total shares in an intermediary parent undertaking of 28,433,517 comprised 2,844,352 ordinary shares and 25,599,165 preference shares measured at the December 2020 fair value of US$3.02 per ordinary share and US$1.18 per preference share.

Per the terms of completion of the Agreement, on behalf of the former shareholders of the Rancher Group, the Group settled the fair value of certain employee related (US$40.1 million) and third-party (US$13.1 million) liabilities identified at the date of acquisition totaling US$53.2 million. Consequently, the fair value of identified liabilities of the business are reduced by this amount.

Total consideration excludes transaction costs of US$9.4 million which have been expensed to the Income Statement in accordance with IFRS 3 *Business Combinations*. US$3.4 million was expensed in the six months ended 30 April 2021 and US$6.0 million in the last annual financial statements. Analysis of cash flows on acquisition (included in cash flows from investing activities) is as follows:

	US$'000
Cash outflow on investing activity:	
Cash consideration paid and payable	(544,489)
Net cash acquired	55,065
Net cash outflow on acquisition	**(489,424)**

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

10. Business combinations (continued)
Acquisition of the Rancher Group (continued)

(c) Identification of net assets acquired

The fair value of the identified assets and liabilities of the Rancher Group inclusive of a working capital completion adjustment of US$0.5 million as at the date of acquisition are as follows:

	Notes	25 November 2020 US$'000
Identifiable assets at fair value		
Intangible assets	(i)	125,443
Property, plant and equipment	(ii)	59
Right-of-use assets	(iii)	324
Trade and other receivables	(iv)	14,916
Cash and cash equivalents	(b)	55,065
Deferred tax assets	(vi)	13,066
Total assets		**208,873**
Identifiable liabilities at fair value		
Trade and other payables	(iv)	6,643
Lease liabilities	(iii)	312
Deferred income – contract liabilities	(v)	26,363
Deferred tax liabilities	(vi)	30,805
Total liabilities		**64,123**
Net identifiable assets at fair value		**144,750**

(i) Intangible assets

Separately identifiable intangible assets of US$125.4 million meeting the definition of IAS 38 within the transaction consist of customer relationships (US$101.9 million), intellectual property (including technology and trademarks) of US$20.9 million and non-competition agreements (US$2.6 million).

Customer relationships were identified as a separable intangible asset under IAS 38 on the basis of customer relationships that have benefit that can be measured and are viewed by Management as valuable to a market participant. The fair value of the customer relationships was determined by a qualified specialist in applying an income approach method under IFRS 13, specifically using the 'Multi-period excess earnings method'. This method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. The method uses cash flow projections from financial budgets approved by Management covering a three-year period, a total contributory asset charge of 23.4%, after-tax discount rates applied to cash flow projections (which were in the range of 9.62% – 10.18%), the applicable long term growth rate for revenue (2%) and an analysis of customer longevity and expected attrition. Customer duration was established in reference to order history of the Group prior to acquisition.

Intellectual property (including technology and trademarks) were identified as a separable intangible asset under IAS 38. The fair value of intellectual property was determined using the 'Relief from royalty method'. Under this method the cash flows generated by an intangible asset are approximated to the royalties which the owner of the asset would save, in comparison to the alternative of licensing an equivalent asset.

Non-competition agreements were also identified as a separable intangible asset under IAS 38. The fair value of non-competition agreements was determined using the 'incremental cash flow method'. Under this method, the expected cash flows of the entity inclusive of the intangible asset being valued are compared to the equivalent cash flows of a comparable entity with the intangible asset.

Management have monitored these assumptions applied up to the date of approval of the Interim Condensed Consolidated Financial Statements and are satisfied that there is no underlying change to the assumptions since the valuation was performed.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

10. Business combinations (continued)
Acquisition of the Rancher Group (continued)
(c) Identification of net assets acquired (continued)
(ii) Property, plant and equipment
The Group identified property, plant and equipment of US$0.1 million as part of the analysis of the transaction which primarily consist of office equipment, the fair value of which was measured on a replacement cost basis.

(iii) Right-of-use assets and lease liabilities
The Group analyzed the transaction to identify explicit and implied lease arrangement as defined by IFRS 16 Leases. Leases identified primarily relate to office premises. The present value of future lease payments of US$0.3 million corresponds to the right-of-use asset recognized. The leases identified as part of the transaction did not include any existing asset retirement obligations.

(iv) Other working capital assets
Other working capital assets are stated at their book value at the date of acquisition and are subject to working capital adjustments as set out in (c) below. Included within trade and other receivables are the fair value of trade receivables which amount to US$12.6 million. A fair value adjustment of US$0.4 million was made in respect of aged trade receivable balances which the Rancher Group does not expect to recover.

(v) Deferred income – contract liabilities
The Group acquired contract liabilities of US$26.4 million which included a step-down adjustment of US$3.4 million to reflect its fair value based on the costs 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 key assumptions within this exercise involved analysis of the costs associated with the activities required to generate a sale. The costs to fulfil are reflective of those that market participants would incur to fulfil the service. US$1.7 million of the Haircut has been amortized to the Interim Condensed Consolidated Income Statement in line with the deferred income released.

(vi) Deferred tax asset and liabilities
Deferred tax assets of US$13.1 million and deferred tax liabilities of US$30.8 million were acquired. Refer to Note 9 *Taxation* for further details.

(d) Commitments and contingencies
On acquisition a commitment in respect of retention bonuses has arisen with annual vesting on the closing anniversary of the transaction over a 36-month period. The Group holds a future commitment as at 30 April 2021 of US$20.8 million in respect of service to be rendered by employees of the acquiree in future financial periods.

(e) Goodwill

	US$'000
Total consideration	583,187
Net identifiable assets acquired	(144,750)
Goodwill recognized on acquisition	**438,437**

Goodwill represents the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed and is considered final as at the date of approval of these Interim Condensed Consolidated Financial Statements. Goodwill is attributable mainly to the skills and technical talent of the Rancher Group's work force and synergies expected to be achieved. The goodwill arising from the acquisition of the Rancher Group that is expected to be tax deductible is US$ nil.

Acquisition in the prior year
The Group did not acquire any business in the twelve months ended 31 October 2020.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

11. Goodwill and intangible assets

Intangible assets are amortized 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	1.9 – 2.6 years
Customer relationships	4.6– 5.0 years
Non-compete agreements	2.6 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 reflecting the approximate mix of acquired customer contracts.

(a) Rollforward of goodwill and intangible assets

Current period	Development costs US$'000	Purchased software US$'000	Intellectual property US$'000	Customer relationships US$'000	Non-compete agreements US$'000	Goodwill US$'000	Total US$'000
Cost							
1 November 2020	**9,046**	**27,823**	**315,963**	**360,005**	**–**	**2,134,881**	**2,847,718**
Acquired in the period	1,057	2,228	–	–	–	–	3,285
Acquired through a business combination	–	–	20,928	101,883	2,632	438,437	563,880
FX movements	418	1,823	–	–	–	–	2,241
30 April 2021	**10,521**	**31,874**	**336,891**	**461,888**	**2,632**	**2,573,318**	**3,417,124**
Accumulated amortization							
1 November 2020	**788**	**7,125**	**113,278**	**72,276**	**–**	**–**	**193,467**
Charge for the period	692	4,033	37,840	30,467	366	–	73,398
FX movements	30	505	–	1,345	–	–	1,880
30 April 2021	**1,510**	**11,663**	**151,118**	**104,088**	**366**	**–**	**268,745**
Carrying value							
30 April 2021	**9,011**	**20,211**	**185,773**	**357,800**	**2,266**	**2,573,318**	**3,148,379**
1 November 2020	8,258	20,698	202,685	287,729	–	2,134,881	2,654,251

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

11. Goodwill and intangible assets (continued)
(a) Rollforward of goodwill and intangible assets

Prior year	Development costs US$'000	Purchased software US$'000	Intellectual property US$'000	Customer relationships US$'000	Non-compete agreements US$'000	Goodwill US$'000	Total US$'000
Cost							
1 November 2019	**–**	**2,871**	**315,963**	**360,035**	**–**	**2,134,881**	**2,813,750**
Acquired in the period	8,963	24,980	–	–	–	–	33,943
Acquired through a business combination	–	–	–	–	–	–	–
FX movements	83	(28)	–	(30)	–	–	25
31 October 2020	**9,046**	**27,823**	**315,963**	**360,005**	**–**	**2,134,881**	**2,847,718**
Accumulated amortization							
1 November 2019	**–**	**1,088**	**43,568**	**27,459**	**–**	**–**	**72,115**
Charge for the period	788	5,929	69,682	43,591	–	–	119,990
FX movements	–	108	28	1,226	–	–	1,362
31 October 2020	**788**	**7,125**	**113,278**	**72,276**	**–**	**–**	**193,467**
Carrying value							
31 October 2020	**8,258**	**20,698**	**202,685**	**287,729**	**–**	**2,134,881**	**2,654,251**
1 November 2019	–	1,783	272,395	332,576	–	2,134,881	2,741,635

(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$2,573.3 million (*31 October 2020: 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. As at 30 April 2021, no indicators of impairment were identified.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

12. Borrowings
(a) Amounts outstanding at the reporting date

Current borrowings	Contractual Interest Terms	Effective interest rate	Contractual Maturity date	30 April 2021 US$'000	31 October 2020 US$'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 300,000,000 (SC)	LIBOR + 4%	4.98%	Nov 2027	3,000	–
USD 270,000,000 (2L)	LIBOR + 7%	10.45%	March 2027	–	–
USD 81,000,000 (RCF)	LIBOR/EURIBOR + 3%	5.68%	Sept 2025	–	–
Total current interest-bearing loans and borrowings				**6,600**	**3,600**

Non-current borrowings	Contractual Interest Terms	Effective interest rate	Contractual Maturity date	30 April 2021 US$'000	31 October 2020 US$'000
Loan note description					
USD 360,000,000 (B1)	LIBOR + 3.25%	6.46%	March 2026	337,282	338,037
EUR 300,000,000 (B2)	EURIBOR + 3.5%	4.03%	March 2026	354,678	340,156
USD 300,000,000 (SC)	LIBOR + 4%	4.98%	Nov 2027	292,429	–
USD 270,000,000 (2L)	LIBOR + 7%	10.45%	March 2027	269,281	256,467
USD 81,000,000 (RCF)	LIBOR/EURIBOR + 3%	5.68%	Sept 2025	–	–
Total non-current interest-bearing loans and borrowings				**1,253,670**	**934,660**
Total interest-bearing loans and borrowings				**1,260,270**	**938,260**

On 25 November 2020, the Group entered into a new Senior Facility agreement for USD$300.0 million and the full amount was drawdown on this date.

(b) Loan modification
On 26 April 2021, the Group announced its Intention to Float (ITF) with a partial placement of share capital on the Frankfurt Stock Exchange (IPO). On May 19, 2021, the shares of SUSE S.A started trading on the Frankfurt Stock Exchange. On 21 May 2021, following the IPO, the Group repaid the loan notes as already anticipated as at 30 April 2021.

Therefore, as at 30 April 2021, the intent of the Group was to IPO and to use the proceeds from the transaction to repay the 2nd Lien loan note of US$270.0 million and partially repay US$232.3 million of the SC loan note.

The modification of the expected cash flows for these loan notes as at 30 April 2021 resulted in an acceleration of the amortization of the loan related capitalized arrangement fees and the recognition of a loss due to the expected (and subsequent to the reporting date confirmed) loan repayments in the amount of US$15.3 million. As at 30 April 2021, the Group has also accrued for a prepayment fee of US$5.4 million in other current payables related to the expected 2nd Lien loan note repayment. An assessment of modifications of the terms of the contract was not required as the original contract included the prepayment clause.

Total arrangement fees of US$42.8 million (*31 October 2020*: *US$38.6 million*) are included in the calculation of the amortized cost using the effective interest method. US$38.6 million are attributable to the origination of the B1, B2 and 2nd Lien loan notes and US$4.0 million is attributed to the origination of the loan note used in the acquisition of the Rancher Group.

(c) Net finance costs
Net finance costs for the period were US$30.0 million (*six months ended 30 April 2020*: *US$40.3 million*). Net finance costs predominately 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. The decrease in net finance costs for the six months ended 30 April 2021 in comparison to the period is attributed to the loan modification arising from the intention to repay the loan notes (see above), the prepayment fee relating to the expected 2nd Lien note repayment and the revaluation of derivative liabilities.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

12. Borrowings (continued)
(d) Reconciliation of Movement in Consolidated Net Leverage
The movement in Consolidated Net Leverage, which applies the definition as per 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 period US$'000	Acquisitions US$'000	Foreign exchange US$'000	Other movements US$'000	Cash flow US$'000	End of period US$'000
Related to borrowings:						
Interest bearing borrowings	(938,260)	(300,000)	(13,747)	(10,063)	1,800	(1,260,270)
Capitalized arrangement fees	(38,584)	–	–	(4,211)	–	(42,795)
Amortization of arrangement fees	8,771	–	–	2,191	–	10,962
(Gain)/loss on loan modification	(5,937)	–	–	15,231	–	9,294
Movement in borrowings	**(974,010)**	**(300,000)**	**(13,747)**	**3,148**	**1,800**	**(1,282,809)**
Related to other items:						
Other payables	(18,814)	–	–	3,751	–	(15,063)
Cash and cash equivalents	94,933	–	(68)	–	(17,119)	77,746
Consolidated net leverage	**(897,891)**	**(300,000)**	**(13,815)**	**6,899**	**(15,319)**	**(1,220,126)**

Other payables amounts relate to unpaid software liabilities of US$15.1 million (*31 October 2020: US$ 18.8 million*). US$4.8 million is included in current payables and US$10.3 million (*31 October 2020: US$10.3 million*) in non-current payables. These amounts are included in the movement in other payables in the Interim Condensed Consolidated Statement of Cash Flows.

Proceeds of borrowings of US$300.0 million (*six months ended 30 April 2020: US$ nil*), proceeds from contribution of share premium of US$135.3 million (*six months ended 30 April 2020: US$ nil*), proceeds from the repayment of a related party loan of US$1.5 million (*six months ended 30 April 2020: US$ nil*). These are offset by repayments of borrowings of US$1.8 million (*six months ended 30 April 2020: US$1.8 million*), payments of premia on interest rate swaps of US$4.5 million (*six months ended 30 April 2020: US$6.2million*), payments of arrangement fees of US$4.0 million (*six months ended 30 April 2020: US$ nil*) and lease payments of US$2.0 million (*six months ended 30 April 2020: US$2.0 million*) result in a net cash inflow from financing activities during the period of US$424.6 million.

For all other loan facilities, the Group currently does not expect any changes to the repayment schedule and no further adjustment or modification to the allocation of the capitalized arrangement fees was required.

13. Provisions

	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
Dilapidation provision	804	768
Loss-making operation	5,274	5,930
Restructuring provision	1,535	2,514
Legal provision	279	316
Total provisions	**7,892**	**9,528**
Split as:		
Current	5,550	7,199
Non-current	2,342	2,329
Total provisions	**7,892**	**9,528**

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 utilized within 5 years.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

13. Provisions (continued)
A provision for loss-making operations was identified on acquisition. During the period, US$0.6 million of the provision was utilized reflecting the net cash cost of fulfilling the contractual obligations of the loss-making operation.

Legal provisions of US$0.3 million include Management's best estimate of the likely outflow of economic benefits associated with legal matters.

The restructuring provision includes the costs of initiatives to rationalize its operating activities. During the six-month period ended 30 April 2021 the Group recognized US$2.6 million which mainly includes employee termination benefits and is based on detailed plans announced by Management in October 2020. US$1.4 million of the restructuring charge in the period is recorded within Separately Reported Items (Note 8), with the remaining US$1.2 million recorded within the Headline results of the Group. In addition, the Group utilized US$3.4 million and released US$0.2 million of the provision during the period. The restructuring is expected to be completed by the end of FY21.

14. Share based payments
The Group incurred a share-based payment expense of US$147.8 million in the period (*six months ended 30 April 2020: US$4.3 million*) in respect of the share-based payment schemes. An expense of US$5.8 million was incurred in the period in respect of employer taxes on these share-based payment schemes.

	Six months ended 30 April 2021 US$'000	Six months ended 30 April 2020 US$'000
Cash-settled share-based payment transactions (a)	145,205	3,654
Equity-settled share-based payment transactions (b)	2,577	675
Total expense arising from share-based payments	**147,782**	**4,329**
Employer taxes expense on share-based payments	5,806	–
Total	**153,588**	**4,329**

(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 of the VSOs are exercisable as at 30 April 2021 (*30 April 2020: none*).

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.

On 26 April 2021, the Group announced its Intention to Float ("ITF") with a partial placement of share capital on the Frankfurt Stock Exchange . Subsequent to the period end, on 19 May 2021, the shares of SUSE S.A started trading on the Frankfurt Stock Exchange. The Initial Public Offering (IPO) triggered an acceleration of an Exit Event under the terms of the scheme and resulted in an acceleration of VSOs vesting from March 2023 to May 2021. In accordance with clause 5.3 of the scheme, management chose to settle the obligation partially through cash (30%) and the issuance of SUSE S.A. equity instruments (70%). Subsidiary companies, which employ the respective VSOP participants, were required to settle the outstanding VSOP obligations.

The fair value of the VSOP liability was US$158.7 million (*31 October 2020: US$13.1 million*) at the reporting date and considered the Initial Public Offering (IPO) pricing.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

14. Share based payments (continued)
(a) Virtual Share Options Program (continued)
The Group re-measured the VSOP liability based on the SUSE S.A. IPO Listing Price of €30.00 which corresponded to the VSOP indexed share price of US$2.87. The increase in fair value based on the eventual IPO listing price and the accelerated vesting impact resulted in a material expense for the six months ended 30 April 2021 of which US$145.2 million (*six months ended 30 April 2020*: *US$3.7 million*) is recorded in administrative expenses. A further US$5.8 million in respect of employer taxes is also recorded in administrative expenses.

The fair value of the VSOP liability as at 30 April 2021 was US$158.7 million (*31 October 2020*: *US$13.1 million*) and was calculated by reference to the actual SUSE S.A. IPO listing price. The following movements in units were recorded during the six months period ended 30 April 2021:

	Six months ended 30 April 2021		Six months ended 30 April 2020	
	Units	WAEP	Units	WAEP
Outstanding at start of period	**72,639,801**	**$1.03**	**72,497,570**	**$1.00**
Granted during the period	77,799,338	$1.42	5,909,419	$1.08
Cancelled during the period	(10,527,248)	($1.12)	(4,151,401)	($1.00)
Outstanding at the end of period	**139,911,891**	**$1.24**	**74,255,588**	**$1.00**

As at 30 April 2021, the service and performance condition were estimated to be satisfied for 33,874,204 units (*31 October 2020*: *33,807,121 units*) based on services performed and expected exit price on date of exit.

Prior to the events set out above, in November 2020, the Group acquired the Rancher Group (see Note 10). As per the transaction agreement, the Group allocated 70,234,174 of VSOs to the employees of the former Rancher Group. All options granted had a strike price of $1.40.

The following lists the inputs into the model for the valuation of the VSOP as of the reporting date:

Key input assumption	30 April 2021	31 October 2020
Exercise price	US$ 1.00 – US$ 1.40	US$ 1.00 – US$ 1.40
Spot price of an ordinary share	US$ 2.87	US$ 1.40
Risk free rate	n/a	0.17%
Volatility	n/a	38.6%
Expected dividend yield	0%	0%
Anticipated number of units vesting	75.0%	87.5%
Anticipated exit event at reporting date	May 2021	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 for initial grant of US$ 1.00 equals the price paid by the shareholder of the Company on initial investment. The purchase price for a subsequent grant in December 2020 was US$3.02 per ordinary share.

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 favorable 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.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

14. Share based payments (continued)
(b) Management Investment Participation Programme (continued)
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 (or at a lower fair value). In a good leaver scenario, the investment is repurchased at the fair value of the shares on the leaving date. The intermediary parent company that administers the scheme has a call option on repurchasing units from members who leave the Group during the period. The share-based payments charge associated with leavers are accelerated and expensed in full at the respective reporting date.

The total expense estimated to be recorded over the life of the scheme, including an obligation to good leavers, is US$6.9 million. The amount of MIPP award recognized in equity (within "Other reserves") as at 30 April 2021 amounted to US$5.8 million (*31 October 2020: US$3.2 million*) with the following movements in ordinary share units recorded during the six-month period ended April 30, 2021:

	Six months ended 30 April 2021 No. of units	Six months ended 30 April 2020 No. of units
At beginning of period	**9,259,390**	**9,407,771**
Additional units granted during period	573,890	661,500
Units repurchased during period	(633,252)	(135,000)
At end of period	**9,200,028**	**9,934,271**

In the six months ended 30 April 2021, 633,252 of the ordinary shares of an intermediary parent company attributable to MIPP participants who have left the Group were repurchased.

As at 30 April 2021, in anticipation of the IPO, the Group recognized an acceleration of the vesting related to the repurchased shares. The MIPP was considered to be settled for these participants upon the repurchase as of 19 May 2021. There are five remaining participants in the MIPP, owing a total number of 2,861,066 units. The terms and conditions of the scheme remains unchanged for these participants. The original grant date and the fair value as at the grant date is unchanged and the vesting period is assumed unchanged until March 2023.

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 the valuation inputs used in estimating the grant date fair value of instruments issued during the six months ended April 30, 2021 and prior year period ended October 31, 2020:

Key input assumption	30 April 2021	31 October 2020
Weighted average purchase price of a unit	US$ 1.12	US$ 1.00
Weighted average fair value of a unit at respective grant date	US$ 1.78	US$ 1.70
Volatility	41.5%	35%
Expected dividend yield	0%	0%
Anticipated exit event at reporting date	May 2021/March 2023	March 2023

15. 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 30 April 2021 US$'000	As at 31 October 2020 US$'000
Presentation in Statement of Financial Position:		
Current	316,378	246,485
Non-current	169,892	155,989
Total contract liabilities	**486,270**	**402,474**

Contract liabilities as at 30 April 2021 were US$486.3 million (*31 October 2020: US$402.5 million*) and included an unamortized fair value reserve of US$10.2 million (*31 October 2020: US$16.5 million*) relating to deferred income acquired through business combinations.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

15. Contract liabilities (continued)
Unbilled future performance obligations represent 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$25.0 million as at 30 April 2021 (*31 October 2020*: *US$27.2 million*).

The movement in contract liabilities during the period is detailed as follows:

	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
Deferred income roll-forward:		
Beginning of period	**402,474**	**391,491**
Acquired during period	29,784	–
Fair value adjustment recorded on acquisition	(3,421)	–
Fair value of contract liabilities acquired	**26,363**	**–**
Plus:		
Amounts invoiced during period	318,417	458,314
Amounts recognized during period	(259,654)	(447,421)
Other adjustments	(1,330)	90
End of period	**486,270**	**402,474**

16. 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 period

	Amortized cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Non-current assets				
Derivative assets	–	–	1	1
Current assets				
Cash and cash equivalents	77,746	–	–	77,746
Trade receivables	103,175	–	–	103,175
Other receivables	18,705	–	–	18,705
As at 30 April 2021	**199,626**	**–**	**1**	**199,627**

Financial assets – prior period

	Amortized cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Non-current assets				
Derivative assets	–	–	11	11
Current assets				
Cash and cash equivalents	94,933	–	–	94,933
Trade receivables	78,134	–	–	78,134
Other receivables	16,540	–	–	16,540
As at 31 October 2020	**189,607**	**–**	**11**	**189,618**

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

16. Financial risk management (continued)
Financial liabilities – current period

	Amortized cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Current liabilities				
Trade payables	7,862	–	–	7,862
Borrowings	6,600	–	–	6,600
Non-current liabilities				
Derivative liabilities	–	8,768	1,205	9,973
Borrowings	1,253,670	–	–	1,253,670
As at 30 April 2021	**1,268,132**	**8,768**	**1,205**	**1,278,105**

Financial liabilities – prior period

	Amortized cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Current liabilities				
Trade payables	4,700	–	–	4,700
Borrowings	3,600	–	–	3,600
Non-current liabilities				
Derivative liabilities	–	12,798	12,642	25,440
Borrowings	934,660	–	–	934,660
As at 31 October 2020	**942,960**	**12,798**	**12,642**	**968,400**

The Group does not hold any financial instruments that are classified as level 1 assets or liabilities as at 30 April 2021 (*31 October 2020: 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 amortizsed 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.

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 or prior periods.

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.

The financial risk factors identified by the Group in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those disclosed in Note 29 *'Financial Risk Management'* in the last annual financial statements.

(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:

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

16. Financial risk management (continued)

	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
Trade receivables	103,175	78,134
Cash and cash equivalents	77,746	94,933
Total	**180,921**	**173,067**

(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 period a US$0.2 million (*six months ended 30 April 2020: US$0.4million charge*) reversal of the loss allowance recognized in the Condensed Interim 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.

(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.

(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 2.

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.

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 depositions.

No changes were made in the objectives, policies or processes for managing capital during the reporting period.

(c) 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 30 April 2021 was as follows:

	As at 30 April 2021		As at 31 October 2020	
	Derivative Assets US$'000	Derivative liabilities US$'000	Derivative Assets US$'000	Derivative liabilities US$'000
Derivative not designated as hedging instruments:				
– Interest rate caps	1	–	11	–
– Embedded derivative liability	–	1,205	–	12,642
Derivative designated as hedging instruments:				
– Interest rate swap	–	8,768	–	12,798
Total	**1**	**9,973**	**11**	**25,440**

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

16. Financial risk management (continued)
(i) Embedded derivatives
During 2019, 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$1.2 million (*31 October 2020: US $12.6 million*) at 30 April 2021.

(ii) Derivatives not designated as hedging instruments
During 2019, 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 30 April 2021, included in other financial assets was US$1 thousand (*31 October 2020: US$0.01 million*).

(iii) Cash flow hedges
As at 30 April 2021, 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 30 April 2021 were as follows:

	As at 30 April 2021 US$'000	As at 31 October 2020 US$'000
At beginning of period	12,798	11,961
Other comprehensive income:		
Cash flow hedge reserve	423	7,335
Payments reclassified to profit or loss	(4,453)	(6,498)
Total	**8,768**	**12,798**

The remaining portion of US$0.4 million (*31 October 2020: US$7.3 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$4.5 million (*31 October 2020: US$6.5 million*) have been recycled from the cash flow hedge reserve during the period.

17. Capital and reserves
(a) Share capital
As at 30 April 2021, the subscribed capital of the Company was US$14,000 (31 October 2020: US$14,000) as represented by 1,400,000 (31 October 2020: 1,400,000) shares fully paid-up with a nominal value of US$0.01. Refer to note 20 for details of redesignation which occurred subsequent to the balance sheet date.

(b) Share premium
As at 30 April 2021, the share premium of the Company amounted to US$1,778.3 million (*31 October 2020: US$1,604.3 million*). During the period, 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$135,337,908 on 20th November 2020. This is included as an inflow in the financing activities section of the Interim Condensed Consolidated Statement of Cash Flows;
- A second capital contribution of US$38,698,541 on 25th November 2020. This was a non-cash item and further details are disclosed in Note 10.

(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 reserve
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.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

17. 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.

18. 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.

(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 consolidation. Further details of the subsidiaries of the Group are included in Note 17 of the last annual financial statements.

(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 period.

(iv) Transactions with key management personnel

There were no other transactions with key management personnel during the period.

(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 were disclosed in Note 26 of the last annual financial statements.

19. 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).

(iii) Arising through a business combination

Details of any commitments or contingencies that have arisen through a business combination are disclosed in Note 10.

Notes to the Interim Condensed Consolidated Financial Statements
For the six months ended 30 April 2021 (continued)

20. Post balance sheet events
(a) Initial public offering ('IPO')
The Initial Public Offering (IPO) of the Company was completed on 19 May 2021 when SUSE S.A. issued 18,300,000 shares at €30.00 per share for net proceeds of €540,765,000 and listed those shares together with the existing shares of the Company on the regulated market of Frankfurt Stock Exchange (Prime Standard). As at 30 April 2021 an Initial Public Offering (IPO) was considered highly probable.

Set out below are key related events that occurred in preparation or as a consequence of the IPO closing:

Amendment to Company type – 3 May 2021
In preparation for the IPO, the corporate name of the Company amended from Marcel LUX IV S.À R.L. to SUSE S.A. and the Company was transformed into a public limited liability company.

Amendment to the share capital of the Company and capital increase – 3 May 2021
The share capital of the Company was increased by US$ 126,000 from its original amount of US$ 14,000 to US$ 140,000 through the increase of the nominal value of each share from US$ 0.01 to US$ 0.10. The nominal value of the shares was cancelled, and the share capital of the Company set at US$ 140,000 divided into 1,400,000 shares without nominal value.

Authorized share capital of US$ 26,000,000 (including the Company's issued share capital) was created , represented by 260,000,000 shares without any nominal value.

The share capital of the Company was further increased by US$ 14,860,000 from US$ 140,000 to US$ 15,000,000 through the creation and issuance of 148,600,000 new shares without nominal value.

Subsequently, on completion of pricing, the company raised net proceeds of €540,765,000 having transferred 18,300,000 ordinary shares of €30.00 per share to new investors, resulting in a credit to share premium.

The share capital of the Company now amounts to US$16,830,000 comprising 166,900,000 shares without nominal value.

Director changes – 3 May 2021
EQT Luxembourg Management SARL resigned as manager of the Company. A management board comprising two members and a supervisory board comprising eight members were appointed.

Management and Employee Incentive Plans
(i) Virtual Share Option Plan
In accordance with clause 5.3 of the scheme, management chose to settle the VSOP obligation partially through cash (30%) and the issuance of SUSE S.A. equity instruments (70%). Refer to Note 14.

(ii) Management Investment Participation Plan
Following the IPO on 19 May 2021, 6,338,962 of ordinary shares were repurchased from the MPP participants in cash or in exchange for ordinary shares in SUSE S.A. As at 30 April 2021, in anticipation of the IPO, the Group recognized an acceleration of the vesting related to the repurchased shares. Refer to Note 14.

(iii) New Employee Incentive Programs
Following the Initial Public Offering, the Group established several Employee Incentive Programs, including (a) Executive Bonus Plan, (b) Long Term Incentive Plan, and (c) IPO and retention bonus plans.

Repayment of Loan Notes
On 21 May 2021, following the IPO at the Frankfurt Stock Exchange on 19 May 2021, the Group repaid the loan notes as already anticipated as at 30 April 2021. Refer to Note 12.

(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 analyzed 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.

Appendix 1: Glossary of Key Terms

Key Term	Definition
Separately reported items	Separately reported items are items presented separately on the face of the Interim Condensed Consolidated Statement of Comprehensive Income to assist in a better understanding of the financial performance achieved for a given year.
Headline	Headline performance reported separately on the face of the Interim Condensed Consolidated Statement of Comprehensive Income is from continuing operations and before items reported separately on the face of the Interim Condensed Consolidated Statement of Comprehensive Income.
Consolidated net leverage	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.

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26A, Boulevard Royal
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Report of the Réviseur d'Entreprises agréé on review of Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of SUSE S.A. (formerly Marcel Lux IV S.à r.l.) and its subsidiaries ("the Group"), which comprise the interim condensed consolidated statement of financial position as at 30 April 2021, the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim condensed consolidated financial statements ("the interim condensed consolidated financial statements"), including a summary of significant accounting policies.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 April 2021 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

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Emphasis of Matter – Corresponding figures

We draw your attention to the fact that we have neither audited nor reviewed the corresponding figures of the Group as at 30 April 2020 and for the six-month period then ended, or any of the related notes, and accordingly, we express neither an audit opinion nor a review conclusion on these corresponding figures.

Luxembourg, 14 July 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Christelle Bousser

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