Innovate Everywhere

2022 Annual report

SUSE

Innovate Everywhere

"FY22 was a milestone year for SUSE for many reasons, including celebrating our 30th birthday. SUSE's pioneering contributions have changed the world and are felt in every industry and walk of life, from powering CAT scans and space missions, to aiding in the development of life-preserving vaccines, to enhancing everyday comforts such as smart retail experiences, remote learning and autonomous vehicles.

In 30 years, we have transformed SUSE from being viewed as a regional player into a dynamic global leader that more than 60% of the Fortune 500 rely on to power their mission-critical workloads."

Melissa Di Donato
Chief Executive Officer

Contents

* These sections together comprise the Combined Management Report and the Corporate Governance Statement as required by Luxembourg Law.

About this report

SUSE is pleased to present its annual report for the reporting period from November 1, 2021, to October 31, 2022 (except where otherwise specified).

This report contains the major financial and sustainability-related information necessary to evaluate SUSE's performance. We include topics based on the following reporting principles: materiality, sustainability context, completeness, balance and stakeholder inclusion. Along with this report we also publish additional information online. Links to relevant online content can be found embedded within this report.

Our sustainability reporting references the GRI (Global Reporting Initiative) Standards and includes our EU Taxonomy disclosure aligned with the Non-Financial Reporting Directive (NFR Directive). Financial results are provided both on an IFRS and an Adjusted Basis, with reconciliations provided to IFRS financial results.

In this report you will find evidence of our commitment to deliver for our shareholders and other stakeholders, including customers, employees, partners and communities. We do this through providing an innovative, open workplace for our people to thrive so they can deliver the most secure software to our customers. We invite you to read about what we are doing and how we are empowering secure innovation everywhere.

About SUSE

Who is SUSE?

SUSE has been powering mission-critical workloads with enterprise-grade, secure and open software for more than 30 years.

We have stood the test of time through an obsession with continually adding value to the customer experience. With our help, customers may achieve the highest pinnacles of their innovation, turning them into innovation heroes.

We empower our people to do their best, most creative and purposeful work with SUSE. The environment that everyone at SUSE has co-created — and will continue to advance — is a key foundation for our continued and accelerating success. Innovation is in our DNA, and it's what makes us special.

#InnovateEverywhere

Read more about our Strategy on page 26

What SUSE offers

SUSE recognized the power of open source — "the power of many" — very early on. We were the first company to bring Linux to enterprise customers, founded just a year after Linux was introduced to the world.

Our ability to rapidly innovate stems from the high-velocity and community-led innovation that is unique to open source, as well as from our own highly skilled engineering teams. The open source community, consisting of millions of programmers — including our employees, contributes to open source projects every day, resulting in rapid innovation, software enhancements and bug fixes. Our open source ethos creates a virtuous circle whereby we receive valuable feedback and contribution from the community which, in turn, allows us to build better software that benefits our customers and the community.

Our customers subscribe to our software and service offerings via multi-year or month-to-month agreements, ensuring they are supported and continue to receive the most up-to-date, reliable and secure versions available.

Our products include Business-critical Linux, Enterprise Container Management and Edge computing solutions. Our highly differentiated product portfolio provides a distinct combination of customer-focused advantages in the market, including:

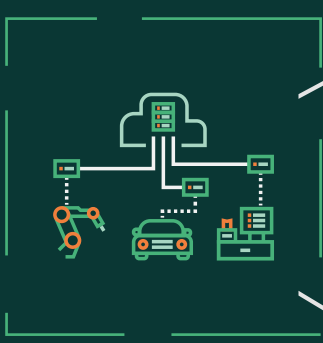
- Open and interoperable software.
- A world-class customer experience.
- End-to-end security.
- A proven path to cloud native transformation.
- Our expert focus on mission-critical workloads.

Our offerings are designed to meet the exacting demands of enterprises, service providers and global partners who embed our offerings into theirs. SUSE solutions can be deployed in the cloud, on premises or both, providing agility and flexibility that is critical in today's fast-changing technology environment.

Thousands of organizations around the world trust SUSE with their most mission-critical needs, backed by our SUSE Diamond people – employees, communities, partners and fellow customers.

Our innovative offerings put us right at the center of running modern enterprise workloads anywhere. Our offerings come from three interconnected product families:

Business-critical Linux
The SUSE Linux Enterprise family provides a stable, secure and expertly supported Linux operating system for mission-critical workloads such as SAP S/4HANA and other solutions.



Edge
Our Edge offerings bring the best of our Linux and container technologies together. This is helping SUSE to truly innovate at scale by pushing business applications to where they are needed most.

Enterprise Container Management
SUSE Rancher solutions enable our customers to standardize cloud native workload operations across all devices and landscapes, with end-to-end security meeting the highest standards thanks to SUSE's NeuVector technology.

2022 highlights

Delivering more innovation to customers

At SUSE, we made major updates to our flagship products – SUSE Linux Enterprise Server and SUSE Rancher – and introduced new Edge solutions. We formed new and grew existing partnerships with brands such as AWS, Google, HPE, NVIDIA and AMD, which grew our strengths in confidential computing and supply chain security.

See Strategy on page 26
See Products and innovation on page 34

Continually adapting our business for success

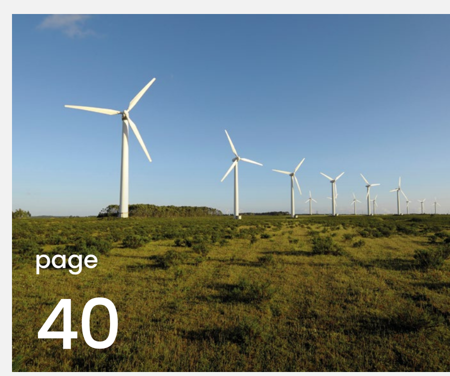
We introduced our Business Unit operating model, uniting engineering and product management under three General Managers overseeing Business-critical Linux, Enterprise Container Management and Edge solutions. This provides a single point of accountability for end-to-end product management and positions us to better execute on growth opportunities, capitalize on digital transformation and better serve our customers. In addition, the creation of Chief Revenue, Customer and Commercial Officer roles means we are better able to focus – and execute – on revenue generation, customer experience and commercial excellence. We also received accolades from around the world for making SUSE a great place to work, for our creativity and brand, for our products and innovation, and for our leaders.

See CEO's letter on page 16

Furthering our ESG vision

Our business integrated sustainability in new ways in FY22. We delivered our first environmental, social and governance (ESG) annual report, received ISO 27001 and ISO 27701 certifications, achieved strong ESG ratings, and set emission targets aligned to net-zero standards, while building the roadmap to 2030.

See Managing responsibly on page 62



Improving the world through secure innovation

SUSE quickly open sourced newly acquired NeuVector – making it the industry's first open source container security platform – to drive faster adoption and set new standards for cloud native security to meet customer needs, including zero-trust operations.

See Products and innovation on page 34

SUSE is a resilient innovator in high-growth markets

Building on our heritage of growth, our resilient business model continues to result in strong financials in an adverse macroeconomic environment, with year-on-year growth in revenue and profitability. With our highly differentiated product portfolio in rapidly growing markets supported by global megatrends, SUSE continues to empower secure innovation everywhere.

See Operating environment and stakeholders on page 19

Financial highlights

Non-IFRS measures

ACV
$536M
+9% growth
+13% growth constant currency

Adjusted revenue
$658M
+14% growth
+15% growth constant currency

Adjusted EBITDA
$242M
+14% growth
37% margin

ARR
$646M
+12% growth (as at July 2022)

Adjusted unlevered free cash flow
$188M
78% cash conversion

IFRS measures

Revenue
$653M
+17% growth

Operating profit before depreciation and amortization
$153M

Gross profit
$601M
+16% growth

Contract liabilities (deferred revenue)
$566M
+12% growth

Net cash inflows from operating activities
$147M

Other highlights

100+
SUSE engaged open source projects

100M+
Rancher software downloads

23.6%
Women in leadership positions

$108M
Value of deals with ACV in excess of $1M

2,300+
Global employees in more than 30 countries

Purpose, values and culture

Innovate everywhere

At SUSE, our purpose is to empower secure innovation everywhere.

It is easy for us to know when we are fulfilling our purpose at SUSE. It's every time we help customers unlock new opportunities with our offerings and help them become innovation heroes.

By harnessing the power of open, we offer our customers unlimited possibilities – from the data center, to the cloud, to the edge and beyond.

Our passionate people

We are on a mission to power secure and open innovation everywhere and enable a better future for the world. By daring to be different, we can deliver more meaningful solutions for our customers, employees, partners and communities. We do this with passion and by harnessing the power of open collaboration to fuel long-term value creation for all our stakeholders.

Read more about how SUSE is innovating in our Managing responsibly section on page 62

Our community-inspired culture

We believe SUSE is a great place to work. Here are our top three reasons:

1. Our unique and vibrant culture
Our culture is deeply rooted in the ethos of openness, collaboration, inclusivity and having fun along the way. We are firmly focused on the success of our customers and our partners, and our team is always striving to solve the business challenges of tomorrow, today.

2. Our commitment to open innovation
A key SUSE differentiator is our commitment to open innovation. We contribute, participate and drive meaningful innovation with numerous open source communities. And we ensure our solutions work with our partners' and our competitors' technologies, so our customers have as many options to succeed as possible.

Our customers choose SUSE because it means access to cutting-edge and secure innovations, the flexibility to move at the pace they choose, and the ability to shape their success the way they want.

Our culture does not just enable us to optimize business processes, it helps SUSE create optimal solutions that are powerful and reliable. This means it also helps our customers and partners address global challenges such as enhancing cybersecurity and tackling climate change.

> **"At SUSE, our purpose is to empower secure innovation everywhere."**

3. Our passion for driving impact and doing good in the world

At SUSE we believe being open breaks down barriers.

We are an inclusive organization that ensures our people feel supported so they can do their best work. Our employees can join networks like Women in Tech, Pride at SUSE, Open Source Community Citizens, and GoGreen, our sustainability network.

We also believe in giving back to the community. Through SUSECares, our philanthropic giving program, employees can nominate charities to receive donations from SUSE. Employees are also given one full day a year to volunteer for a charity of their choice.

On a company-wide scale, we are planting thousands of trees in Madagascar, which is home to the chameleon, our company mascot.

Our accountable leaders

At SUSE, we deliver on our promises. This is why we continue to earn the long-term trust of our stakeholders in the SUSE Diamond.

Our leadership team is focused on creating a culture inspired by openness and diversity, where we collaborate without boundaries, learn from each other and give back to our communities. At SUSE, our customers are truly partners in co-creating innovation with SUSE. With every solution, our leadership team learns more about how we can adapt our products for various industries, continually building long-term trust and value, creating customers for life.

We are obsessed with delivering on our commitments to our stakeholders. It's an obsession built on a legacy of open innovation, giving us a unique standing among the community. This legacy continues to influence how we work, collaborate and innovate, enabling our thriving employees to deliver customer success with passion and professionalism.

To achieve this, our management team is also committed to providing an energetic and inspirational working environment for our employees across the world. Every day we come to work excited to raise the bar and deliver innovations that help turn our customers into innovation heroes, our partners into advocates and our communities into evangelists.

At SUSE, our management teams make sure collaboration is fun, productive and inclusive. This includes continuous engagement with employees to actively show our people that our managers truly care, as evidenced by our ongoing action in response to the Covid-19 pandemic.

As our workforce has become more agile and hybrid, SUSE has adapted to ensure our people experience a positive work schedule and environment from anywhere.

Read more in Managing responsibly on page 62

Policies and procedures

SUSE is committed to ensuring compliance with all local laws and regulations in the jurisdictions in which we operate.

Our **Code of Business Ethics (COBE)** sets out the standards of conduct expected, without exception, of everyone who works for SUSE in any of our worldwide operations. SUSE expects all employees, contract workers and third parties to apply the highest ethical standards in making business decisions, to raise any concerns about breaches of the COBE, and promote the standards and behaviors expected among colleagues.

The COBE includes specific policies on:

- Diversity and Inclusion.
- Anti-Bribery and Anti-Corruption.
- Conflicts of Interest.
- Environment, Health and Safety.
- Human Rights.
- Charitable Donations and Political Activities.
- Whistleblowing.

Powered by our values

Everything we do at SUSE is driven by the power of open. This is built into our values, clearly defined by our employees, for our employees. Our values guide us to always work on things that really matter to our employees and our stakeholders, and they keep our management team accountable to SUSE. By empowering our employees, we ultimately drive value creation within our business, benefiting our customers, partners and communities. This is achieved by welcoming diverse opinions that enable customers to make better decisions.

LOVE – "Living Our Values Every day" – is the ethos that drives the entire SUSE team. These values are our North Star, and they will guide us as we continue to grow. They include:

We are empowered and accountable
We are empowered to be bold. We take responsibility, are accountable for our actions and are supported to learn from our mistakes to succeed.

We are collaborative
We collaborate as one unified SUSE – with openness and honesty, valuing all contributions and learning from each other through challenge and curiosity.

We are passionate about customers
Our customers are at the heart of everything we do. We are driven by innovation to best serve our customers.

We are respectful and inclusive
We embrace our global community by listening and debating, and by having an open mind to deliver and give back every day.

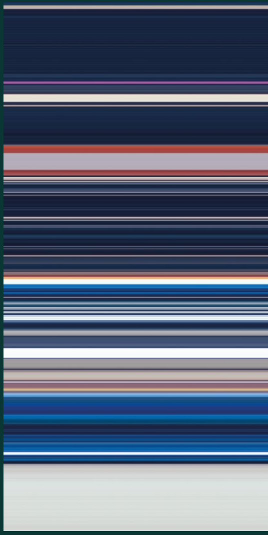
We are trustworthy and act with integrity
We are genuine, honest, fair and trusted to do what we say for our employees, customers, partners and communities.

We are SUSE
Open source is in our DNA. We have the freedom to innovate with expertise, passion, fun and ambition, and through the exceptional power of open source we are working with the SUSE Diamond to change the world.

These values actively support SUSE's priorities and encourage consistent behaviors across the company. They have also helped us create a strong ESG vision to ensure we manage SUSE responsibly, providing maximum value to the SUSE Diamond.

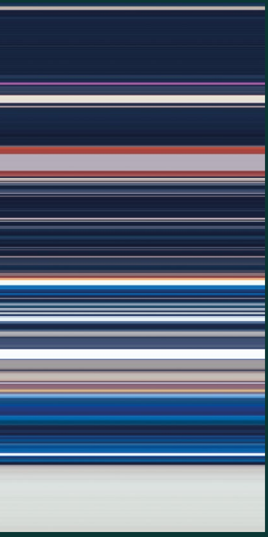
Read more in Managing responsibly on page 62

Innovate at scale



Continental AG

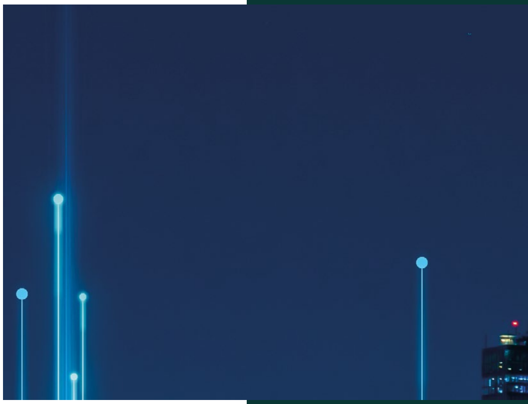
Indorama Ventures



Bosch Group

Hexagon

Accelerating production innovation for digital reality solutions



The challenge

A leading provider of digital reality solutions, Hexagon's Geosystems division wanted to accelerate the development of its innovative products. To run a new generation of applications reliably, including microservices, the division needed to embrace a DevOps mindset and supercharge its IT capabilities. So it became essential to provide a standardized solution with built-in reliability that could be managed by the central team and would reduce the complexity of deployments across the entire group.

The solution

Enterprise Container Management

Product

- SUSE Rancher

Why SUSE?

Seeking to transform and simplify deployment and application management, the IT team evaluated a number of solutions. By selecting SUSE Rancher, the division gets a CNCF-certified, enterprise-grade, open source Kubernetes solution with complete tooling for easy deployment and maintenance.

The division uses SUSE Rancher to group Kubernetes namespaces by project with secure, multi-tenant clusters with fine-grained permission management and role-based access controls. With offices, production facilities and data centers in Switzerland, the U.S. and China, as well as hosting partners in various countries, the IT team can now manage Kubernetes clusters on premises across all data centers and cloud environments, as well as at the edge.

- Accelerates innovation with focus on delivering value, not infrastructure.
- Zero downtime for platform patches, boosting compliance.
- Manages IT solutions more easily with a single pane of glass.
- Streamlines and automates deployment processes.
- Delivers new features and services more efficiently.
- Deploys complete Kubernetes clusters in 15 minutes instead of several days.

"For us, SUSE Rancher is a long-term solution to application management that will help us accelerate innovation and focus on delivering value, not infrastructure."

Christian Leitgeb
IT Infrastructure Systems
Hexagon's Geosystems division

Jonas Persson
Chair of the
Supervisory Board

Resilient business model performs in a challenging macroeconomic environment

Dear Shareholders,

FY22 marked SUSE's first full financial year as a company listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. It was a year marked by a significant period of upheaval for the stock markets as the impact of macroeconomic factors, such as the war in Ukraine, inflation, rising interest rates, rising energy prices and supply chain shortages, affected share prices across the world. The valuation of most technology-focused shares was impacted significantly as the market rotated away from high-growth companies.

SUSE was affected by this rotation and while SUSE's Core business proved resilient, SUSE's Emerging business was impacted by macroeconomic uncertainty which led to slower purchase decision making for new Rancher contracts and some customer project delays. At the end of FY22, SUSE's share price closed at €17.90, a decline of 54% from the close at the end of FY21 when the share price was €37.33.

"The Supervisory Board remains confident in the underlying fundamentals of the SUSE business and its strategy."

In Rancher, we have a market-leading container management platform, and we continue to see strong downloads and unique usage and users, reflecting the rapidly growing market that we reside in. To ensure we capture this growth opportunity we are evolving our Rancher business, as we announced at our Q3 results on September 22, 2022. With the release of Rancher Prime, we are introducing additional security certifications and capabilities for paying Rancher customers, and we have developed a specialized sales force for Rancher.

The Supervisory Board remains confident in the underlying fundamentals of the SUSE business and its strategy. Despite the macroeconomic challenges that SUSE faces, SUSE's resilient business model is well positioned to take advantage of the global megatrends that are driving growth in our markets, supported by our highly differentiated product portfolio.

The Company has demonstrated that its resilient business model can perform in difficult conditions and in FY22 showed that it is a high revenue growth and high EBITDA margin business. SUSE's Adjusted Revenue grew strongly, increasing 14% year on year. SUSE delivered high profit margins with an Adjusted EBITDA margin of 37%. These margins are supported by strong cost control and we expect to see continued benefits in FY23.

SUSE also demonstrated its balance sheet strength with a reduction in leverage from 2.6x to 1.9x.

I would like to congratulate the Management Board for continuing to produce impressive revenue and profitability results in an exceptionally challenging environment. I would like to thank the Management Board for its open and effective collaboration during FY22.

During FY22, the Supervisory Board, the Management Board and the Executive Leadership Team have collaborated to enhance SUSE's business strategy. This will provide SUSE with the platform to continue to navigate the challenging economic headwinds and continue to produce strong revenue and profit growth.

I would like to thank all employees worldwide for their dedication and hard work during FY22.

Jonas Persson
Chair of the Supervisory Board

Adjusted EBITDA margin

37%

30 years of trusted innovation

Dear Shareholders,

FY22 was a milestone year for SUSE for many reasons, including celebrating our 30th birthday. SUSE's pioneering contributions have changed the world and are felt in every industry and walk of life, from powering CAT scans and space missions, to aiding in the development of life-preserving vaccines, to enhancing everyday comforts such as smart retail experiences, remote learning and autonomous vehicles.

In 30 years, we have transformed SUSE from being viewed as a regional player into a dynamic global leader that more than 60% of the Fortune 500 rely on to power their mission-critical workloads.

SUSE continues to strive for business excellence, while adapting to the challenging macroeconomic and geopolitical environment.

One constant remains, and that is our priority to build and run a high-growth, profitable and predictable business. Notwithstanding the challenging conditions in global markets, we are dedicated to executing our ambitious growth plan by delivering innovative and secure solutions to our global customer base.

Over the course of FY22, we have seen notable new customer wins and significant expansion in existing accounts, including Fortune 500 and Forbes Global 2000 companies across the globe. Examples range from The Home Depot to Deutsche Telekom, and Honda to BMW.

Innovation has always been a critical component of SUSE's success, evidenced by the launch this year of new, advanced versions of our products including SUSE Linux Enterprise Server, SUSE Rancher, SUSE Edge and SLE Micro.

Strong, strategic partnerships with industry leaders such as AMD, AWS, Google, HPE, Microsoft, NVIDIA and SAP have strengthened our ability to reach new customers and market segments with innovative joint solutions.

At our flagship customer event, SUSECON 2022, we unveiled a comprehensive infrastructure security stack, leveraging the acquisition of NeuVector and existing expertise to enable secure business transformation. The announcements underscored our ambition to harness the power of open and interoperable innovation to build the most secure enterprise environments possible.

Building leadership and growing the capabilities of the SUSE team have been a major focus during the last year. We have taken steps to strengthen our organization by recruiting experienced sales leaders and introducing the Business Unit operating model, bringing together engineering and product management under General Managers. This provides a single point of accountability for end-to-end product success to better serve our customers and execute on growth opportunities.

"In 30 years, we have transformed SUSE from being viewed as a regional player into a dynamic global leader that more than 60% of the Fortune 500 rely on to power their mission-critical workloads."

33%
increase in End user customer deals worth $1 million or more

Growth of
15%
Adjusted revenue (at constant currency)

Since launching the Business Unit model, with dedicated leaders for Business-critical Linux, Enterprise Container Management and Edge solutions, we have created a strong foundation for cross-collaboration and continued success. Each of our three Business Units has made notable progress in strengthening alignment among engineering, product management, marketing and sales, which is reflected by our current success and growth potential.

This year we began the transformation of our sales and go-to-market strategy. We are simplifying our approach and introducing clearer accountability for our biggest customer opportunities and growth levers. This will enable us to serve our different customer segments in a much more targeted way, striking a balance between our focus on growth, powered by our ECM and cloud native business, with an equally strong emphasis on our core Linux business and renewals.

A resilient innovator in high-growth markets

In FY22 SUSE delivered $535.9 million ACV, a year-on-year growth of 13% at constant currency. We recorded 22% year-on-year growth in Cloud ACV and saw a 33% increase in End user customer deals worth $1 million or more.

During the last year our Adjusted Revenue was $657.8 million, representing growth of 15% at constant currency. Our adjusted EBITDA margin stood at 37%.

SUSE's success is powered by its solid long-term strategy, highly differentiated product portfolio, resilient business model and strong execution in growing markets.

> **“Your investment fuels our growth and enables our mission to tackle the digital transformation challenges of today and the next 30 years.”**

The megatrends driving growth in our markets remain unchanged, and SUSE is uniquely positioned to capitalize on them: across the world, computing workloads continue to grow, and customers are increasingly deploying these workloads in the cloud and at the edge, which underpins demand for Linux and container management products. Linux, including SLES, is taking share from competing operating systems, while the rising need for multi-cloud support and portability is driving container usage and demand.

Winning through differentiation

Capitalizing on these trends requires ongoing differentiation. We will continue to invest in a differentiated commercial offering for Rancher, with Rancher Prime being a key first step. We will also continue to expand our leadership in enterprise Linux, introducing a new generation of modular Linux during FY23. This ongoing innovation enables us to offer the security and compliance capabilities that directly serve the evolving needs of enterprise customers, including ensuring secure software supply chains and zero-trust operations, while maintaining our commitment to secure innovation and freedom from vendor lock-in.

Trusted innovator of secure software

Environmental, social and governance (ESG) is at the heart of our business and our sustainable growth, and we continue to make progress toward achieving our targets. We have delivered across all our commitments, including setting emissions targets and strengthening our information security and data privacy with ISO certifications. This is evidenced by SUSE consistently being among the top 25% of companies in various ESG ratings, including EcoVadis, ISS and Sustainalytics.

Thank you for trusting SUSE and our vision for the future of secure enterprise technology. It is an exciting time to be a leader in this industry, as we continue to give our customers opportunities to innovate everywhere.

Your investment fuels our growth and enables our mission to tackle the digital transformation challenges of today and the next 30 years.

Melissa Di Donato
Chief Executive Officer

Empowering secure innovation everywhere

Macroeconomic conditions

In a time of macroeconomic and geopolitical uncertainty, SUSE continues to demonstrate the resilience and strength of its business, delivering robust results in FY22. We are capitalizing on the strength of our mission-critical infrastructure solutions in rapidly growing markets by developing relationships with existing customers, while also attracting new ones. With our subscription-based model, diversified enterprise customer base, and multi-year contracts with up-front payments, we have a resilient business model that is driving long-term, sustainable growth. Altogether, SUSE remains well placed to drive value creation in the years ahead.

Industry outlook

IT spending, and especially the open source segment, has historically remained resilient even in the face of economic uncertainty or downturns. Worldwide IT spending is forecast to total $4.8 trillion in 2023, an increase of 6.1% from 2022, according to Gartner. Spending on enterprise software is projected to grow by 11.8% in 2023.

IT infrastructure is changing as it adapts to key challenges faced by enterprises. These challenges include:

- The need to deploy applications across hybrid and multi-cloud infrastructure in a uniform, reliable and consistent way.
- Maintaining high standards of security and compliance.
- The need for increased control, visibility and reliability of IT infrastructure as digitalization drives more IT capacity and explosive growth in data.

> **"Global megatrends are expanding the market for open and secure solutions, growing demand for those provided by SUSE."**

Driving innovation

In today's hyper-connected world, innovation is occurring virtually everywhere – in the data center, in the cloud, at the edge and beyond. The most successful businesses are those that capitalize on open and interoperable solutions that let them harness innovation, no matter where it occurs. With 99% of the Fortune 500 currently using open source software, open source technologies underpin nearly all types of IT infrastructure and IT solutions. A range of important new and established technologies – like cloud computing, supercomputers, and container, edge, and AI and machine learning solutions – depend on open source software.

Global megatrends are expanding the market for open and secure solutions, growing demand for those provided by SUSE. Specifically, cloud workloads are increasing and running on open source Linux, driving demand for paid Linux operating systems and containers.

Global trends accelerating demand for Linux and containers

With the volatility of the past year's economic climate, capital has become less accessible. Enterprises are reactively slashing costs and focusing on efficiency. They are seeking faster time to market and the ability to respond rapidly to changing conditions. These factors have accelerated the cloud native transformation agenda for many enterprises, leading to an increase in the migration of workloads from the data center to hybrid and multi-cloud and edge environments.

Enterprise cloud workloads are increasing and are running on open source Linux and containers, driven by growth in:

- Data analytics.
- IoT and edge computing.
- Cloud transformation.
- Supercomputing.
- AI and machine learning.

Analysts forecast that 85% of public cloud workloads will run on Linux by 2024, up from 75% in 2020, while 82% of paid Linux users will run workloads on multi-cloud by 2024, up from 72% in 2020. In addition, 80% of IT departments plan to ramp up their use of open source.

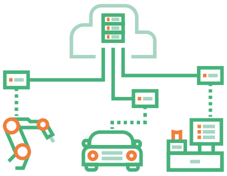
These workloads are driving demand for paid Linux operating systems and containers

Paid Linux for servers

SUSE Linux Enterprise Server

Container Management

SUSE Rancher and SUSE NeuVector



Edge computing

SLE Micro and K3s

- Linux is taking share from competing operating systems due to better stability, higher security, lower downtime, better performance, and versatility across cloud, on-premises and hybrid servers.
- Customers pay for compliance, certification (crucial for mission-critical applications), support, patches and updates.

- Only 5% of applications were containerized by 2020.
- It is estimated that by 2026, 90% of global organizations will be running containerized applications in production.
- Rising need for multi-cloud support and portability is driving container usage and cloud native storage demand.
- Kubernetes is becoming the de-facto platform for container orchestration.

- Edge computing is fundamental to the growing IoT market, with devices expected to double to 31 billion by 2025.
- Devices require compute power and connectivity at the edge.
- The need for instant decisions, low latency and security at device level is increasing.
- Purpose-built Linux and Kubernetes are foundational technologies for edge computing.

Our key stakeholders

At SUSE we are driven by the needs of customers and other stakeholders. We engage with them to understand their needs and concerns, now and in the future. This information guides our solution strategy and powers our success.

We aim to create value for all of our key stakeholder groups, over both the short and long term. Our key stakeholder groups make up our SUSE Diamond ecosystem: customers, partners, communities and employees, along with our investors.

By empowering our customers, partners, communities and employees to lead enterprise digital transformation securely and seamlessly, we create value for investors.

Customers

How our customers deploy technology makes a tangible difference in their business transformation. We design our solutions to add value and empower secure innovation everywhere.

What they tell us

Our customers value SUSE's open and interoperable solutions and the innovative power we provide via our communities. Customers are increasingly focused on security, stability and an accelerating rate of change.

How we respond

We are highly focused on improving the customer experience, creating very satisfied customers by enabling them to grow their businesses.

We value and actively seek our customers' feedback as it helps us see where opportunities for improvement lie.

For example, our acquisition and open sourcing of NeuVector meets customer needs for openness, interoperability and new standards for cloud native security.

Read more about our approach to addressing customer needs and challenges on pages 12, 32, 40 and 94

Partners

Our partners are often the crucial link between SUSE and our broader customer community. By fostering key partnerships, SUSE provides more value for customers while expanding our customer footprint. Our partners also provide tremendous value as they communicate SUSE's merit through co-marketing.

Partners include Amazon, Google and Microsoft, along with independent hardware vendors (IHV) such as HPE and independent software vendors (ISV) like SAP and Cloudera. We also have managed service provider (MSP) partners such as Atos who run our software on customers' behalf.

What they tell us

Our partners value building and delivering services around the enterprise-ready, open and secure solutions that SUSE has a long history of delivering.

How we respond

The SUSE One partner program provides a clear path forward for our partners to certify, build, sell and offer services with and through SUSE. The program creates paths for organizations to come together in different ways to accelerate business growth opportunities. Our collaborative partner relationships provide even greater insight into customers' and market needs, leading to greater innovation and success.

Communities

SUSE employees work closely with other open source community members to drive, build and refine the technologies that enable our customers to innovate everywhere. Their knowledge influences our code and our passion and culture. Our relationships with open source communities also help build trust with our customers.

Read more at https://community.suse.com/about

What they tell us

Open source communities value SUSE's dedication to innovation and the comprehensive support we provide, including access to a suite of learning resources and accessible tools. Open source communities are driven to improve the world, and we help leverage their contributions to make this happen.

How we respond

To provide the support the SUSE and Rancher open source communities want, we bring together experts from SUSE and the community. They quickly and efficiently develop practical cloud native and open source knowledge, and they share passion and expertise with like-minded enthusiasts. This is supported by regular, free Academy Classes, a podcast and an active blog, so members can come together and learn how to innovate everywhere faster.

We foster instruction tailored to different learning styles and goals, with assistance from peer learners and mentors along with hands-on practice and experimentation. This is supported by regular and targeted webinars for open source communities, as well as our annual conference SUSECON.

Employees

As a knowledge business that operates in an ecosystem of collaboration, our employees are our most important asset. They help us build our business from within and are the face of SUSE to our customers, partners and communities.

What they tell us

Our employees value the unique and vibrant inclusive culture that we all co-create here at SUSE. They value the team spirit that enables us to solve problems large and small for our customers. They also value SUSE's outward focus on doing more for the environment, giving back to the community, and tackling issues such as cybersecurity and climate change.

How we respond

Because our employees are drawn to and highly value our unique culture, ensuring the continued vibrancy of our culture is critical. We do this by pursuing ambitious objectives to support a diversity of ideas. At SUSE, our people know they can make a real impact by daring to be different.

Read more about our approach to people and employee engagement on page 62 in our Managing responsibly section

Investors and shareholders

SUSE offers investors a high-growth, high-margin investment opportunity. Our investors, particularly our long-term investors, give us the independence and ability to execute our strategy with confidence.

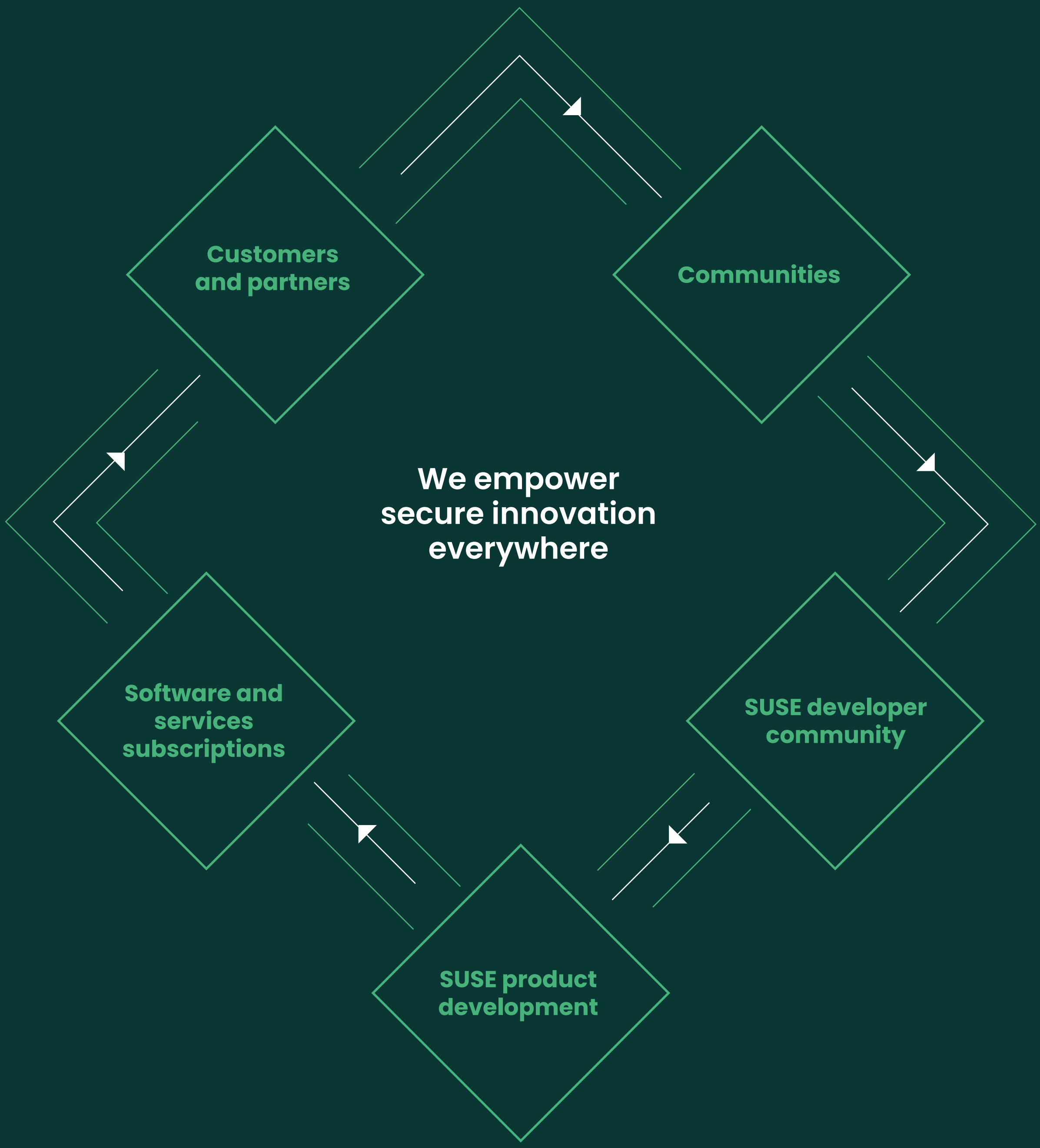
What they tell us

Investors are interested in our continued growth and long-term strategy. They also value our unique position as innovators in interoperable and open solutions — and the high barriers to entry in this space.

How we respond

We manage the business with a view to producing long-term sustainable value by delivering on our high-growth and high-margin potential. We communicate regularly with our shareholders to explain our strategy, the key drivers of our growth and our investment plans. We report regularly on how we are delivering, and we actively seek their feedback.

Empowering secure innovation everywhere



Customers and partners

How our customers and partners deploy technology makes a difference to how they transform their business.

Communities

SUSE works closely with open source communities to drive, build and refine technologies.

SUSE developer community

We bring together accomplished and aspiring cloud and open source developers.

SUSE product development

Our products fall into three categories: Business-critical Linux, Enterprise Container Management and Edge.

Software and services subscriptions

Our products and services meet the needs of customers and partners.

SUSE leverages code and software from the upstream community – which includes SUSE contributors – that our engineers further develop and refine to make more efficient and ready for deployment to enterprise customers.

This open source ethos creates a virtuous cycle. SUSE enhances valuable contributions from the community, helping us build better, more stable and more resilient products that benefit both SUSE's customers and the open source community. All code enhancements created by SUSE are contributed back to the upstream Linux project, powering further innovation in the community.

We benefit from a resilient business model that yields recurring revenues, leading to strong financials in an adverse macroeconomic environment.

Innovation at SUSE

SUSE's current offerings are key components of the modern cloud and edge workloads of enterprises. These offerings and consulting services support our three product families:

- Business-critical Linux.
- Enterprise Container Management.
- Edge.

These enterprise-grade software packages are delivered through subscriptions with services.

Our strategy

At SUSE, we are on a mission to be the most innovative, secure and trusted leader in Business-critical Linux, Enterprise Container Management and Edge solutions. Our future growth and delivery on this mission is based on a solid, long-term strategy, a highly differentiated product portfolio, and a resilient business model.

We play in rapidly growing markets, impacted by persistent global megatrends. Computing workloads continue to grow, and customers are increasingly deploying these workloads in the cloud and at the edge. These market dynamics, along with the rising need for multi-cloud support and portability, underpin strong demand for Linux and container management products.

Our highly differentiated product portfolio, supported by growth levers, will enable us to capture an increased share of these markets. We are organized to effectively address each of these markets, with a business line structure that allows distinct focus on Business-critical Linux, Enterprise Container Management and Edge solutions. We benefit from a resilient business model that yields recurring revenues, leading to strong financials in an adverse macroeconomic environment.

Delivering on our strategy

Our focus on five strategic pillars and key growth levers keeps us on course to deliver on our long-term strategy and growth objectives. This focus ensures we capitalize on the explosive growth in digitalization, hybrid and multi-cloud architectures, and edge computing.

Strategic pillar 1

Defend our strong position in our core business

Commercial excellence is a key lever as our highly motivated and effective salesforce, operating in conjunction with an extensive partner network, delivers impressive reach throughout the customer journey. Improving how we create and show value for customers underpins our objective to achieve fairer pricing and better-defined subscription licenses.

These efforts deliver global benefits, including helping us maintain and grow our business in regions where SUSE is traditionally strong. They also help preserve our leadership in mission-critical workloads such as SAP.

Strategic pillar 2

Win new customers

Rancher is the most widely adopted open source project for container management. Rancher Prime is the new version of SUSE's commercial offering, providing additional benefits such as support, enhanced security and certifications on top of the community version of Rancher.

SUSE's opportunity to convert unpaid Rancher users to Rancher Prime is significant, one that can result in a steady stream of net new customers. We also have significant opportunity to land additional net new customers in our emerging business with SUSE NeuVector and our leading Edge solutions.

Strategic pillar 3

Strengthen our business in markets with growth potential

Increased investment in geographic markets that present significant opportunities for growth is a key lever. These markets include the Americas and Asia Pacific and Japan. Of particular interest is the significant Federal market in the U.S.

Strategic pillar 4

Cross-sell into our installed base

The cross-selling opportunity created by leveraging our reach within the existing SUSE customer base of more than 10,000 accounts is tremendous. One example is SUSE NeuVector, our premier container security platform that has a unique opportunity for significant cross-sell into our Rancher and SUSE Linux Enterprise customer bases. Potential for cross-sell will also increase with any future M&A activity.

Strategic pillar 5

Expand our product portfolio

Innovation and new solutions are a key lever for the expansion of our product portfolio. Secure and reliable solutions built to meet real customer use cases and needs are further strengthened by new products and industry-first certifications.

There is a significant opportunity for growth in the Edge market, as well as the expected benefits in Enterprise Container Management resulting from Rancher Prime and the development of new capabilities. We have also greatly accelerated our speed of innovation through open source projects such as Harvester, Rancher Desktop, Epinio, Kubewarden and openSUSE ALP.

Acquisitions will also be key to portfolio growth. Continuous assessment of M&A opportunities will allow us to capitalize on SUSE's existing enterprise customer base by expanding our product suite and adding functionality. The intention is to increase the strength of our current offering by extending the depth and breadth of the SUSE portfolio.

Target areas to strengthen through acquisitions include, but are not limited to, edge computing, DevOps platform, cloud and management platform, and observability and DevSec Ops.

Our strategy is enabled by our people and a highly differentiated product portfolio, which will be key to our success in FY23

Our people

Our highly skilled workforce collaborates to innovate and ensure our customers' success. They help us build our business from within and are the face of SUSE to our customers, partners and communities.

A highly differentiated product portfolio

We will win in Business-critical Linux, Enterprise Container Management and Edge solutions, with clear differentiation versus the competition in several key areas.

The first area of differentiation is in cloud native transformation. We help customers accelerate delivery and full-stack operations of modern cloud native applications by increasing the productivity of developers and DevOps teams. We also ensure customers can seamlessly migrate existing applications from their own data centers toward hybrid and multi-cloud and edge environments.

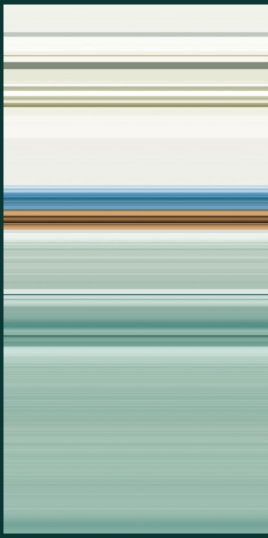
Our second area of differentiation is in mission-critical workloads. We deliver workload-centric optimization and resilience through insights and automation. In this segment, every minute of downtime creates huge issues for customers, and quality and robustness are vital. We offer this proven robustness 24/7 and are a trusted pillar of reliability.

The third area of differentiation is security. We ensure secure software supply chains and zero-trust operations that will provide a secure and reliable ecosystem for our customers to build, deploy and operate critical government and commercial infrastructures. We have already built strong credibility in this area, differentiated by openness and vendor neutrality and enhanced by the acquisition of NeuVector.

The fourth area of differentiation is the delivery of truly interoperable and secure solutions. Customers tell us they choose SUSE because we provide openness and freedom for them to use whatever infrastructure they want. This optimizes their access to cutting-edge innovation and empowers them to move at the pace they need.

Finally, we will continue to differentiate through best-in-class customer experience. We provide ease, confidence and insights for our customers and partners, making every interaction with us and our solutions a world-class and frictionless experience.

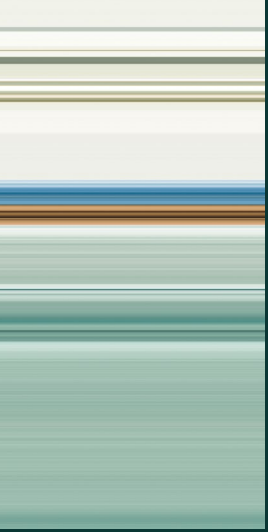
Guerbet



Innovate with passion

Aché

Office Depot



3DT Holdings

Modernizes and saves over 40% in IT management costs with SUSE

The challenge

Due in part to assimilating businesses through the years, Office Depot houses a mixed vendor technology environment for running retail operations and its central data center. Upon review, the IT team recognized that simplifying its mixed environment would allow it to better standardize operations and spend more time, budget and resources on developing innovative solutions for growth. The team also recognized that adopting a cloud-first strategy would assist in minimizing costs and responding proactively to market changes.

The solution

Business-critical Linux

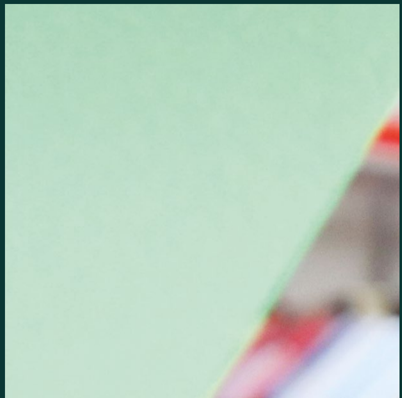
Products

- SUSE Linux Enterprise Server
- SUSE Manager

Why SUSE?

When planning how to better manage its mixed environment and securely migrate operations to the private cloud, the Office Depot team evaluated several vendors, along with the possibility of implementing and managing an open source-based solution itself directly from the community. A SUSE customer since 2006, Office Depot was already familiar with SUSE's long history in the retail industry and proven reliability. In the end, it determined SUSE solutions would help it reach its goals faster, more safely and more cost effectively.

- Office Depot has saved over 40% in IT management costs — this reduced cost of retail store IT overhead equates to a low-cost competitive position.
- SUSE infrastructure requires only a lean team to run it, helping to keep operating expenses down.
- SUSE Manager pushes out releases to 1,200 store environments.
- SUSE Manager for Retail automates updates for the in-store servers running over 5,000 point-of-sale registers.
- SUSE Linux Enterprise Expanded Support centralizes patch management for over 350 enterprise servers.
- Simplified data center management allows more time to innovate better customer experiences.



"By running a lean team with such a large infrastructure, it's important for us to have our resources focused on our customer needs instead of putting a lot of time, effort and energy into managing the operating system assets and infrastructure in the cloud and on prem."

George Woods
IT Infrastructure Applications
Office Depot

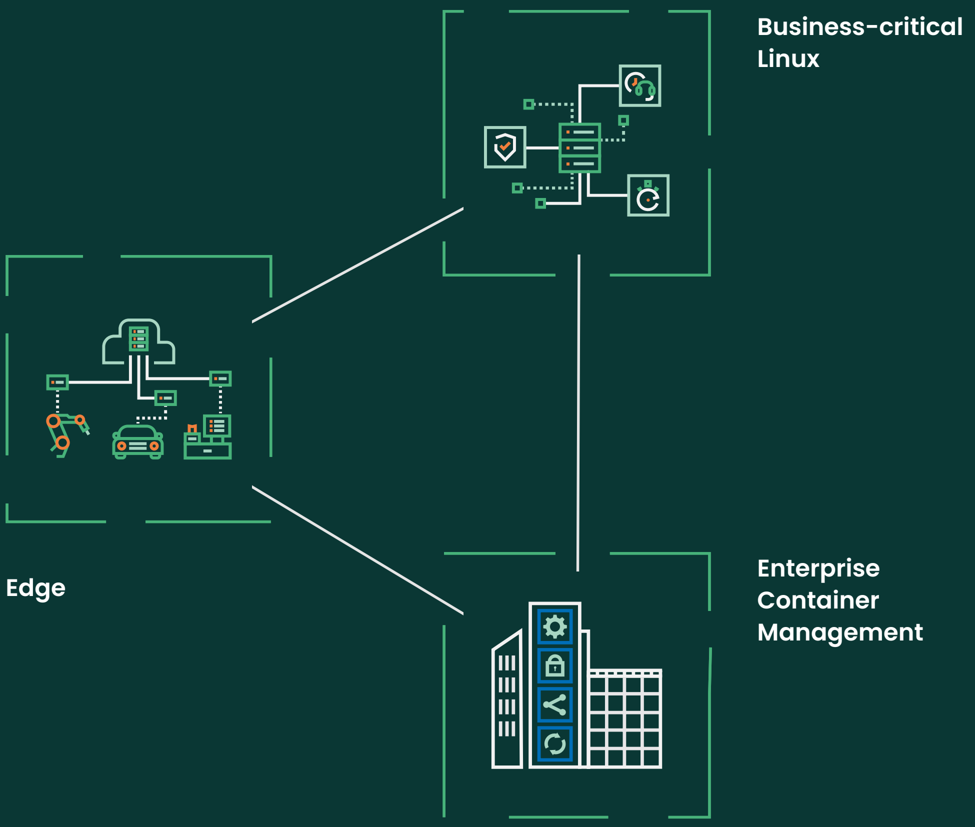
Winner in high-growth markets

SUSE is a global technology leader, powering mission-critical workloads with enterprise-grade, open and secure software. We are a resilient winner in rapidly growing markets supported by global megatrends, such as the explosion of cloud workloads running enterprise Linux operating systems, which is driving demand for paid Linux and containers.

SUSE stands ready to meet this demand with a highly differentiated product portfolio supported by product innovation, operational excellence and our exceptional people. Interoperable technology, outstanding customer experience, end-to-end security and a specialty in cloud native transformation fuel customers' mission-critical workloads. These solutions enable enterprises to innovate everywhere.

SUSE's offerings, grounded in SUSE's three decades of technical and customer service excellence, are key components of the modern cloud workloads of enterprises. These offerings and services support our three product families:

- Business-critical Linux.
- Enterprise Container Management.
- Edge.



Business-critical Linux is a mature and growing market, with SUSE continuing to be a central player. We address this market with the SUSE Linux Enterprise (SLE) product family, which provides an enterprise-ready, stable, secure and professionally supported Linux operating system, designed for mission-critical workloads such as business applications, databases and a variety of other solutions.

The **Enterprise Container Management** market is in a state of fast, high-growth expansion, giving SUSE a significant opportunity for growth in the coming years. The SUSE Rancher product family enables our customers to standardize cloud native workload operations across all infrastructure and any substrate. By offering the most widely used container management platform, Rancher is well positioned to remain the most widely adopted container management platform in the market, growing in the high double digits.

Given its fragmented state amid its growing importance, the **Edge** market provides SUSE with tremendous opportunities for future expansion. Built on the best of Linux and containers, and with some edge-focused functionalities, SUSE's enterprise-grade solution enables us to truly innovate at scale by pushing business applications to run as close as possible to where its customers are.

These three product families put SUSE right at the center of running modern enterprise workloads everywhere.

Enterprise solutions for customer challenges

At the heart of SUSE's strategy is our commitment to delivering open, interoperable products and solutions. SUSE products are truly open. This means SUSE software interoperates with leading products in the industry, even products from competitors. This approach is rooted in our belief that customers innovate best when they have freedom to choose the products they believe best fit their needs.

SUSE also recognizes that many organizations operate in a heterogeneous environment with multiple clouds, multiple Linux distributions and multiple Kubernetes distributions. As a result, we ensure customers have choice and flexibility — free from vendor lock-in — to define and easily adapt the IT strategy that best fits their needs.

In FY22, SUSE remained laser focused on creating a consistent enterprise compute platform from data center to cloud to edge, delivering innovations to both new and existing products that tackle our customers' transformation challenges. These challenges include:

- Minimizing the complexity of managing hybrid cloud infrastructure and cloud native apps.
- Modernizing legacy applications and accelerating time to market.
- Minimizing vendor lock-in while supporting IT and its future evolution.
- Securing all mission-critical workloads with maximum privacy and compliance.
- Managing the breadth, scale and complexity of edge use cases.

Major updates across all product families in FY22

Business-critical Linux

SUSE Linux Enterprise Server 15 Service Pack 4 (SLES 15 SP4)

The latest version of SUSE Linux Enterprise — SLES 15 SP4 — was announced in June at our annual conference, SUSECON. SUSE's customers demand predictability and incremental improvements to what has become the world's most secure and trusted enterprise Linux distribution. So, for example, we added compliance with version 4 of Google's SLSA framework, which will help customers combat vulnerabilities such as Log4j and upstream JavaScript library issues.

As most companies today are delving into cloud native development, often their infrastructure is a heterogeneous mixture with the more transaction-oriented and data-intensive workloads still needed to run in-house using virtualization. Think of SUSE Linux Enterprise as more than an operating system – it's a security-driven platform that works consistently across any environment and supports many different types of workloads. It's optimized to support SAP applications, pervasive encryption, confidential virtual machines in the cloud, accelerated and high-performance computing, and more.

Since the previous release last June of SLES 15 SP3 and openSUSE Leap 15.3, SUSE has synchronized the free Leap product with its enterprise version's codebase. This new version follows this model, so SLES 15 SP4 and the free openSUSE Leap 15.4 are closely comparable, facilitating adoption and monetization.

SUSE Linux Enterprise (SLE) Micro 5.3

Designed as a lightweight and secure operating system for containerized and virtualized workloads, SLE Micro 5.3 adds edge-focused security features such as secure device onboarding and live patching, which allows for non-disruptive operating system updates. SLE Micro enables the modernizing of workloads with support for IBM Z and LinuxONE, in addition to other key supported architectures. SLE Micro is also helping expand SUSE's reach into target industry segments such as telecommunications and manufacturing by including support for 5G as standard. SLE Micro also makes it easy for organizations of all sizes to adopt Kubernetes because it is designed to work well with K3s, Rancher's RKE2 or third-party Kubernetes distributions.

SUSE Manager 4.3

An infrastructure management solution designed to secure and simplify entire mixed-Linux environments at the core data center, on the edge or in the cloud, SUSE Manager 4.3 provides security through automation, centralized scalability and freedom of choice. It runs on multiple architectures, including x86, IBM Power, IBM zSystems and LinuxONE.

Enterprise Container Management

SUSE Rancher 2.7

SUSE Rancher helps IT professionals address the operational and security challenges of managing certified Kubernetes clusters in the data center, in the cloud and at the edge. It also provides DevOps teams with integrated tools for building and running containerized workloads at scale. Released in December 2022, following the release of SUSE Rancher 2.6.5 in May, SUSE Rancher 2.7 features major updates across the platform that help enterprise customers better manage their growing Kubernetes environments. Its major enhancement is the inclusion of the Elemental toolkit, which gives users the ability to manage container-based operating systems like SLE Micro 5.3. This means that with Rancher 2.7, they can manage any of their Kubernetes clusters, their container operating systems and, via integration with Harvester, their hyperconverged environment – all from a single pane of glass.

SUSE NeuVector 5.0

Integrated with SUSE Rancher, the SUSE NeuVector 5.0 container security platform works with other enterprise container management platforms including Amazon EKS, Google GKE and Microsoft AKS. SUSE Rancher users can access and be authenticated to manage SUSE NeuVector directly through the Rancher console, giving customers the benefit of a complete zero-trust stack with a seamless user experience that simplifies security management for large, globally distributed Kubernetes environments.

Edge

SUSE Edge 2.0

An open, lightweight software infrastructure solution for building, deploying and managing edge applications, SUSE Edge 2.0 features our ultra-reliable, lightweight Linux operating system, SLE Micro, and industry-defining lightweight Kubernetes distribution K3s. Both are purpose built for operating in edge environments. SUSE Edge 2.0 also includes Rancher for managing cloud native containerized workloads, and Harvester for managing virtual machine environments. This updated solution leverages SUSE Rancher 2.7's new capability to manage and update SLE Micro 5.3 across thousands of edge-located devices.

Driving open innovation

The combined resources of SUSE and Rancher have greatly accelerated the company's speed of innovation, as evidenced by the following open source projects:

HARVESTER

Harvester

A hyperconverged infrastructure (HCI) solution that accelerates digital transformation by allowing enterprises to consolidate, simplify and modernize existing IT operations. When combined with Rancher, Harvester unifies the delivery of virtual machines and containers, while eliminating the complexities, lock-in and overhead costs imposed by legacy HCI solutions.

RANCHER DESKTOP

Rancher Desktop

The simplest way to run Kubernetes and Docker workloads for more than 20 million developers running in Windows, Linux or Mac environments.

EPINIO

Epinio

Increases the productivity of developers when building and deploying applications rapidly on Kubernetes, without requiring them to understand the complexities of the underlying infrastructure itself.

KUBEWARDEN

Kubewarden

Security concerns remain a prominent barrier for Kubernetes adoption with enterprises. Kubewarden is designed to help remove those obstacles. It allows operations and governance teams to codify the rules of what can and cannot be run in their environments. Workloads and policies can be distributed and secured in the same way, ultimately removing bottlenecks and reducing the time DevOps teams need to spend reviewing policies. Kubewarden was contributed to the Cloud Native Computing Foundation (CNCF) in 2022. As shown by K3s and Longhorn before it, contributing code to the CNCF drives adoption and ensures maximum visibility for SUSE's innovation in the cloud native community.

openSUSE ALP

In October 2022, we launched a prototype of our next-generation operating system, openSUSE ALP (Adaptable Linux Platform). By using a very small base operating system and immutable, read-only root filesystem, openSUSE ALP will be a flexible, secure, customizable and modular Linux designed for efficiency and immutability – optimized for specific customer use cases and workloads. Additional packages or updates will be stored in separate snapshots, so if the openSUSE ALP system does not start up correctly, it will automatically reboot and self heal. Currently a community-driven project, openSUSE ALP is leading the next wave of Linux innovation.

Industry-leading security for Linux and Kubernetes

SUSE Linux Enterprise Server's market-leading security and compliance story continues to grow, as SLES now complies with Google's SLSA level 4 certification, complementing SLES's EAL 4+ level secure software supply certification that was announced last year. This unique combination means SLES is now the world's most trusted and secure enterprise Linux distribution – an ideal foundation for critical infrastructure providers such as telecommunications companies and others innovating at the edge and in IoT.

Our security success with SLES together with our industry-leading cloud native expertise will be used as a blueprint for future commercialization of Rancher and other technologies in our cloud native portfolio. In the future, a hardened version of Rancher combined with SUSE NeuVector will set new standards for a new cloud native and open security effort based on best practices, guidance and reference architectures within the movement toward zero-trust security adoption. Keeping our promise of open interoperability, SUSE will also continue to work with partners to offer customers superior Kubernetes security across the cloud native ecosystem, on any platform or with any orchestrator.

Further enhancing our market-leading offerings for SAP

SUSE continues to lead the SAP arena with innovative enhancements to the SAP platform in SUSE Linux Enterprise Server for SAP Applications, an SAP Endorsed App. For example, SUSE launched Trento, delivering enterprise-supported Trento premium content with the SLES for SAP Applications product. It is designed to help enterprise and integrator system administrators avoid common infrastructure problems with SAP systems that can result in delayed service implementations or unplanned downtime.

At the same time, SLES for SAP Applications keeps the focus on assisting customers by removing service outages and reducing operational risks and costs. It also increases security and achieves operational excellence with automation, management, monitoring and continuous validation of best practices. SUSE is accelerating customer adoption of SAP S/4HANA on-premises and in the cloud, simplifying their SAP platform operation, and modernizing their IT environments. This results in the expansion of SUSE solutions beyond the SAP core to the broader IT organization related to SAP, including edge and IoT environments.

Repsol

Hypergiant

Innovate for the future

European Space Agency

Steinbeis Papier

Customer case study: Repsol

Repsol gains scale and agility with SUSE on the cloud

The challenge

Technology is playing a pivotal role in Repsol's journey to becoming a net-zero emissions business by 2050. One of its first steps was migrating from a large and complex on-premises infrastructure to embracing a cloud-first, multi-cloud strategy. Repsol knew this would give its data and applications the scale, agility and power to help the company navigate toward a more sustainable future. Among these applications is an extensive SAP ERP landscape, which has underpinned key business activities at Repsol for years.

The solution

Business-critical Linux for SAP-specific deployments

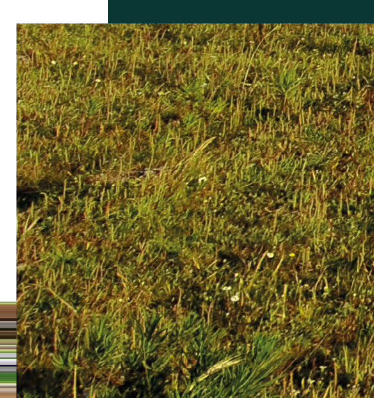
Product

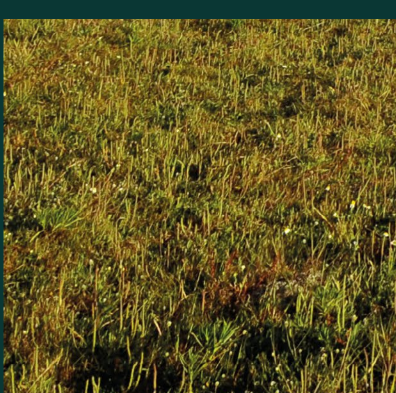
- SUSE Linux Enterprise Server for SAP Applications

Why SUSE?

Previously, Repsol used on-premises servers to run SAP applications and Oracle databases on Red Hat Enterprise Linux. When the company kicked off its cloud journey in 2018, it standardized on SAP HANA databases and adopted SLES for SAP Applications. Moving its SAP environment to SLES on the cloud offered clear cost and performance advantages. Thanks to the close partnership between SUSE and SAP, Repsol felt confident that SLES for SAP Applications offered the best future-proof platform for its mission-critical ERP solution.

- Enables fast deployment of SAP applications in the cloud, boosting business agility.
- Stability and simplicity allow Repsol to focus on driving innovation.
- Migrating to cloud supports Repsol's transition to net-zero emissions with energy and carbon reductions.





"We are well on our way to building a more agile and sustainable business. The deployment of SLES for SAP Applications is an important step on this journey, helping us shape a technology infrastructure that can respond faster to changing needs and support our transition to a net-zero emissions company."

Virginia Molina Jiménez
SAP Infrastructure Systems
Repsol

Strong performance

Group performance

The Consolidated Financial Statements are shown on pages 138 to 216 and show the performance of the Group on a statutory basis. Key highlights are as follows:

Revenue and gross profit

Revenue for the year ended 31 October 2022 is $653.0 million (2021: $559.5 million) representing 17% growth and gross profit is $601.2 million (2021: $516.3 million). Gross profit margin is broadly consistent, being 92.1% compared to 92.3% in the prior year.

Separately reported items

Items reported separately due to their significance and non-operating nature are $nil for the year ended 31 October 2022 (2021: $26.9 million). Further details are set out in Note 8 to the Consolidated Financial Statements.

Operating profit/(loss) before depreciation and amortization

Operating profit/(loss) before depreciation and amortization for the year ended 31 October 2022 is $152.6 million (2021: Loss $48.0 million), partly reflecting continued revenue growth and preservation of gross margin. The current year reflects an increase in Long-term incentive costs following the introduction of the scheme part way through the prior year, in May 2021. This increase is more than offset by a significant one-time share-based payment charge of $157.2 million in the prior year, relating to the settlement of the virtual Share Options Program, triggered by the IPO.

Amortization and depreciation

Amortization and depreciation of $153.1 million for the year ended 31 October 2022 (2021: $153.0 million) includes $142.0 million of amortization of intangible assets, $3.8 million of depreciation on property, plant and equipment and depreciation/impairment of right-of-use assets of $7.3 million. A large portion of amortization of intangible assets is attributable to assets acquired as part of previous business combinations. Further details are set out in Notes 15, 16 and 24 to the Consolidated Financial Statements.

Net finance costs

Net finance costs were $40.7 million for the year ended 31 October 2022 (2021: $58.9 million). The reduction in costs compared with the prior year is primarily due to $30.8 million (2021: $46.8 million) of loan interest driven by significant debt repayments in 2021. Prior year net finance costs also benefited from foreign exchange gains in respect of the external loan facilities ($10.8 million) and the fair value gains on derivatives ($12.7 million). In September 2022, the Group entered into interest rate swap agreements on our debt facilities out to 2025. Further details are set out in Notes 11 and 29 to the Consolidated Financial Statements.

Taxation

Taxation for the year is a credit of $4.0 million (2021: $54.3 million credit) in respect of the loss before tax of $43.5 million, which represents an effective tax rate of 9.2%. The key items which reduce the rate below the reconciling tax rate of 28.1% are permanent differences relating to share- based payments, irrecoverable withholding and other taxes and prior year adjustments. Further details are set out in Note 12 to the Consolidated Financial Statements.

Alternative Performance Measures

The above results are significantly impacted by the accounting treatments applied following the acquisition and carve out of SUSE from Micro Focus International plc. and the subsequent acquisitions of Rancher Federal Inc. and Rancher Labs Inc. (Rancher Group), and NeuVector Inc. The Alternative Performance Measures (APMs) shown below have been calculated with the express purpose of showing the underlying trading of the business including, but not limited to, revenues, profitability and cash flow generation. The Board believes these APMs provide a clearer view of the underlying trading of the business and its progress. The reconciliation of the key APMs to the IFRS measures are shown within this report so the reader can understand the adjustments made. SUSE presents APMs because they are used by management in monitoring, evaluating and managing its business, and management believes these measures provide an enhanced understanding of SUSE's underlying results and related trends. Some of these measures are derived from the IFRS accounts of SUSE, and others from management reporting.

The APMs are presented based on pro-forma numbers including Rancher as if owned from the 1 November 2020 (purchased 25 November 2020, included in results from 1st December 2020). NeuVector results are included for the year ended 31 October 2022, however, pro-forma results are excluded for most APMs, as the NeuVector results are immaterial to SUSE. NeuVector is included within the prior year's Net Debt, Leverage and Contractual Liabilities and Remaining Performance Obligations, as part of the 31 October 2021 balance sheet.

Key APM highlights are:

- Adjusted Revenue $657.8 million vs. $575.9 million in the prior year, growth of 14%.
- Adjusted EBITDA $241.9 million vs $212.1 million in the prior year, growth of 14%.

The Alternative Performance Measures for SUSE are:

APM (Note 1)	**Year ended 31 October 2022 US $M's**	Year ended 31 October 2021 US $M's	% Year-on-year movement
Annual Contract Value (ACV)	**535.9**	490.6	9%
Adjusted Revenue	**657.8**	575.9	14%
Annual Recurring Revenue (ARR) (Note 2)	**645.8**	574.9	12%
Net Retention Rate (NRR) (Note 2)	**106.2%**	110.7%	(4%)
Adjusted Gross Profit	**606.9**	534.9	13%
Adjusted Gross Profit Margin	**92%**	93%	
Adjusted EBITDA	**241.9**	212.1	14%
Adjusted EBITDA Margin	**37%**	37%	
Adjusted Cash EBITDA	**295.2**	278.2	6%
Adjusted Cash EBITDA Margin	**45%**	48%	
Adjusted Profit after Tax	**134.6**	85.1	58%
Adjusted Earnings Per Share (US)	**0.80**	1.02	(22%)
Adjusted Unlevered Free Cash Flow (Adjusted uFCF)	**187.7**	200.2	(6%)
Cash Conversion	**78%**	94%	
Net Debt	**557.7**	720.5	(23%)
Leverage	**1.9x**	2.6x	(27%)
Contractual Liabilities and Remaining Performance Obligations (RPO)	**692.7**	600.0	15%

Note 1 – for a full definition of all APMs, please refer to the Glossary of Alternative Performance Measures.
Note 2 – ARR and NRR are measured three months in arrears, as of 31 July 2022 and 31 July 2021. SUSE moved to one global SUSE figure for ARR and NRR as the customer base is merged, to combine SUSE, Rancher and NeuVector (NeuVector included as at July 2022, and not in the prior year). This differs to the results for the year ended 31 October 2021, with SUSE and Rancher ARR and NRR reported separately and combined. In Q2 2022, SUSE updated its ARR methodology as part of a stringent focus on ARR to track the performance of the business.

Annual Contract Value (ACV)

ACV measures the first 12 months of a contract. It is applied as a measure as it normalizes for multi-year contracts across a single year, because the total booking value can distort performance and growth metrics.

SUSE measures ACV based on Core and Emerging solutions, selling route to market and geography.

Total ACV for FY22 was $535.9 million, vs. $490.6 million in the prior year, representing 9% growth. Foreign exchange rate movements impact growth, and when measured on a constant currency basis, ACV grew by 13%.

The growth is attributable to SUSE's success in retaining and growing End user customers (both direct customers and through the Cloud Service Providers) evidenced across all major geographies, and both Core and Emerging solutions.

ACV by Core and Emerging

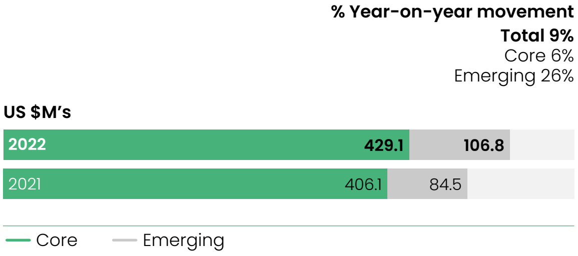
SUSE measures ACV between Core solutions from the paid Business-critical Linux products, and Emerging solutions from Enterprise Container Management-based technologies. SUSE Edge solutions combine products from both Core and Emerging product families. Edge is therefore reported within either the Core or Emerging solutions results, depending on the classification of the solutions used in delivering specific-use cases to customers.

In FY22, ACV grew by +9%, +13% at constant currency, Core ACV by +6%, +9% at constant currency and Emerging by +26%, +30% at constant currency. Within Core the performance was driven by the delivery of expected renewals, expansion of SUSE within existing customers, and growth within the Cloud Service Provider (CSP) route to market.

End user Core growth in CSPs is due to the continuing trend of End users migrating workloads (previously procured from traditional direct/reseller routes to market) to the cloud and consuming subscriptions through CSPs. This is particularly evident for FY22 within the hyperscalers, and from EMEA on a geographic basis. For FY22, renewals contributed to growth, though at a lower level than the prior year, due to the profile of returning multi-year deals. The major renewals were in North America and Latin America.

The Emerging growth was driven by the success of Rancher, with customers renewing and expanding contracts, reflecting SUSE's ability to retain and grow customers. Services within Rancher Government Services contributed to growth and, whilst small, NeuVector also contributed to the Emerging growth.

ACV growth – Core and Emerging



ACV by route to market (RTM)

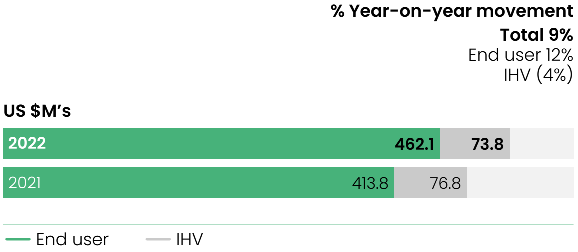
SUSE measures ACV by End user and Independent Hardware Vendors (IHV) routes to market. End user is where SUSE sells directly to a customer or through a distributor/reseller ecosystem, and to customers consuming software solutions through CSPs who host the SUSE offerings. The IHV route to market relates to two types of customers:

- IHV who manufacture equipment (e.g. servers and mainframe computers, laptops or desktops).
- Embedded, where SUSE's software is placed permanently inside a device to perform a specific function (e.g. scanners in medical equipment).

ACV growth is due to the End user RTM, where growth is +12%, with IHV declining by 4%. The increase in End user is through strong growth from CSPs, retention and expansion of Core and Emerging customers, and Services in Rancher Government Services. CSP growth is from both Hyperscalers and Managed Service Providers (MSP).

The combined IHV and Embedded decline of 4% is due to the IHV performance, offset by a modest growth in Embedded customers. The IHV route to market is impacted by hardware shortages, and a shift to selling through End user routes to market. Embedded customers include large binary deals, the year-on-year phasing of which impacts growth profiles.

ACV growth – route to market



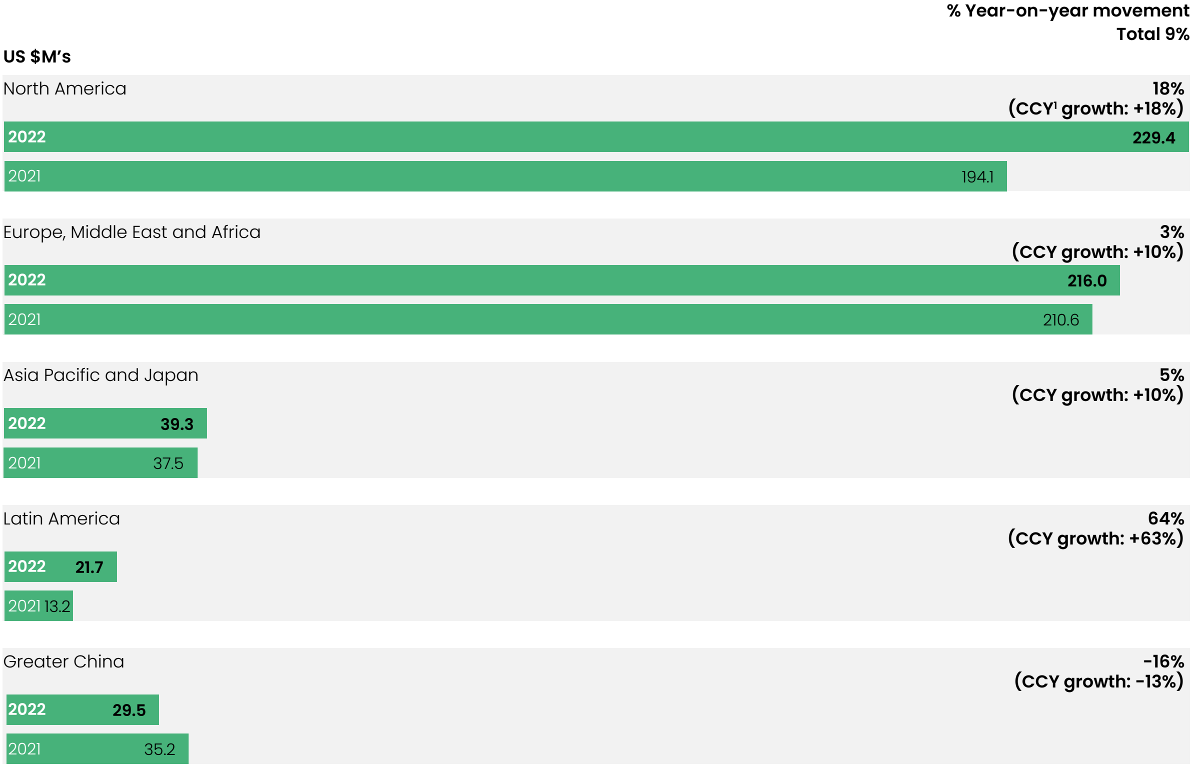
ACV by geography

SUSE is diversified over five geographies (GEOs) of North America (NA), EMEA (Europe, Middle East and Africa), Asia Pacific and Japan, Latin America and Greater China.

All geographies grew in FY22, apart from Greater China, with growth rates impacted by exchange rate movements, particularly in EMEA and Asia Pacific and Japan.

NA contributed the majority of the growth of +18%, due to its relative size, and benefits from large renewal opportunities leading to customer expansion, and growth in Rancher solutions. The EMEA growth of +3% was impacted by exchange rate movements, and when measured at constant currency, growth improves to 10%. The EMEA growth rate was impacted by availability of renewals due, and to a lesser degree Russian sanctions and the war in Ukraine. Asia Pacific and Japan grew by +5%, impacted by exchange rate movements with growth at constant currency of 10%. Latin America grew 64%, the highest growth of any GEO, following investment in sales management. Greater China declined by 16%, 13% decline at constant currency, with performance impacted by both challenging market conditions, and a high prior year comparison due to particularly large non-recurring deals.

ACV growth – Geography



1. CCY represents constant currency

Adjusted Revenue

Adjusted Revenue measures revenue excluding the contract liability fair value adjustment (also referred to as the deferred revenue haircut), resulting from acquisition accounting, to represent the operational performance of SUSE.

Total Adjusted Revenue for FY22 was $657.8 million, vs. $575.9 million in the prior year representing 14% growth. Exchange rate fluctuations have a small impact. When measured on a constant currency basis, revenue grew by 15%. Reconciliation of IFRS Revenue to Adjusted Revenue is as follows:

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Revenue – IFRS	**653.0**	559.5	17%
Adjustments			
Deferred revenue haircut amortized	**5.1**	13.6	(62%)
Contract asset haircut amortized	**(0.3)**	(0.9)	(67%)
Pro-forma Rancher	**0.0**	3.7	n.m.
Adjusted Revenue	**657.8**	575.9	14%

The deferred revenue haircut, which is the fair value adjustment to deferred revenues on acquisition, has declined by 62%, in alignment with the amortization recognition profile.

The pro-forma Adjusted Revenue for Rancher for FY21 represents one month of November 2020.

Adjusted Revenue by Core and Emerging

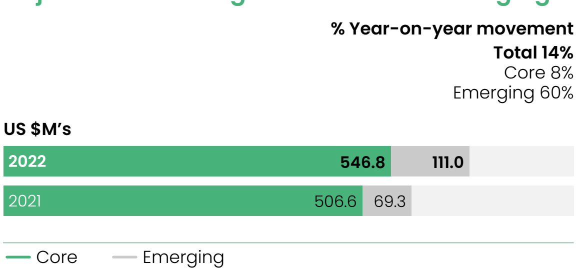
Core Adjusted Revenue in FY22 was $546.8 million vs. $506.6 million in the prior year, a growth of 8%. The growth was largely through the CSP route to market, and retention and expansion of End user customers.

CSP Core growth is consistent with continued migration of workloads to CSPs, biased to the large hyperscalers, but also from MSPs. The CSP revenue growth is broadly aligned to the corresponding ACV growth.

Core Renewals ACV has been growing year on year, as well as securing multi-year contracts over FY21 and FY22. This has led to conversion into Adjusted Revenue in FY22, and contributes to the revenue growth.

Emerging Adjusted Revenue was $111.0 million in FY22 vs. $69.3 million in the prior year, a growth of 60%. This is due to growth in Rancher ACV in retention and expansion of End user customers, Rancher Government Services and NeuVector, adding a modest amount to the growth.

Adjusted Revenue growth – Core & Emerging



Annual Recurring Revenue and Net Retention Rate

Annual Recurring Revenue measures the value of active subscriptions for the last one month in the quarter, to determine a monthly recurring revenue. The monthly recurring revenue is multiplied by 12 to establish an annualized value.

Net Retention Rate indicates the proportion of ARR that has been retained over the prior period from existing customers; it excludes net new End user customers and is inclusive of up-sell, cross-sell, down-sell, churn and pricing.

SUSE measures ARR as an indication of performance from all contracted subscriptions on an annual basis. NRR enables SUSE to track the activity from the existing customer base.

ARR and NRR are measured three months in arrears, for one month as of 31 July 2022 and 31 July 2021, and annualized for 12 months. The measures are calculated three months in arrears to allow for the inclusion of backdated royalties relating to IHV and Cloud, which are invoiced in arrears.

SUSE moved to one global SUSE figure for ARR and NRR as the customer base was merged, combining SUSE, Rancher and NeuVector (NeuVector included as at July 2022, and not in the prior year). This differs from the results of the year ended 31 October 2021, with SUSE and Rancher ARR and NRR reported separately and combined. In Q2 2022, SUSE updated its ARR methodology as part of a stringent focus on ARR to track the performance of the business.

ARR increased from $574.9 million to $645.8 million representing 12% growth. The growth drivers are from both the SUSE Core and Emerging solutions, including growth from the acquired Rancher and NeuVector solutions.

NRR declined from 110.7% in the prior year to 106.2%, on a global basis. The decline was due to lower ARR from a small number of large Core customers (End user and Embedded), and lower-value renewals, and slower growth in Emerging ARR. Emerging NRR remains strong overall, however, with the prior period base growing, the relative growth is lower.

Adjusted EBITDA

Adjusted EBITDA represents earnings before net finance costs, loss on associate (which is not part of SUSE trading operations and is described more fully in Note 18 to the Consolidated Financial Statements. The Group maintains a strategic share in a partnership of software corporations and accounts for its share of the losses of this associate using the equity method), tax, depreciation and amortization of intangible assets. It is adjusted for share-based payments, contract liabilities haircut, separately reported items, specific non-recurring items and net unrealized foreign exchange movements. Realized foreign exchange movements are included, and represent a gain or loss when an asset or liability is settled at an exchange rate which is different from the transaction date rate. SUSE management reports Adjusted EBITDA to reflect the underlying trading performance of SUSE, excluding non-recurring items and non-cash accounting items.

Total Adjusted EBITDA for FY22 was $241.9 million and 37% margin, vs. $212.1 million and 37% margin in the prior year, representing 14% growth. The increase in Adjusted EBITDA is due to the Adjusted Revenue growth. SUSE has invested in headcount across all areas of the business, and incurred higher travel costs relative to the prior year, with Covid-19 restrictions easing. Within the cost base SUSE has absorbed rising salary inflation, though has benefited from foreign exchange movements, with Cost of Sales and Adjusted Operating Expenses increasing by 20% when measured at constant currency, versus 14% on a reported basis. This has resulted in a stable margin for FY22 at 37%, aligned to the prior year.

The table below reconciles the IFRS operating loss to the Adjusted EBITDA:

IFRS operating loss to Adjusted EBITDA

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Operating loss – IFRS	**(0.5)**	(200.9)	100%
Adjustments			
Depreciation and Intangible assets amortization	**153.1**	153.0	0%
Separately reported items	**0.0**	26.9	n.m.
Deferred revenue haircut amortized	**4.8**	12.7	(62%)
Non-recurring items	**16.9**	23.9	(29%)
Share-based payments – charge	**52.2**	175.2	(70%)
Share-based payments – ER taxes	**1.4**	7.0	(80%)
Foreign exchange – unrealized	**14.0**	16.1	(13%)
Adjusted EBITDA – non pro-forma	**241.9**	213.9	13%
Pro-forma Rancher	**(0.0)**	(1.8)	n.m.
Adjusted EBITDA – pro-forma	**241.9**	212.1	14%
Adjusted EBITDA margin	**37%**	37%	

NB 'n.m.' represents not meaningful to comment.

Depreciation and intangible asset amortization for FY22 was $153.1 million, broadly aligned to the prior year of $153.0 million. This is primarily due to the amortization of intangible assets acquired as part of the Rancher acquisition which completed in November 2020. The depreciation on Right-of-use assets has increased from $6.5 million in FY21 to $7.3 million in FY22 primarily due to property lease costs for the US, Germany and Beijing.

Separately reported items for FY22 were nil, versus $26.9 million in the prior year. The prior year separately reported items were largely transaction costs related to the IPO ($25.5 million of the $26.9 million) and restructuring costs of $1.4 million.

Deferred revenue haircut amortized for FY22 was $4.8 million, vs. $12.7 million in the prior year, which represents a 62% decrease. The haircut is released proportionally to the unwind of the acquired deferred revenue which declines to zero as time passes so significant decreases in releases are expected year on year. Non-recurring items for FY22 were $16.9 million, vs. $23.9 million in the prior year, which represent a 29% decrease, and relate to:

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Third-party consulting fees	**1.6**	1.3	23%
Bonus	**7.6**	10.4	(27%)
IT Costs	**1.6**	3.3	(52%)
Transaction Costs	**1.6**	0.3	433%
Transformation Costs	**1.0**	0.5	100%
Integration Costs	**4.1**	8.1	(49%)
Other	**(0.6)**	0.0	n.m.
Total	**16.9**	23.9	(29%)

Third-party consulting fees for FY22 were $1.6 million, vs. $1.3 million in the prior year representing a 23% increase. The increase in costs was due to fees associated with strategic projects.

Bonus costs for FY22 were $7.6 million, vs. $10.4 million in the prior year representing a 27% decrease. The decrease is due to lower amortization for the Rancher retention program, following Rancher staff attrition, and for other retention programs now fully amortized. The bonus costs are excluded from Adjusted EBITDA as they do not reflect bonuses aligned to annual Group performance. The bonus costs are one-off in nature, and will be fully amortized by November 2023.

IT costs for FY22 were $1.6 million, vs. $3.3 million in the prior year representing a 52% decline. The costs primarily consist of investment to fund a data center migration. All major IT systems are now included within ongoing operating expenses.

Transaction costs relate to an income tax settlement agreement with the UK tax authorities covering one-off benefits paid as part of the public listing.

Transformation costs relate to roles that have become obsolete, and strategic transformation projects.

Integration costs in FY22 relate to the NeuVector acquisition, and development of the NeuVector code to create an end-to-end container security platform. The prior year costs of $8.1 million were higher than FY22 of $4.1 million, due to integration activities for the Rancher acquisition which represented a larger program of work.

Other primarily represents an adjustment of $0.7 million credit for final tax liabilities of SUSE profits pre-divestiture from Micro Focus.

The share-based payments charge for FY22 was $52.2 million, vs. $175.2 million in the prior year. The decrease was due to the vesting in full of the Virtual Stock Option Program (VSOP) and the partial vesting of the Management Investment Participation Program (MIPP) scheme in the prior year, with FY22 representing long-term incentive schemes established after the IPO.

Foreign exchange in FY22 was an unrealized loss of $14.0 million vs. an unrealized loss of $16.1 million in the prior year. This is due to movements in exchange rates, primarily euro, in the year in comparison to the prior year. Unrealized foreign exchange arises from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

Pro-forma Rancher for FY22 was nil vs. $1.8 million in the prior year. This was due to FY21 reflecting only one month of November 2020, as Rancher is incorporated into the IFRS results effective as of 1 December 2020.

Adjusted Gross Profit and Adjusted Operating Expenses

Adjusted Gross Profit for FY22 was $606.9 million and 92% margin, vs. $534.9 million and 93% margin in the prior year. Adjusted Operating Expenses for FY22 are $365.0 million vs. $322.8 million in the prior year, an increase of 13%.

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Adjusted Revenue	**657.8**	575.9	14%
Cost of sales	**50.9**	41.0	24%
Adjusted Gross Profit	**606.9**	534.9	13%
Adjusted Gross Profit Margin	**92%**	93%	
Sales, Marketing & Operations	**179.4**	152.1	18%
Research & Development	**107.2**	94.6	13%
General & Administrative (G&A)	**78.4**	76.1	3%
Total Adjusted Operating expenses	**365.0**	322.8	13%

Adjusted Gross Profit

Adjusted Gross Profit margin for FY22 of 92% was slightly down from last year as the cost of sales increased by 24%, to $50.9 million vs. $41.0 million in the prior year, aligned to Services revenue growth. The increase was due to investments to increase delivery capacity, with investment in Customer Care and Services headcount, particularly to meet the requirements of platinum service contracts, with high service levels.

Sales, Marketing & Operations

Sales, Marketing & Operations costs for FY22 were $179.4 million vs. $152.1 million in the prior year, representing an 18% increase. Sales costs are impacted by IFRS 15 cost deferrals, which included non-recurring adjustments in FY21, with the impact of reducing overall costs in the prior year. Excluding the impact of IFRS 15, Sales, Marketing & Operations costs increased by 11% versus the prior year. The increase was due to SUSE investing in its salesforce on a worldwide basis, across channel, field sales and lead qualification to retain, grow, and win new customers. FY22 saw a return to travel, with easing Covid-19 restrictions enabling customer-facing travel, resulting in increased travel costs. Marketing program spend reduced by 8%, due to SUSE managing costs due to ongoing macroeconomic uncertainty.

Research & Development

Research & Development costs for FY22 were $107.2 million vs. $94.6 million in the prior year, an increase of 13%. This represents SUSE's continued investments in R&D, with headcount growth primarily to develop Emerging solutions, across Rancher and NeuVector products. In addition to headcount investment, travel costs increased along with cloud consumption expenses.

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

General & Administrative

General & Administrative (G&A) costs for FY22 were $78.4 million vs. $76.1 million in the prior year, an increase of 3%. G&A costs include the impact of realized foreign exchange rate movements, a cost in FY22 in contrast to a cost credit in the prior year. Excluding realized exchange rate costs, G&A costs reduced by 6%. Investments across G&A functions continued in FY22 to meet the demands of its public company status for a full year, however consulting costs for strategic projects and bonus costs reduced year on year, resulting in a cost reduction. The bonus cost reduction was aligned to SUSE performance relative to targets.

Adjusted Cash EBITDA

Adjusted Cash EBITDA represents Adjusted EBITDA plus changes in contract liabilities (deferred revenue) in the related period and excludes the impact of the deferred revenue haircut.

SUSE measures Adjusted Cash EBITDA as it acts as a proxy for cash flow, and indicates SUSE's ability to generate cash.

Total Adjusted Cash EBITDA for FY22 was $295.2 million and 45% margin, vs. $278.2 million and 48% margin in the prior year. This represents absolute growth of 6%, but a 3 point margin decline:

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Adjusted EBITDA	**241.9**	212.1	14%
Change in deferred revenue	**53.3**	66.1	(19%)
Adjusted Cash EBITDA	**295.2**	278.2	6%
Adjusted Cash EBITDA Margin	**45%**	48%	

IFRS contract liabilities (deferred revenue) to adjusted deferred revenue

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Movement in contract liabilities: IFRS	**58.1**	76.1	(24%)
Pro-forma Rancher	**0.0**	2.7	n.m.
Deferred revenue haircut amortized	**(4.8)**	(12.7)	(62%)
Movement in contract liabilities (deferred revenue) – pro-forma	**53.3**	66.1	(19%)

The change in the adjusted deferred revenue for FY22 was $53.3 million resulting in Cash Adjusted EBITDA of $295.2 million. This is a lower adjusted deferred revenue movement than the prior year, where the adjusted deferred revenue movement was $66.1 million, representing a $12.8 million decrease. The adjusted deferred revenue decline is due to both the lower ACV growth in FY22 vs. FY21 of 9%, compared with 26% growth in the prior year, and CSP contributing a higher proportion of ACV than the prior year. CSP contracts have a shorter contract duration than other RTMs, converting to Adjusted Revenue within the year. SUSE has continued to sell multi-year contracts, and has maintained the same average contract duration as the prior year.

Adjusted Profit After Tax

Adjusted Profit After Tax represents Adjusted EBITDA less depreciation and amortization (excluding intangible amortization for customer relationships, intellectual property and non-compete agreements), finance costs and notional average taxes. This represents profit from ongoing operations, to measure the Adjusted earnings performance per share.

The Adjusted Effective Tax Rate is 25.2%. This was lower than the weighted local statutory tax rate of 28.1% as a result of prior year adjustments booked in the period which reduce the rate by 5.8%. Irrecoverable withholding and other taxes, as well as the impact of other permanent differences, increase the rate by 2.9%.

The Adjusted Earnings Per Share is based on the weighted average number of ordinary shares during the year, representing $0.80 per share.

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Adjusted EBITDA	**241.9**	212.1	14%
Depreciation – Property, plant and equipment	**3.8**	4.5	(16%)
Depreciation – Right-of-use assets	**7.3**	6.5	12%
Amortization – Purchased Software	**9.1**	8.1	12%
Amortization – Development Costs	**1.1**	1.2	(8%)
Net Finance Costs	**40.7**	58.9	(31%)
Adjusted Profit Before Tax	**179.9**	132.9	35%
Notional Tax	**45.3**	47.8	(5%)
Adjusted Profit After Tax	**134.6**	85.1	58%
Adjusted Profit After Tax %	**20%**	15%	
Weighted Average number of shares	**169.2**	83.8	n.m.
Adjusted earnings per share (Note 1)	**0.80**	1.02	(22%)

Note 1, Adjusted Earnings per Share was $0.80 per share in FY22.

The reconciliation of the IFRS Tax to the Notional Tax is as follows:

Reconciliation of IFRS Tax to Notional Tax

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
IFRS tax	**4.0**	54.3	(93%)
Tax on EBITDA adjustments	**(49.3)**	(102.1)	52%
Notional Tax	**(45.3)**	(47.8)	(5%)

Adjusted unlevered Free Cash Flow and Cash Conversion

Adjusted unlevered Free Cash Flow (uFCF) is Adjusted Cash EBITDA less tangible capital expenditure related cash outflow, working capital movements (including commissions paid net of amortization of contract-related assets and excluding non-recurring items), cash taxes paid and leases paid. Cash Conversion represents Adjusted uFCF divided by Adjusted EBITDA. Both metrics measure cash generated from business operations, indicating SUSE's ability to generate cash.

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Adjusted Cash EBITDA	**295.2**	278.2	6%
Gross tangible capital expenditure	**(10.6)**	(4.8)	121%
Change in core working capital	**(42.3)**	(20.0)	112%
Commissions paid (net of amortization)	**(31.3)**	(36.8)	(15%)
Leases paid	**(7.8)**	(6.6)	18%
Cash taxes	**(15.5)**	(8.0)	94%
Rancher pro-forma uFCF	**(0.0)**	(1.8)	n.m.
Adjusted uFCF	**187.7**	200.2	(6%)
Adjusted uFCF Conversion from Adjusted EBITDA	**78%**	94%	

The Adjusted Unlevered Free Cash Flow (uFCF) has decreased for FY22, from $200.2 million to $187.7 million, representing a 6% decrease. Cash conversion for FY22 is 78%. A driver is the modest growth in Adjusted Cash EBITDA due to the reduction in deferred revenue movement. Other key movements include capital expenditure increases due to the movement of the Data Center and new offices, decrease in working capital following prior year bonus payments, and cash taxes due to payment of FY19 taxes and corporation taxes.

Reconciliation of Adjusted Cash EBITDA

US $M's	**Year ended 31 October 2022**	Year ended 31 October 2021	% Year-on-year movement
Operating (loss)/profit before depreciation and amortization	**152.6**	(47.9)	n.m.
Separately reported items	**0.0**	26.9	n.m.
Non-recurring items	**16.9**	23.9	(29%)
Share-based payments – charge	**52.2**	175.2	(70%)
Share-based payments – ER taxes	**1.4**	7.0	(80%)
Contract liabilities haircut amortized	**4.8**	12.7	(62%)
Foreign exchange – unrealized	**14.0**	16.1	(13%)
Adjusted EBITDA non pro-forma	**241.9**	213.9	13%
Rancher pro-forma adjustment	**0.0**	(1.8)	n.m.
Adjusted EBITDA (SUSE and Rancher pro-forma)	**241.9**	212.1	14%
Movement in contract liabilities	**53.3**	66.1	(19%)
Adjusted Cash EBITDA (SUSE and Rancher pro-forma)	**295.2**	278.2	6%

Net Debt

This APM represents the sum of current and non-current interest-bearing borrowings (excluding unamortized capitalized arrangement fees, gains or losses on loan modifications), current and non-current lease liabilities, less cash and cash equivalents.

US $M's	**As at 31 October 2022**	As at 31 October 2021	% Year-on-year Movement
Net Debt	**557.7**	720.5	(23%)
Adjusted Cash EBITDA	**295.2**	278.2	6%
Leverage	**1.9x**	2.6x	(27%)

Total Net Debt for FY22 was $557.7 million, lowering Net Debt by 23% versus the prior year. The net debt reduction is due to borrowings benefiting from exchange rate movements on the B2 facility denominated in euro, representing $47.9 million, payments on the B1 facility and increased cash generation from FY22 trading and margin generation. This is offset by increased lease costs primarily associated with property leases for offices in the US, Germany and Beijing. In December 2021, SUSE increased the revolving credit facility from $81.0 million to $169.3 million, which remains undrawn as of the 31 October 2022. In September 2022 SUSE finalized three interest rate swaps for each of the three loan facilities, locking in its interest rate payments for the next three years. Leverage improved from 2.6x to 1.9x during the year.

US $M's	**As at 31 October 2022**	As at 31 October 2021	% Year-on-year movement
Borrowings (note 23 (b))	**714.5**	764.9	(7%)
Cash	**(177.5)**	(61.1)	191%
Lease liabilities	**20.7**	16.7	24%
Net Debt	**557.7**	720.5	(23%)

Contractual Liabilities and Remaining Performance Obligations (RPO)

A Contract Liability is an entity's obligation to transfer goods or services to a customer and is recognized in the Statement of Financial Position, when a payment from a customer is invoiced, before a related performance obligation is satisfied. A remaining performance obligation is a promise to transfer goods or services to a customer (with a contract agreed), at a point in the future, but is yet to be invoiced or recognized in the Statement of Financial Position.

Contractual Liabilities and Remaining Performance obligations as at the end of FY22 were $692.7 million vs. $600.0 million in the prior year, a growth of 15%. Contractual liabilities increased by 12%, above the ACV growth of 9%. The remaining performance obligations increased by 37% due to one large customer's multi-year contract, securing future revenues. The contractual liabilities balance includes NeuVector, in both years.

US $M's	**As at 31 October 2022**	As at 31 October 2021	% Year-on-year movement
Contractual Liabilities – Current	**351.2**	329.6	7%
Contractual Liabilities – Non-Current	**215.0**	178.2	21%
Total Contractual Liabilities	**566.2**	507.8	12%
Remaining Performance Obligations	**126.5**	92.2	37%
Total	**692.7**	600.0	15%

Outlook

Whilst SUSE performance in 2022 was impacted by macroeconomic conditions, particularly in Emerging markets, our resilient operating model produced double digit growth in Adjusted Revenues and Adjusted EBITDA, with strong cash conversion. For FY23, given the growth outlook in SUSE's markets, its competitive position and disciplined approach to investments, SUSE expects to deliver continued revenue growth, with high profit margins and strong cash conversion.

Statutory results of operations and financial position of SUSE S.A.

For the statutory annual accounts of SUSE S.A., please refer to page 224.

Results of operations

The Company's income amounted to $0.1 million (2021: $19.3 million) and was attributable to the recharge of costs paid on behalf of other Group entities. The significant revenue in 2021 related to the recharge of certain transaction costs, predominantly related to the IPO.

Other external expenses decreased significantly from $44.2 million in 2021 to $6.0 million in 2022 as a result of the exceptional transaction costs of the IPO in the prior year. The transaction costs are all recognized as expenses in the individual accounts of SUSE S.A. in accordance with Luxembourg accounting principles.

In 2022 interest receivable of $12.7 million (2021: $5.0 million) was due to a loan to an affiliated undertaking, with a full year charge in the current year compared to a partial year charge in the prior year. The loan of $232.9 million was made on 20 May 2021 to Marcel Lux DebtCo SARL and bears interest at 4% margin +LIBOR with a floor of 0.75%. The maturity date of the loan is 25 November 2027. Interest payable represents foreign exchange losses.

In 2022 net wealth tax of $2.0 million has been recognized based on the net assets of the Company at the start of the year (2021: $6 thousand).

The profit for 2022 amounted to $4.7 million (2021: loss of $20.1 million).

Financial position

Total assets increased from $2,554.0 million as of 31 October 2021, to $2,562.4 million as of 31 October 2022.

Fixed assets primarily comprise shares in affiliated undertakings of $2,150.3 million (2021: $2,150.3 million). The Company also has loans to affiliated undertakings of $232.9 million (2021: $232.9 million).

Current assets decreased from $168.8 million as of 31 October 2021, to $143.8 million as of 31 October 2022. This was driven by the settlement of prior year cost recharges and interest by affiliated undertakings.

The Company's capital and reserves increased from $2,517.6 million as of 31 October 2021, to $2,522.4 million as of 31 October 2022, due to the profits in the year.

Current liabilities have increased from $36.4 million as of 31 October 2021, to $40.1 million as of 31 October 2022. Trade creditors have reduced as all outstanding transaction costs still to be invoiced at the end of last year have now been settled, offset by an increase in amounts due to affiliated undertakings for payments they have made on behalf of the Company, and an increase in the net wealth tax liability.

Other matters

The Company had no branches during the current or previous financial year.

The Company did not own or acquire any of its own shares during the current or previous financial year.

SUSE on the capital market

Price development of the shares

In 2022, the stock markets went through a significant period of upheaval as the impact of macroeconomic factors, such as the war in Ukraine, inflation, rising interest rates, rising energy prices and supply chain shortages, affected share prices across the world. In particular, the price of technology-focused shares was impacted significantly as the market rotated away from high-growth companies.

SUSE's share price reached a high of €42.40 in January 2022. SUSE's share price closed on the last day of trading for FY22 on October 31, 2022 at €17.90, a fall of 54% compared with the previous year's closing price of €37.33. SUSE's share price underperformed the TecDAX and DAX indices during FY22.

Dividend policy

SUSE currently does not intend to pay any dividends for the foreseeable future and intends to continue to invest in its business. However, SUSE will periodically review its dividend policy and will consider paying dividends if appropriate.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, SUSE's results of operations, financial condition, contractual restrictions and capital requirements. SUSE's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

Shareholder structure

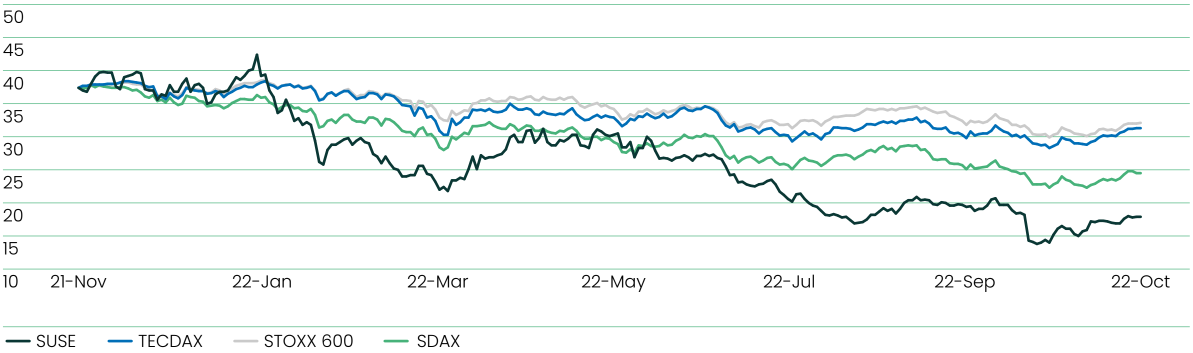
As of October 31, 2022, SUSE's share capital was $16,936,044.50 represented by 169,360,445 shares without any nominal value all subscribed and fully paid up.

The number of SUSE shares in issue increased from 169,027,117 shares, as of October 31, 2021, to 169,360,445, as of October 31, 2022, as shares were issued to employees to satisfy shares granted to employees as part of SUSE's long-term incentive plan.

As of 31 December 2022, Marcel LUX III SARL, on behalf of EQT VIII fund, held 133,812,577 shares in SUSE.

Development of SUSE's share price

Rebased to SUSE



Analyst coverage

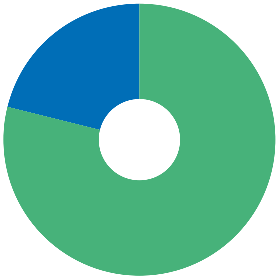
As of October 31, 2022, SUSE was covered by equity research analysts at the following international banks:

- BofA Securities.
- Deutsche Bank.
- Goldman Sachs.
- JP Morgan.
- Morgan Stanley.
- Jefferies.
- Numis.

During financial year 2022, Jefferies and Numis initiated coverage of SUSE's shares. As at October 31, 2022, five analysts rated SUSE's shares a 'buy' and two analysts rated SUSE's shares a 'hold'.

The analyst consensus of key financial metrics, including ACV, Adjusted Revenue and % Adjusted EBITDA is compiled for each financial quarter by VARA Research and is made available on the Investor Relations section of SUSE's website.

Shareholder holding



Marcel Lux III	79.01%
Free float	20.99%

Communication with the capital markets

SUSE is focused on open and effective dialogue with the capital markets. SUSE continues to strengthen its relationships with investors, analysts and financial journalists and to foster the confidence of capital market participants through one-to-one conversations, phone calls, roadshows, conferences and company visits, within the boundaries of applicable law and regulation.

SUSE has a full capital market engagement program, including quarterly reporting.

Senior management has held a number of virtual roadshows and attended several broker conferences and other events, most of which are still being held remotely rather than in person. A range of individual one-to-one meetings have been held in response to investor requests, including a number specifically to emphasize SUSE's strong ESG credentials. SUSE has also engaged with other providers of finance and ratings agencies.

These events have primarily been led by the CEO or the CFO, and a number of other members of senior management have participated to address specific areas of expertise and responsibility. The CFO has held regular meetings with the equity research analysts that cover SUSE.

SUSE has an investor relations website and an Investor Relation Manager has been appointed to support the Head of Investor Relations. SUSE will further expand its investor relations work in 2023 as part of a best practice approach.

On November 21, 2022, SUSE provided a trading update to the market on its Q4 results, confirming that results would be in line with guidance previously provided by SUSE. This is the first time that SUSE has provided a trading update and notes that it was welcomed by analysts and shareholders.

SUSE share data

ISIN:	LU2333210958
WKN:	840400
Symbol:	SUSE
Stock market listing:	Frankfurt Stock Exchange
Stock market segment:	Regulated Market (Prime Standard)
Index memberships:	SDAX, TecDAX, FTSE All World index
Number of shares:	169,360,445
Share capital:	$16,936,044.50
Class of shares:	Ordinary shares in dematerialized form
Free float:	20.99%
Loss per share (FY22):	$0.2
Highest price in Xetra trading:	€42.40
Lowest price in Xetra trading:	€13.81
Closing price in Xetra trading (October 31, 2022):	€17.90
Average daily turnover (Xetra trading):	€2.4 million

ESG in FY 2022

A sustainable business

Sustainability is essential for SUSE to enable and drive open and secure innovation. In FY22, we made progress against our commitments and integrated sustainability into our daily business model.

Our ESG vision

Our ESG vision is to drive real impact around societal and environmental topics of importance to our stakeholders. We continue to strengthen our ESG activities and create value for our stakeholders.

Our areas of focus

Our focus areas are guided by United Nations Sustainable Development Goals (SDGs) and defined based on the materiality assessment we conducted in FY21. We have made significant progress in delivering our goals for each focus area, demonstrated by independent ESG ratings.

See pages 64 to 81 for more information.

Key UN SDGs	Focus Areas	Goals	FY22 Key Achievements
	**Employees:** Diversity and Inclusion, Employee Engagement	– 30% women in leadership by 2026	– 24.2% female leaders (3.7% increase) – Employee NPS at 36 (vs. target of 30)
	**Social:** Open Source Communities	– Drive open source adoption	– Open sourced NeuVector container security platform
	**Environment:** Climate Action	– Deliver SUSE's Climate goals for 2030 year on year	– Set near-term targets for Scope 1, 2 and 3 emissions and developed a roadmap
	**Business Integrity:** Governance and Compliance, Information Security & Data Privacy	– Continue to strengthen our Information Security and Data Privacy Management Systems – Prepare annual disclosure in line with EU regulations (NFRD/CSRD and EU Taxonomy) and standards (GRI)	– Achieved certification of compliance against the ISO 27001 and ISO 27701 standards – This annual report referencing the new GRI standards and with NFRD & EU Taxonomy disclosures

ESG ratings

In the latest assessment in August 2022, SUSE received a silver medal with a score of 59 out of 100. This places us in the top 22% of companies on ESG practices.

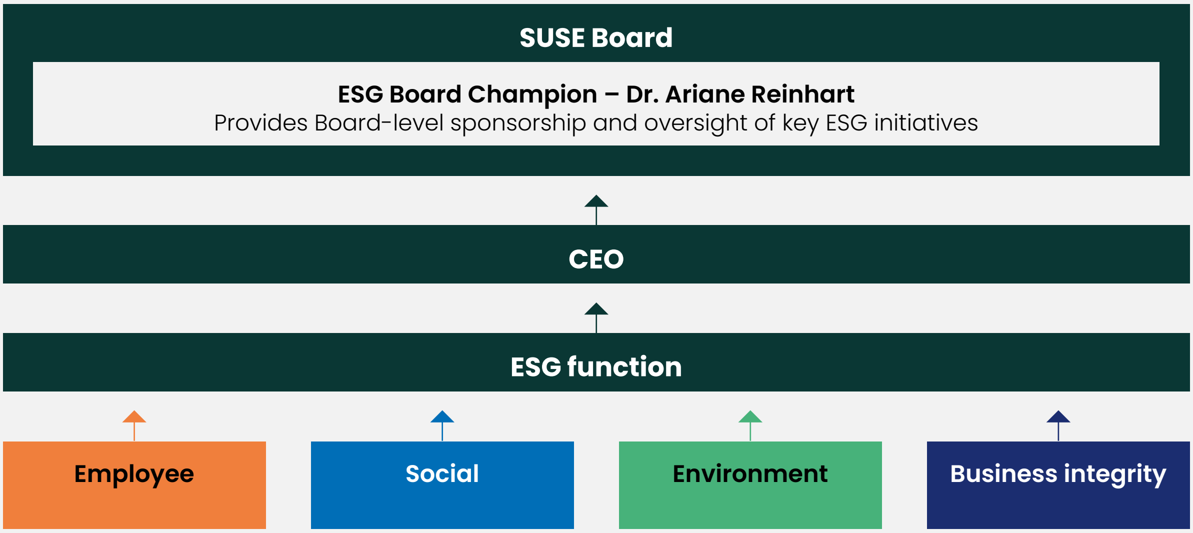
As of September 2022, SUSE received an ESG Risk Rating putting us at low risk of experiencing material financial impacts from ESG factors. This also places SUSE in the top 25% of companies in the Software & Services industry.

Secured Prime rating (top 10% of industry/peers) for Governance and Social performance in ISS ESG Quality Score as of 2 Dec 2022.

Participation & commitments

Sustainable business governance

We focus on value creation through three levers (employee, social and environment), strengthening SUSE's compliance and business integrity, and engaging in philanthropy. Group-level goals support our ESG vision and strategy, and ESG-related key performance indicators are embedded across business functions.



Managing responsibly

In FY22, we remained committed to our ESG strategy and vision, built on strong leadership, employee engagement, and partnerships.

Leadership commitment

Our ESG function reports directly to the CEO of SUSE. Dr. Ariane Reinhart provides Supervisory Board-level sponsorship and oversight of key ESG initiatives. We introduced ESG targets to the Management Board's compensation in FY22 and embedded ESG KPIs across business functions to hold us accountable.

Employee engagement

Our four employee networks (GoGreen, Women in Technology, Pride at SUSE and SUSE Open Source Community Citizens) provide a space for employees to share common interests, fostering inclusiveness and community at all levels.

SUSE Open Source Community Citizens Employee

SUSE Women in Tech

SUSE GoGreen

Pride at SUSE

Partnering for impact

We support charities and partner with external organizations to drive sustainable impact for our stakeholders. Through SUSECares, our philanthropic initiative, we supported over 45 charities in FY22. Moreover, we continue to partner with the Stonewall Diversity Champions Program, Eden Reforestation Projects, and Everywoman scaling our ability to make an impact.

Reporting transparently on ESG topics

We are committed to regularly sharing information about our ESG performance through several channels — including in this report, regulatory filings, social media, press releases and conversations with stakeholders. In addition, we have a dedicated ESG page on our website providing access to key policies and ESG-related information.

Aligning with globally accepted frameworks

This report has been prepared in reference to GRI Standards, which meets the requirements of the European Non-Financial Reporting Directive (2014/95/EU). In addition, following article 8 of Regulation 2020/852 of the European Parliament and the Council of the European Union (EU Taxonomy), we have reported on how and to what extent SUSE's activities qualify as eligible economic activities under this regulation. The EU Taxonomy is a classification system of environmentally sustainable economic activities. It is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy and represents an important step towards achieving carbon neutrality by 2050 in line with EU goals. Please see pages 240 to 241 for the complete disclosure.

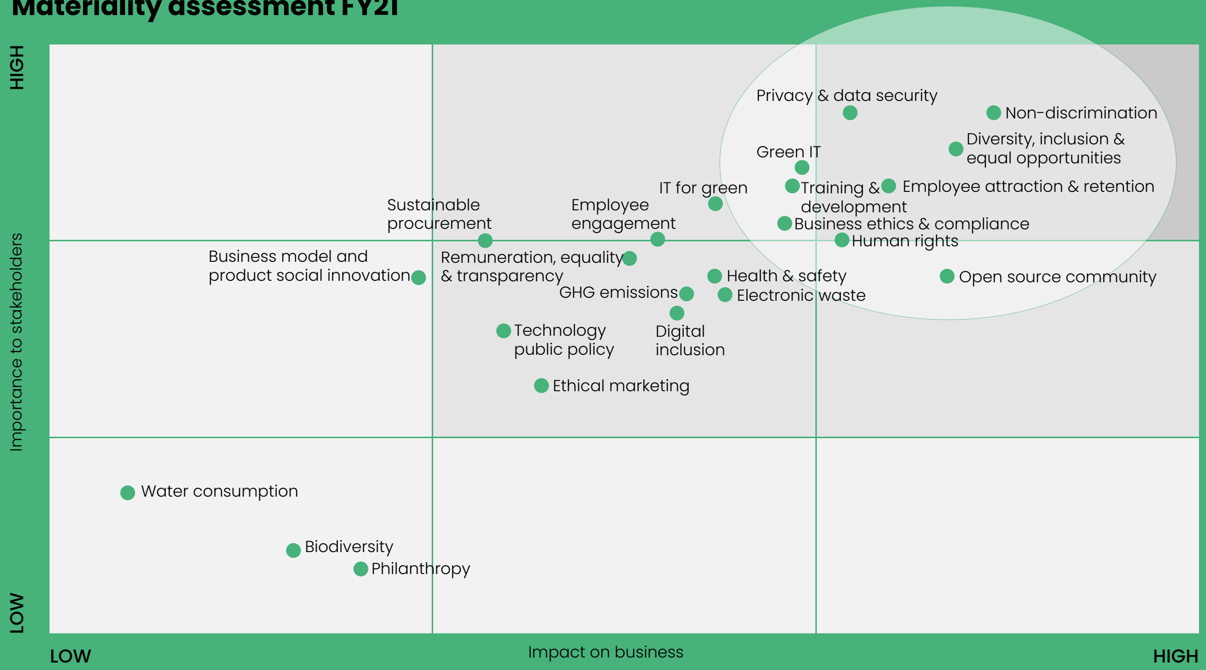
In addition to these standards, the United Nations Global Compact (UNGC) principles and UN Sustainable Development Goals (SDGs) have also inspired our ESG strategy and approach.

Identifying and managing ESG material issues

Managing material issues

As part of developing our ESG framework, in 2021 we conducted a materiality assessment to review the ESG topics that are most important to our business and our stakeholders, uncovering new issues and ensuring prioritization and strategic alignment to our ESG commitments. The materiality assessment was conducted through a combination of surveys and interviews with representatives from four key stakeholder groups: SUSE Employees, Customers and Partners, Investors and Suppliers. Material topics in the assessment have been selected based on SUSE's business outlook, market trends, regulatory requirements, potential impact on society, and in reference to Global Reporting Initiative (GRI) standards.

Materiality assessment FY21



We continue to manage and disclose progress on key material topics across our focus areas.

Focus areas	Material topics
Employee	– Non-discrimination / Diversity and inclusion – Employee attraction & retention / Training and development
Social	– Open source community
Environment	– Green IT – Green Products and Solutions, GHG Emissions
Business integrity	– Privacy and Data security, Business Ethics and Compliance – Human rights

ESG indicators, statements and notes

The following sections map our progress against our three focus areas Employee, Social and Environmental matters. Demonstrating impact in these three focus areas is supported by a commitment to Business Integrity, keeping us compliant and ethical in how we conduct business.

SUSE volunteers in Nuremberg, Germany collecting and delivering essential goods for Ukraine refugees

Employee matters

Our people are our strongest asset, and we want all employees to feel supported by our unique and vibrant culture, that ensures everyone at SUSE can bring their authentic selves to work. Our people strategy is to make SUSE a company that people want to join, stay and grow; enabling our success.

Diversity and inclusion

At SUSE, we aspire to maximize opportunities for inclusion and belonging where our team members can be authentic and equipped to perform at their optimum, and where customers, community members, and wider stakeholders feel welcome and understood. The diversity of our people enhances openness and collaboration, which lie at the heart of our culture as an open technology company. Each of our SUSE values, designed by our employees, embeds our commitment to value diversity, inclusivity and provide equal opportunities for all.

The Director of Diversity and Inclusion, reporting to the Chief People Officer, monitors relevant gender diversity metrics to retain focus and measure progress. Diversity and inclusion initiatives will play a key role in helping us achieve 30% women in leadership by 2026.

In FY22, SUSE performed strongly in several diversity and inclusion categories, including:

- 3.7% increase in women in leadership roles; i.e. 24.2% female directors and above.
- Company-wide mandatory training delivered on key diversity and inclusion topics including Workplace Diversity, Inclusion and Sensitivity (91% completion rate), Preventing Discrimination & Harassment (90% completion rate), Unconscious Bias (85% completion rate) and Interview Compliance & Fair Hiring for people leaders (68% completion rate).
- New programs and initiatives including SUSE LIFT and SUSE Camp, were introduced to support segments of the workforce and inclusive practices across the organization.

SUSE LIFT is a female leader accelerator program, focused on talent development, mentorship and events for our high-potential female employees. SUSE Camp is a two-year development program supporting top early career talent to develop the skills and experiences needed to progress and evolve their careers. SUSE Camp also allows us to recruit and engage with a broader, more diverse talent pool.

Our employee networks support the inclusive and diverse environment for all employees. The Pride at SUSE, SUSE Women in Tech (WIT), SUSE GoGreen and the Open Source Community Citizens (OSCC) networks are all led and managed by employees, with support from the People team and the CEO's Office. The Pride at SUSE network participated in events such as the Nuremberg Pride Rally to demonstrate our diversity and inclusion values. Members of the Women in Tech network provided mentorship as well as regularly participated in other activities throughout the year to empower women in the workforce. SUSE GoGreen is a network of employees discussing, promoting, and executing pro-environmental ideas. The OSCC network connects employees curious about open source and its community. They host educational events and participate in SUSE Hack Week in an effort to make open source more accessible for non-coders.

Non-discrimination

At SUSE, we value all employees, as well as other stakeholders in the SUSE Diamond, as unique individuals, and we welcome the variety of experiences they bring to our company. SUSE has an Anti-Harassment and Anti-Bullying Policy that demonstrates our commitment to creating an inclusive and welcoming work environment where everyone can achieve their potential. The policy also highlights mechanisms to address issues, from informal approaches guided by our Resolution Policy to formal procedures by means of Disciplinary and Whistleblowing policies. The policies are owned by the People function led by our Chief People Officer and are reviewed on an annual basis. The People function deals with issues raised under our disciplinary process and handles them with due care.

All employees are responsible for creating and maintaining a work environment free of bullying, harassment and victimization and treating all colleagues with dignity and respect.

SUSE's CEO with SUSE Camp

Health and safety

We extend support, tools, and resources across a number of channels to ensure our employees' health, safety, and physical and mental wellbeing are prioritized.

The Health, Safety and Wellbeing Committee, led by our Chief People Officer, monitors global crises and ensures all employees have the support and guidance they need. An extensive local leader network extends this support allowing us to address local problems on a global level.

Our Health & Safety Policy enforces compliance with relevant regulations and provides guidelines for our health and safety management system including First Aid Provision, Fire Safety, Facilities, and Workplace safety. It also ensures compliance with the relevant Health & Safety regulations, and provides adequate support to maintain a healthy and safe work environment.

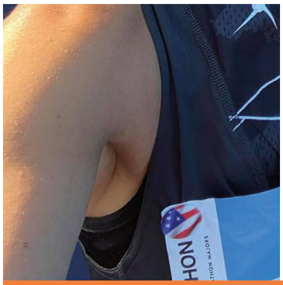
In FY22, we launched an Environment, Health and Safety training (68% completion rate) to increase awareness of the health and safety policy and resources. Also, trainings such as first aid training and Covid-19 are available for individuals onsite.

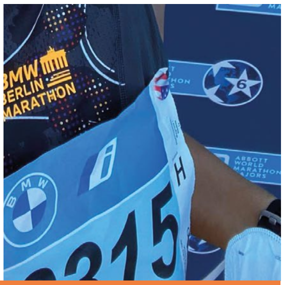
A Display Screen Equipment (DSE) assessment is mandatory for all hybrid and homeworking employees. This allows us to support safer working conditions while working at home and we provide the appropriate work-related furniture as needed.

SUSE Assist is a free and confidential professional care service offering life and career counselling which is available to all employees and their families. Crisis 24 is an application that provides 24/7 emergency assistance to our employees, whether working abroad, at home, or travelling.

Additional benefits include flexible working hours for employees with specific needs or additional responsibilities, such as taking care of children or family members.

Also, several company events took place throughout FY22 to raise awareness of and educate employees on mental, emotional, physical, and social health, and we are committed to continuing our focus in these areas.





Supporting our people

SUSECares empowers our people to give back to the community

We helped SUSE employee Zelia Magliozzi to support 261 Fearless, a global non-profit organization that unites women to gain personal empowerment and good health through running.

www.suse.com/c/the-power-of-caring-running-with-a-higher-purpose/

Training and development

Our dedicated talent team within the people function orchestrates individual skill, leadership, and career development initiatives. Leadership development starts with our Emerging Leader's program to prepare aspiring leaders for their first leadership role. We then offer first-line and senior managers curated development tracks. For individual contributors, skill development is embedded in performance review conversations, and personal needs develop through functional enablement. In addition, we have a mentorship program with over 400 mentors available.

During FY22, we introduced a new suite of online courses to upskill all employees in new policy areas and legal requirements. Topics included: Workplace diversity, inclusion, and sensitivity, Code of Business Ethics, Anti-bribery and corruption, Preventing discrimination and harassment, Unconscious bias, GDPR, Environmental Health, and Safety Training. We also provide LinkedIn and O'Reilly Learning licenses for developing specific hard and soft skills. Development at SUSE is delivered through a blended approach and a combination of learning through experience, exposure, and education.

In FY23, we will continue to invest in training and development, monitor career moves, and seek to improve employee satisfaction overall.

Remuneration equality and transparency

We believe all employees should have the same opportunities to advance their careers and pay regardless of race, gender, and sexual orientation. SUSE is committed to achieving pay equity throughout the organization and aims to ensure all our employee pay is fair and competitive. To measure our progress, we focus on compa-ratios when reviewing pay increase proposals and review any changes to ensure the ratios generally remain equal. The female compa-ratio is 97.3% of the male compa-ratio in our top five countries and we continue to aim for 100%. Total compensation and benefits accumulated to $389,261,000 in FY22. Excluding share-based payment awards, the year-on-year change in total compensation and benefits is a 14.2% increase resulting from an increase in headcount and progressing our employees' salaries. We have a merit-based and proactive approach to salary management, and we utilize out-of-cycle reviews when required to accelerate the salary progression of key employees. SUSE also provides employee benefits in line with local market practices for each country. Part-time employees have access to all of the same benefits as full-time employees. A summary of our remuneration report can be found on pages 119 to 135.

SUSE employees participating in the Nuremberg Pride Rally

Employee attraction and retention

As a company, we need to attract, hire, retain and develop diverse talent to fuel SUSE's unique culture and to drive success.

Our Talent Attraction team manages the candidate experience. We track and measure retention through our Human Resources Information System (HRIS). FY22 experienced an increased level of hiring; therefore, we have optimized our candidate attraction channels throughout the year. Our Careers site and LinkedIn continue to be our strongest channels for candidate attraction. Our Employee Referral Program and networks are also key in attracting the right talent for us.

We have started a partnership with The Muse, a platform focused on women's career development and promotion of SUSE as an equal opportunity employer. We also empowered our Managers with an 'Interview Compliance and Fair Hiring training' to eliminate bias in the interview process.

We regularly review attrition data and other inputs (e.g. our employee survey) to ensure we take measures to reduce attrition where possible. Our annualized voluntary attrition in FY22 was 16.2%, and our goal is to reduce this further in FY23.

Employee engagement

Employees are actively encouraged to collaborate and engage outside their job scope. We promote engaged employees on several levels:

- The Global Engagement Calendar is a company-wide communication channel that allows individuals to participate in high-impact events and activities each month.
- The LOVE SUSE recognition program enables employees to recognize and celebrate colleagues for their work. Functional and CEO awards are given to individuals through this platform for outstanding work across the company.
- SUSECares, our philanthropic giving program, enables employees to nominate charities for donations and volunteer their time. All SUSE employees are given one day of paid time off to volunteer in the community. In response to the war in Ukraine, SUSE offered one additional day of paid time off to volunteer for Ukraine-related causes. SUSE sponsors the Innovations for Learning TutorMate Program where SUSE volunteers read and teach basic literacy skills to primary school children through a digital platform. In 2022, the program expanded to include 40 SUSE volunteers supporting students in the UK and US. In FY22, we celebrated the people who volunteered for 2,480 collective hours and helped us give to over 45 charities worldwide.

We use net promoter scores (eNPS) to measure employee engagement. Our current eNPS is 36, representing overall satisfaction with SUSE as an employer. This is based on 93% employee participation in the most recent survey run in March 2022. The score of 36 is a six-point increase on the previous survey in September 2021 and places SUSE in the mid-range percentile for the technology, software and services benchmark group in Workday Peakon Employee Voice. Employee engagement is managed by our Director of Employee Engagement, who reports directly to the Chief People Officer. Country-level HR business partners further drive employee engagement programs at a regional and local level and people managers actively monitor team engagement.

Employee matters

Aspiration: Best-in-class employee satisfaction and eNPS

Key policies: SUSE COBE, Diversity, Inclusion and Equal Opportunities Policy

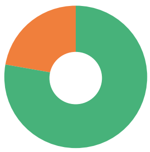
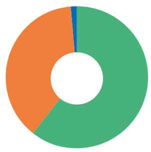
Transformational goal: At least 30% women in leadership by 2026

For ESG data tables and calculation notes refer to pages 249 to 261

SDGs:

SDG 5: Gender Equality

SDG 8: Decent Work and Economic Growth

ESG focus areas	Our KPIs	FY22 status		Our future plans
Diversity and inclusion	Completed the Workplace Diversity, Inclusion and Sensitivity Training	90.7% D&I training		In 2023 we plan to strengthen our diversity programs and training, and support our employee networks.
	Total employees (as of October 31, 2022)	2,398		
	Average headcount (over 12 months)	2,316		
	Employees by business unit Rancher refers to Rancher Government Solutions (RGS) employees	2,331 SUSE	67 Rancher	
	Employees by employment type, by gender	2,319 Full-time:  Male 1807 Female 512 Undisclosed 0	79 Part-time:  Male 48 Female 30 Undisclosed 1	
	Employees by employment contract, by region	Contract 2,372 Permanent 26 Temporary	Region APAC – 161 (6.7%) EMEA – 1225 (51.1%) China – 204 (8.5%) LATAM – 75 (3.1%) North America – 733 (30.6%)	
	Women leaders	24.2% (increased from 20.5% in FY21)		
Non-discrimination	Policies and procedures	Anti-Harassment and Anti-Bullying Policy		Continue to strengthen policies and monitor for harassment and bullying.
Health & Safety	Work-related fatalities	0		Continue monitoring health concerns and supporting our employees.

Employee matters continued

ESG focus areas	Our KPIs	FY22 status	Our future plans
Training and development	**Performance and career development reviews**	**Gender** 2,231 No of eligible employees reviewed (93% of total)  — Male — Female — Undisclosed **Position** 2,231  — Director & Above — Non-Director People Leaders — Non-Director Individual Contributors	Offer leadership development and introduce new cohorts for the SUSE Camp, Emerging Leaders and SUSE LIFT programs.
	Talent reviews	2,231 100% of eligible employees reviewed	
	Career moves **(FY22 target 20%)**	18.7% Employees who received a promotion, lateral or an Internal recruitment move	
Remuneration equality and transparency	**Total compensation and benefits**	$389,261,000 (14.2% increase from FY21 excluding share-based awards)	Continue to increase female to male compa-ratio to 100%.
	Female / Male compa-ratio	97.3% (in SUSE's top five countries; -2.5% from FY21)	
Employee attraction and retention	**New employee hires**	737 New employee hire rate 30.7%	Reduce voluntary attrition and improve employee engagement.
	Employee turnover rate in percentage	18.7% Voluntary (16.2%) Involuntary (2.5%)	
	Employee attraction	154% Increase in applications on our career website (20% more visits and 28% increased clicks on our career website from FY21)	
Employee engagement	**Employee volunteering**	2,480 total hours (average of 1.1 hours per employee. This does not include RGS)	Increase our eNPS score with improved employee engagement.
	eNPS	36 eNPS score from March 2022 with a 93% participation rate (does not include RGS)	

Social matters

Organizations today face increasing pressure to deliver mutually beneficial value to their shareholders and the world at large. By serving our customers to innovate everywhere, we organically help them create more sustainable enterprises. To fulfil our mission, we focus on increasing open source adoption and promoting digital inclusion. Open source communities are essential to our business and drive collaboration and innovation across all business sectors.

Security for our customers and the community

SUSE is committed to delivering best-effort security to its customers and the community. We believe that trust in open innovation, security in general, and the user's privacy are indispensable and indefeasible. The security certifications and security solutions teams continually work to certify all SUSE products and develop security solutions to ensure our customers' highest level of trust and reliability.

SUSE released NeuVector, the industry's first open source container security platform. The work to fully open source a formerly proprietary technology is a testament to SUSE's culture and our commitment to delivering open, interoperable, and innovative solutions to our partners and customers. NeuVector is an end-to-end open source container security platform and solution that delivers the enterprise-grade zero trust security for containerized workloads.

SUSE is committed to customer security

openSUSE

The openSUSE Project is an open community project with a global network that develops, builds, and maintains Linux tools and open technology for distribution. It works together as part of the global free and open source software (FOSS) community and is sponsored by SUSE and other companies and communities. SUSE sponsors software, infrastructure maintenance, human resources, and provides funding for the openSUSE community. For example, we supply resources to maintain and release openSUSE Linux distributions and tools, apart from employees contributing directly to the community projects. In return, contributions from the openSUSE community come in the form of code, packaging, testing, design, and promotion of enterprise products. The value exchange is mutually beneficial and enables the creation of robust, secure and innovative solutions for all. You can learn more about the operating system development aspects by visiting the open source project portal at opensource.suse.com.

A formal membership is required to participate, and the openSUSE board represents its members. The Board provides governance and oversight to openSUSE but does not have direct authority over the project's plans and development. The openSUSE Project is growing, with more than 545 members (21% increase since FY21) and 44% of them being non-SUSE contributors. This shows that both SUSE and other openSUSE community members are active in developing openSUSE. The openSUSE project has 86,569 accounts, a 7% increase from FY21, signaling increased community activity. It also highlights the strong openSUSE contributor community and SUSE's commitment to open source and collaboration. Ultimately, SUSE is well-respected as a community member and a provider of open technology to enterprise companies. openSUSE also engages in community events to meet new users throughout the year.

In addition, the SUSE & Rancher Community is a space for developers and other technology enthusiasts to connect and share knowledge around open technologies. Most members are avid consumers of SUSE open source projects and technology, and they provide us with essential feedback. For SUSE, this vibrant community enables us to serve consumers of open source technology better and provide them with a platform to advocate for our projects in the greater technology community. We host and serve discussions, events and courses for the community members across several digital platforms.

Open source foundations

Open Source Software Foundations are non-profit organizations whose mission is to provide the needed grounds, structure and legal framework for open and collaborative software development for the public benefit. SUSE shares its open values and passion with the communities and is represented in some of these Foundations by being a member, sponsor, or a board member. SUSE sponsors 23 foundations including The Linux Foundation, Gnome, RiscV, and others. You can learn more by visiting our open source page.

Open source for good

We view open technology as a vehicle to do good in the world. The El Rancho SUSE Linux Learning Club started as an after-school computer science club at a local Texas high school but evolved into a two-part program introducing high school students from underrepresented communities to careers in technology. In 2022, 19 students learned hands-on from SUSE experts about Science, Technology, Engineering, and Math (STEM) fundamentals. Due to the students' passion and enthusiasm, the program was extended to provide five students with a paid summer internship with the SUSE Customer Support team. These students applied their Linux knowledge and were given real work experience in a technical job. At the university level, SUSE delivered a curriculum tailored for the Technical University of Sofia, Bulgaria, introducing open source technologies and careers to first-year computer science students. The curriculum included an introduction to open source, Linux, Rancher Kubernetes, and system backend development. Over 200 students completed the semester-long course taught by several SUSE employees and open SUSE volunteers.

SUSE Learning Linux Club

Social matters

Aspiration: Increase open source adoption **Key policies:** Open source policy **For ESG data tables and calculation notes refer to pages 249 to 261**	**SDGs:** SDG 8: Decent Work and Economic Growth

ESG focus areas	Our KPIs	FY22 status	Our future plans
openSUSE	openSUSE events	3 Events organized	To drive openSUSE project participation through events, social media and community engagement.
	Average number of participants per event	147	
	Number of openSUSE accounts	86,569 (7% increase in community activity from FY21)	
	Participants by country	In FY22, the top three countries by popularity using openSUSE are #1 United States, #2 Germany, #3 Brazil.	
	Rancher downloads	46 million Dockerhub downloads	
	NeuVector downloads	1.5 million Cumulative downloads as of Oct. 31, 2022	
Open source foundations	Foundations sponsored by SUSE	23	Continue to support Foundations driving open innovation.

Environment matters

We take a scientific approach to climate action by decarbonizing our business and value chain while delivering energy-efficient products and solutions for our customers. We deliver this by setting ambitious goals, backed by strong stakeholder participation and aligning with the Science Based Targets initiative (SBTi).

Science based emission targets

This year we set emission targets aligned to net-zero standards and built the roadmap to achieving these by 2030. SUSE committed to reducing absolute Scope 1 and 2 GHG emissions by 42% (by 2030) from a 2021 base year. In addition, SUSE commits to reduce absolute Scope 3 GHG emissions from categories: Purchased Goods and Services and Business Travel by 25% during this period. These have been submitted to the Science Based Targets initiative for their independent validation.

The key levers of reducing emissions in the next 3 years include:

Scope 1 and 2:

- Reduce energy consumption at SUSE sites.
- Change energy suppliers of SUSE offices to renewable where possible.
- Reduce workspace footprint where utilization is low.
- Move company cars to electric (expanding the UK Pilot).

Scope 3:

- Improve emissions data quality from key suppliers (goods, services, and travel).
- Track employee commuting (instead of estimation).
- Electronic waste reduction (prolonging the life of the HW).
- Influence key suppliers to commit to science based emission targets.

Green operations – Greenhouse gas emissions

We are committed to reducing greenhouse gas emissions primarily by choosing lower-emission equipment, cars, and travel. We will also aim to source the most energy-efficient resources in our offices. We track our GHG emissions and measure our output through reports from travel providers, company car records and utility invoices.

Our commitment to reducing emissions is reinforced by linking our Management Board remuneration with our climate action targets. Additionally, we partner with Eden Reforestation Projects, a non-profit that works in developing countries to restore communities and reforest landscapes. We plant trees in Madagascar to promote reforestation in the home of our beloved mascot, the chameleon, and we aim to grow the 'SUSE Forest' to 400,000 trees by the end of 2023.

Green operations – Energy

We try to consume as little energy as possible and source renewable energy wherever possible. We manage our energy efficiency regionally, working with our landlords to review all options. We track our GHG emissions and measure our output through reports from travel providers, company car records, and utility invoices. Variable factors like fluctuating demand for data centers, equipment, and office spaces open for longer hours affect monitoring accuracy.

Energy efficiency and sustainability are also at the core of our decision-making, for example, while selecting our new data center in Prague. Sustainability factors were key in selecting the state-of-the-art facility which uses 100% renewable energy (EKO GOLD Certified), has excellent power usage efficiency, and also provides environmental protection training to its employees. Also, the SUSE UK office increased the use of renewable energy to 75% of its power supply.

Green products and solutions

Demand for data center services continues to grow, and more efficient technologies will be needed to manage the electricity used by data centers and cloud operations. Our development teams reference green coding guidelines that help create software using less energy. We also aim to support platforms with low energy consumption to help create computing environments with a low carbon footprint.

Reducing e-waste while enabling a circular economy

> “Taking action to extend the life of IT hardware where possible is effective in reducing emissions associated with its production. This critical environmental action is included in SUSE’s future IT strategy.”

Christine Ashton,
Chief Information Officer at SUSE.

SUSE partners with CloseTheGap to reduce e-waste and help bridge the digital divide.

www.suse.com/c/suse-partners-with-close-the-gap-to-reduce-its-carbon-footprint-while-bridging-the-digital-divide/

Actions SUSE has taken:

- Software efficiency: SUSE Linux Enterprise supports technology that significantly reduces the time it takes operations to complete.
- Hardware efficiency: SUSE Linux Enterprise provides an energy-efficient hardware platform for intense high-performance and transaction-intensive workloads.
- The computing environment: SUSE Linux Enterprise supports the latest-processors that "de-stress" energy consumption when performing CPU-intensive computations.
- Maximizing performance: SUSE Linux Enterprise Real Time helps make energy consumption more efficient by understanding application execution behaviors.
- E-waste: Introduced a global recycling program to extend the life of IT hardware.

SUSE technology helps customers improve their data center's energy efficiency which is a significant share of operational expenditures (e.g., 20-40% for network operators) for ICT companies.

Madagascar – home to our beloved chameleon

Eden Reforestation Projects, Mangrove trees planted in Madagascar

Environment matters

Aspiration: Controlled emissions measured by CO_2e

Key policies: Environmental Policy

Transformational goal: Achieve our emission targets

For ESG data tables and calculation notes refer to pages 249 to 261

SDGs:

SDG 13: Climate Action

ESG focus areas	Our KPIs	FY22 status	Our future plans
Green ops – Emissions	Direct (Scope 1) GHG emissions	**162** tCO_2e (tons of CO_2 equivalent)	We aim to make progress on near-term emissions targets.
	Energy indirect (Scope 2) GHG emissions	**2,656** tCO_2e (market-based) **1,934** tCO_2e (location-based)	
	Other indirect (Scope 3) GHG emissions	**32,752** tCO_2e	
	GHG emission intensity	**0.13** (tCO_2e / square meter of office area)	
	Leadership compensation	Management board remuneration linked to climate action goals. Refer to the Remuneration report on page 130 for more detail.	
Green ops – Energy	Energy consumption within the organization	**6,179,139.7 kWh**	Reduce and optimize energy consumption at our sites and data centers.
	Energy consumption at sites with data centres	**5,038,789.5 kWh** (81.5% of total consumption)	
	Energy intensity	**308.4** (kWh / square meter of office area)	

Business integrity

Demonstrating impact in our three focus areas is supported by a commitment to business integrity, keeping us compliant and ethical in how we conduct business. We have robust policies and commitments to sustainable procurement, privacy and data security. Our compliance policies, governance framework and integrated risk management processes help us govern effectively as we grow our business.

Governance oversight

Our policy management framework manages ethical behavior policies, which ensures that they are reviewed and refreshed annually. Key policies are supported with a mandatory training program. Training completion is monitored by the relevant Business Units and reported to the Supervisory Board by the Chief Legal Officer. Compliance with policies is reviewed periodically by an internal audit. A whistleblowing policy, including an independent reporting hotline, is in place to allow staff to report concerns about ethical behavior. Read more about our Policy framework and hierarchy below.

Business ethics and compliance

Our Code of Business Ethics (COBE) sets out the standards of conduct expected, without exception, of everyone who works for SUSE in any of our worldwide operations. Our COBE is directly linked to our values and acts as a guide in helping us to operate our business in a socially and ethically sound manner. We expect all SUSE employees, contract workers and third-party partners to apply the highest ethical standards in making business decisions, to actively raise any concerns about breaches of our COBE and promote the standards and behaviors expected of us and our colleagues.

We have a zero-tolerance policy toward bribery and corruption. Our Anti-bribery and Corruption Policy (including Gifts and Hospitality) has been shared across the organization and reinforced with a mandatory training program. We ask our employees to escalate any concerns on bribery or corruption promptly.

Policies hierarchy

Level 0 Metapolicy	Employee Code of Business Ethics (COBE)
Level 1 Critical for delivering company values and legal compliance	Anti-Bribery & Corruption (ABC); Diversity, Inclusion & Equal Opportunity (D&I); Anti-Harassment & Anti-Bullying; Data Protection & Information Security; Anti-Slavery & Human Rights Statement; Insider Dealing & Market Abuse; Health & Safety; Whistleblowing
Level 2 Important for delivering company values and legal compliance	Corporate Social Responsibility Policy; Environmental Policy; Communications; Supplier COBE; Business Continuity Management Policy
Level 3 Operational policies supporting company values and legal compliance	Agile Worker Policy; Travel & Expense; Open Source Policy; Disciplinary & Resolution Policy; Maternity & Parental Leave; Internal Hiring
Level 4 Policies for specific GEOs	Other Regional policies

Employees   Suppliers

Data privacy and information security

As a modern global enterprise, SUSE takes privacy extremely seriously. We constantly seek to improve how to balance the need to use personal data to support and grow our business with the rights of those whose personal data is processed. In 2022, SUSE received ISO 27001 and ISO 27701 certification for its design and implementation of the Information Security Management System (ISMS) and Personal Information Management System (PIMS). The ISMS and PIMS of SUSE apply to all client-facing services, internal services, processed information, related IT, and non-IT supporting infrastructure. SUSE also ensures full compliance with GDPR and our security framework is aligned with the NIST standard.

We are proud to have no customer data losses in FY22. To date, SUSE has not been fined or otherwise cautioned for handling personal data.

Our security approach is embedded into organizational decision making and protects SUSE as an organization, our people, and our customers. Visit the corporate governance section on pages 100 to 118 for further detail.

nqa.
ISO 27701
PRIVACY INFORMATION MANAGEMENT

nqa.
ISO 27001
INFORMATION SECURITY MANAGEMENT

Cyber security risk management

Cyber security risks are assessed as part of SUSE's global enterprise risk management program. Cyber, along with broader business disruption events, has been identified as a principal risk for the business (pages 82 to 91). Detailed IT operational risks, including those related to cyber security, are assessed, managed and monitored as part of the operational risk management program overseen by the Risk and Compliance Committee. Cyber risks and emerging issues are further reviewed at the quarterly Cyber Security Oversight Committee.

SUSE has appointed the VP of Information Security as a Global Chief Information Security Officer (CISO) responsible for the whole organization's security. The CISO is accountable to the Cyber Security Oversight Committee – the final governance body chaired by SUSE executive leadership. Read more in the Risk management and principal risks on pages 82 to 91.

Sustainable procurement

The security and resilience of our supply chain are vital to the success of our business. Sustainable procurement creates, protects and grows long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market. We made initial steps in 2022 by incorporating a Sustainable Procurement Policy into the Supplier Code of Business Ethics (Supplier COBE) and engaging with SUSE's top suppliers to acknowledge our new Sustainable Procurement Policy. Looking forward, we are keen to learn from best practice and collaborate with our key suppliers.

Business integrity

Key policies: SUSE COBE, Information Security Management Systems policies, Privacy Information Security policy, Supplier COBE **For ESG data tables and calculation notes refer to pages 249 to 261**	**SDGs:** SDG 16 Goal: Peace, Justice, and Strong Institutions

ESG focus areas	Our KPIs	FY22 status	Our future plans
Business ethics and compliance	**Communication of principles for ethical and socially responsible business operations**	100% Communicated to all employees	Strengthen policies and increase trainings for Business Ethics & Compliance.
Privacy and data security	**Data breaches**	0 Complaints concerning breaches of customer privacy and losses of customer data	Uphold compliance with ISO and GDPR.
Sustainable procurement	**Number of suppliers**	1,194	Engage with more suppliers to drive sustainable procurement compliance.
	Value of goods and services purchased	$95,401,376	
	Policies	Released a new Sustainable procurement policy and requested supplier commitment	
Policy training	**Completion of policy training**	84% SUSE employees completed the COBE training	Strengthen policy trainings further next year with timely refreshers and more topics.

The way forward

In 2023, we will build further on our commitment to sustainability and uphold our values to tackle global challenges. We look forward to updating our shareholders on our progress on these important efforts.

www.suse.com/esg/

Risk management and principal risks

Risk management strategy

The Management Board, under the supervision of the Supervisory Board, has overall responsibility for ensuring that SUSE's activities comply with applicable legislation, regulatory requirements and internal policies.

The Management Board decides on the organizational structure for risk management within the Group as well as the allocation of resources for the Group's internal control system and the Group's risk management system.

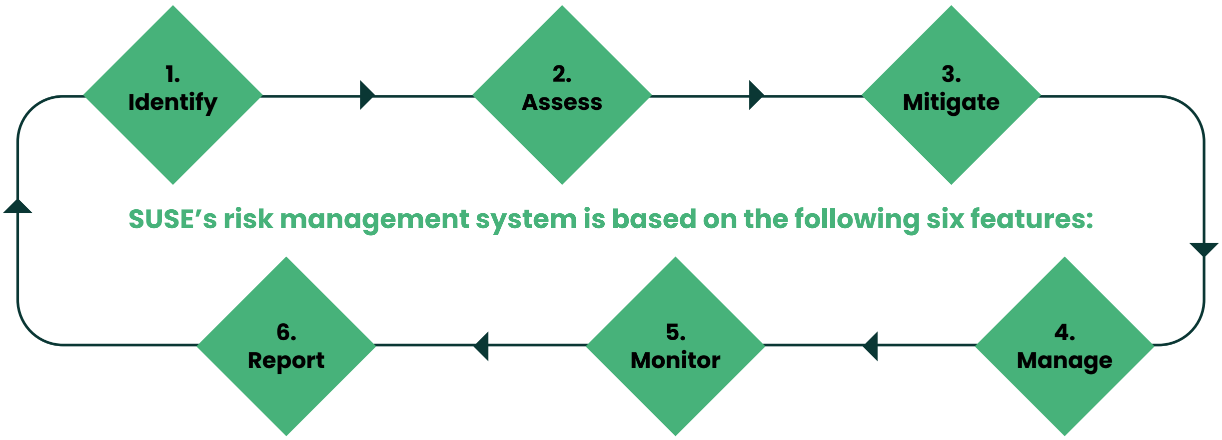
The Supervisory Board monitors the effectiveness of the risk management system.

The risk management system seeks to provide the Supervisory Board and the Management Board with an overview of risks to help support their decision making. The risk management system aims to ensure that potential risks are identified early on, assessed and mitigated quickly and comprehensively – then managed on an ongoing basis.

The Management Board regularly updates the Supervisory Board on the risks facing the SUSE business and the mitigations in place to address such risks. The Supervisory Board supervises and monitors the effectiveness of the risk management system and provides advice on any other risks that SUSE faces and advises on any mitigants that could be implemented.

The Management Board is also supported by the Executive Leadership Team which, together with the Head of Risk and Compliance, is responsible for identifying risks facing the business, updating the Management Board and the Audit Committee and then overseeing the implementation of any necessary mitigations.

In addition, and as explained in more detail on page 102 of the Corporate Governance section, the Supervisory Board, the Management Board and the Executive Leadership Team have established a number of committees, including an Audit Committee and a Risk and Compliance Committee to review, monitor and manage risks facing SUSE. One of the duties of the Audit Committee is to assess and monitor the effectiveness of SUSE's internal control system, its risk management system and its internal audit system. The Audit Committee also ensures compliance with applicable law and regulation.



Identifying principal risks

SUSE has adopted a dual approach to the identification of risks, comprised of a 'Top Down' and 'Bottom Up' risk review process. The 'Top Down' review is drawn from the Executive Leadership Team and focuses on SUSE's key strategic risks, taking into consideration external factors such as market and political/economic conditions, as well as internal factors such as people, systems and processes. The 'Bottom up' risk review is focused on day-to-day operational risks, derived from discussions with individual functional managers. Operational risks are monitored and reviewed at the quarterly Risk and Compliance Committee. This is chaired by the CFO with the Chief Legal Officer and Head of Risk and Compliance also attending.

Risks are assessed by likelihood and impact, taking into account existing and planned control measures. Additional mitigation measures, or risk treatments, are identified in line with SUSE's risk appetite, with progress on their implementation monitored as part of the ongoing review cycle.

The risk management system is managed and facilitated by the Risk and Compliance team but accountability for managing individual risks rests with the business.

SUSE's principal risks, covering the key strategic and operational risks that could impact the delivery of our strategic objectives, are listed on pages 87 to 91, together with existing and planned measures to mitigate these risks.

Risk governance structure

Supervisory Board

Supervises and monitors the effectiveness of the risk management system and provides advice to the Management Board on risks facing SUSE and measures to mitigate such risks.

Audit Committee

Assesses and monitors the effectiveness of SUSE's internal control system, its risk management system, its audit system and compliance.

Management Board

Overall responsibility for ensuring that SUSE's activities comply with applicable legislation, regulatory requirements and internal policies.

Management Board Committees

Each chaired by a member of the Management Board or the Executive Leadership Team

Risk and Compliance Committee

Chaired by the CFO, monitors operational risks and progress on implementation of mitigation measures,

Executive Leadership Team

Chaired by the CEO. Identifies risks facing SUSE and oversees implementation of any necessary mitigations.

Internal control system

The Management Board has overall responsibility for maintaining and reviewing the Group's systems of internal control; for ensuring that the controls are robust and that they enable risks to be appropriately assessed and managed. The Group's systems and controls are designed to manage risks, safeguard the Group's assets and ensure information used in the business and for publication is reliable.

SUSE's accounting control system is designed to ensure that all business transactions are accurately accounted for on a timely basis and that reliable data on SUSE's financial position is always readily available. There is a clear assignment of responsibilities within the Finance function and within each individual team within the Finance function.

In connection with its accounting and financial reporting, the internal control system's purpose is to ensure compliance with applicable laws, the principles of proper accounting, and International Financial Reporting Standards as adopted by the EU along with the standards set by the Group as a whole. SUSE identifies, assesses and mitigates any risk with a direct influence on its financial reporting.

SUSE actively monitors any actual or planned changes in accounting standards and, where necessary, seeks the advice of external experts to understand the impact of such changes. This helps to reduce the risk of accounting misstatements, particularly in relation to complex issues or where judgment is uncertain.

Group Treasury is responsible for setting the Group's financial risk management objectives and policies including hedging policy. Further details of specific types of financial risk and how they are managed, are provided in Note 29 to the Consolidated Financial Statements.

The financial statements of the Group and SUSE S.A. are subject to external audits. The Group has also established an Internal Audit function to provide additional assurance that the internal controls are designed and operating effectively.

The Management Board regularly reviews the effectiveness of the systems of internal control, including financial, operational and compliance controls and risk management systems. Where material weaknesses or opportunities for improvement are identified, changes are implemented and monitored. All systems of internal control are designed to continuously identify, evaluate and manage significant risks faced by the Group.

Compliance management system

The Group has a number of compliance policies, including a Code of Business Ethics, plus a range of specific policies – for example in relation to Information Security and Privacy, Anti-Bribery and Anti-Corruption, Share Dealing, Anti-Slavery and Whistleblowing. Any breach of these policies by an employee is a disciplinary matter and is dealt with accordingly.

Policies are managed through a Policy management framework to ensure they are reviewed and updated on an annual basis. The framework also ensures that new policy requirements are continually reviewed. Key policies are supported by a mandatory training program and training requirements are reviewed on a regular basis.

The internal control regime is supported by a whistleblowing function, including an independently operated third-party hotline. Compliance with key policies is also reviewed on a periodic basis by Internal Audit.

Assessment of principal risks

All identified risks will be assessed on the basis of the likelihood of their occurrence and their potential impact on SUSE.

With respect to the likelihood of a risk occurring, the following measures are considered:

Level	Rating	Percentage
5	Almost certain	>80%
4	Likely	60% – <80%
3	Possible	40% – <60%
2	Unlikely	20% – <40%
1	Rare	0% – <20%

With respect to the impact of a risk, the following measures are considered:

Level	Rating	Financial impact	Liability	Reputation	Operations
V	Major	>$30 million	Major criminal sentence – personal liability, e.g. Board member	Long-term international negative attention	Significant long-term interruption or shut-down of more than one business operation
IV	High	≤$30 million – >$5 million	Minor criminal sentence – personal liability, e.g. Board member	Short- to medium-term international negative attention	Significant short-term interruption or shut-down of a significant business operation
III	Moderate	≤$5 million – > $500k	Significant administrative offence – no personal liability	Short- to medium-term regional negative attention	Medium-term interruption or closure of significant parts of business operations
II	Low	≤$500k – > $100k	Minor administrative offence – no personal liability	Medium-term local negative attention	Short-term interruption or closure of parts of business operations
I	Very Low	Insignificant	No personal liability or sentence	No or short-term local negative attention	Short-term interruption of insignificant parts of business operations

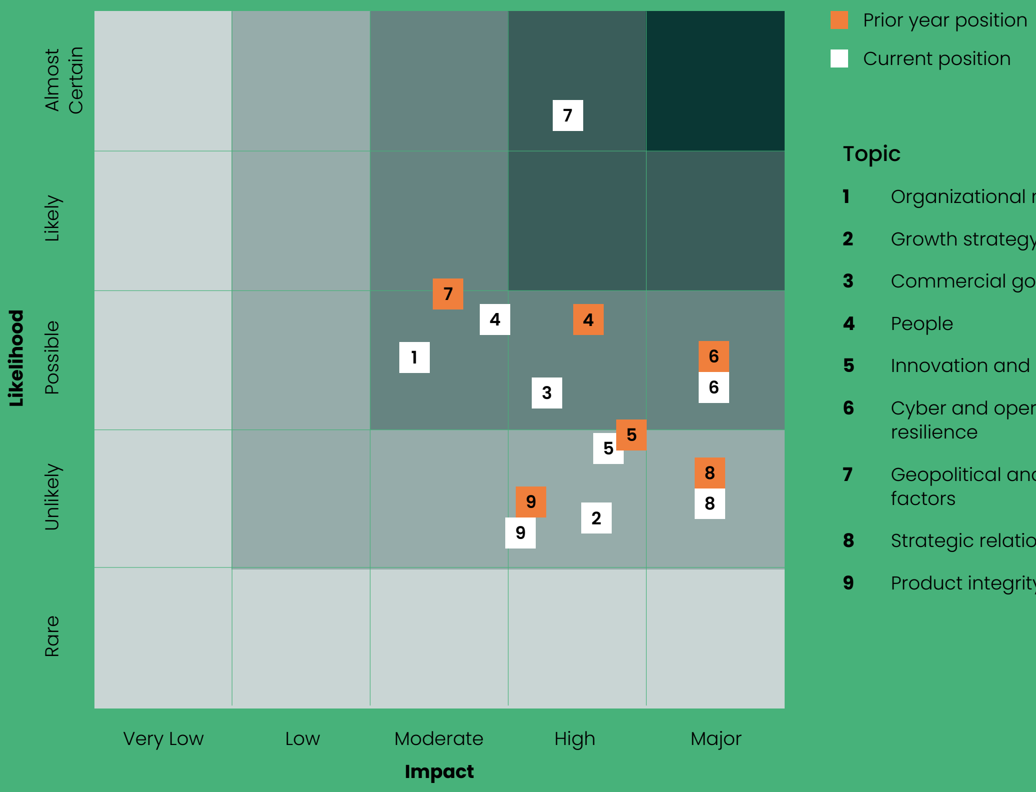
Mitigation, management, monitoring and reporting

Suitable risk-mitigating measures and controls are developed and implemented by the Executive Leadership Team or individuals who directly report to the Executive Leadership Team. Risks are then managed and monitored on an ongoing basis by such individuals. On a half-yearly basis, the Group's principal risks are shared with, and reviewed by, the Management Board and the Supervisory Board.

SUSE's principal risks

The heatmap below shows SUSE's principal risks. They are presented on a residual basis, taking into account current mitigating activities to reduce the risk. Where applicable, the equivalent risk from last year's annual report is also presented for comparison. However, not all the risks have a direct equivalent as there have been changes to the risk assessment methodology this year. Two of the risks below incorporate elements of the risks disclosed in last year's annual report. "Organizational maturity" covers the previous "Governance and compliance" and "Technology infrastructure" risks. "Growth strategy" includes an update on the previous "Acquisition strategy" risk, as well as other elements detailed in the risk commentary. "Commercial governance" is a newly identified risk this year. These changes are part of ongoing enhancements to our risk management framework.

Principal risks heat map



Topic

1 Organizational maturity
2 Growth strategy
3 Commercial governance
4 People
5 Innovation and competition
6 Cyber and operational resilience
7 Geopolitical and economic factors
8 Strategic relationships
9 Product integrity

Topic	Description	Mitigation
1 **Organizational maturity** Impact **Moderate** Likelihood **Possible** Ownership **CEO Office**	The business is evolving to meet the standards of governance and operational excellence appropriate for a growing, listed business. However the organization still lacks maturity in certain areas. SUSE's legacy technology infrastructure presents challenges with being able to scale up effectively to support growth. More formal structures are required for managing operational and commercial decisions. The business will be subject to increasing regulatory requirements as it grows in size. The accuracy of the sales forecasting process could be improved, and operational standards in the Rancher business need to transition from a model suitable for a start-up to one that can support a growth business.	SUSE has made significant progress in implementing operational and governance processes in the past 12 months. The business has successfully completed a full cycle of financial reporting since the IPO. The appointment of a Chief Legal Officer and development of the Legal team is driving improvements in governance and compliance. An Internal Audit function has been established to provide assurance over financial and operational controls. We have achieved ISO 27k certification, demonstrating the increased maturity of our IT Security and Data Privacy processes. An established policy management framework is in place, and a new Commercial function established to improve governance over Sales. A number of transformation initiatives are underway, including a restructure of our Sales organization to improve accountability and go to market capability. Operational and strategic risk management and compliance processes are being enhanced.
2 **Growth strategy** Impact **High** Likelihood **Low** Ownership **CEO Office**	The business has set ambitious targets for growth and may not deliver these if key growth drivers do not perform as expected. This risk is magnified by the challenging macroeconomic environment. Disruption due to the restructuring of the Global Sales Organization may impact short-term growth targets. Inorganic growth may not be achieved if the business selects inappropriate acquisition targets or executes acquisitions ineffectively. SUSE may lose focus on value creation and synergies as it integrates the new business on an operational level. Much of the value of an acquisition lies with its people and SUSE must ensure that the best talent is retained. Rancher is the key organic growth driver for the business but has underperformed against expectations to date. To deliver our growth targets the business must address the core issues that have led to this underperformance. These include lack of focus on sales execution, product quality issues, and failure to monetize the Rancher product through effective differentiation between free and subscription versions. SUSE must retain focus on Business Critical Linux as our key cash generator and also achieve growth in this business.	The business has identified and built on a number of opportunities to improve the execution of acquisitions following the Rancher transaction, particularly around onboarding and retaining key talent. We have strengthened our M&A capability with internal and external resource and also strengthened the Sales teams, especially at a leadership level. Future acquisitions will be supported with clear metrics around value creation, including a focus on retaining the right people. The business is undergoing a restructuring of its Sales organization to improve the go to market position for both the ECS and BCL businesses. The launch of Rancher Prime will enable more effective monetization of the product. There are also strong growth opportunities in the Rancher Federal business. Product quality issues will be addressed through enhancements to quality control processes.

Topic	Description	Mitigation
3 **Commercial governance** Impact **High** Likelihood **Possible** Ownership **Commercial**	SUSE may enter into high-risk or commercially inappropriate deals if it does not exercise effective control over the Sales organization. Review and authorization of deals, which takes place through an ad hoc Deal Desk process, could be improved. Quarter-end pressure may exacerbate the risk as sales staff try to get deals over the line. Historically the business has not enforced restrictions around subscriptions, licenses and usage limits effectively, which means there are likely to be areas of revenue leakage.	SUSE has established a Commercial team, reporting directly to the CEO, to drive governance and compliance in the Sales organization. A Deal Desk has been set up to ensure that deals are appropriately authorized, currently in operation for the largest (>$0.5 million) deals. The Legal team reviews legacy contracts as they come up for renewal to assess opportunities to improve legal terms. The Commercial Deal Desk will progressively develop its capability to a cover a higher volume of deals, ultimately having visibility over all of them. Revenue leakage represents an opportunity to drive additional revenue and EBITDA growth, and there are multiple projects underway to identify and address these.
4 **People** Impact **Moderate-High** Likelihood **Possible** Ownership **HR**	SUSE is highly dependent on the specialist skills and capabilities of its people. The ability to attract and retain talent will be critical to delivering our growth objectives. The recruitment market, despite softening with the end of the 'great resignation' trend, remains highly competitive for key skills. SUSE faces competition from the hyperscalers, who have larger budgets, and start-ups, who can attract talent with a prospective exit event. Retention is also a challenge with key engineering and sales staff at risk of being poached by larger players. The business has experienced staff attrition, particularly in the Rancher business, and changes in the Global Sales Organization may drive further unwanted attrition.	SUSE has reduced its hiring requirements having successfully increased the size of its employee base in recent years. There are dedicated recruitment teams in place and the business has the brand strength in certain areas to attract strong talent, for example Kubernetes development. The wider trend of redundancies in the technology sector represents a further opportunity to strengthen the talent pool. The business carries out talent reviews to identify and develop retention plans for key staff, and it has a range of development programs in place, including mentorship. Deteriorating economic conditions should mitigate the risk of voluntary turnover as employees start to favor stability and become more reluctant to leave their positions. The business has rolled out a new sales incentive plan to drive engagement and retention in the Sales organization. There are also opportunities to develop SUSE's talent pool in offshore operations in India.

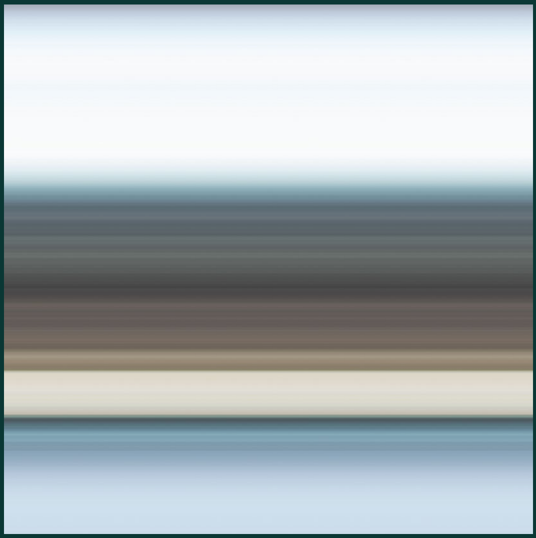
Topic	Description	Mitigation
5 **Innovation and competition** Impact **High** Likelihood **Unlikely** Ownership **Product/Sales**	Competitor actions and market disruption may undermine SUSE's ability to deliver growth objectives. New technologies could emerge that make our existing product offerings redundant. Start-ups may develop products that are of higher quality or cheaper than ours. SUSE faces competition from a number of key players, including Red Hat and VMware, as well as start-ups. There are some brand recognition challenges for SUSE in the market, particularly at the C-Suite level, which may impact our ability to compete with the larger players.	A dedicated Innovation team monitors technology trends in competitors and feedback from the open source community. Risks and opportunities are assessed, and outcomes pushed out to the appropriate teams in SUSE to action. The development of Edge solutions and a strong reputation for security, enhanced with the acquisition of NeuVector, acts as a differentiator for SUSE and will improve brand recognition at the C-Suite level. Customer churn is mitigated in the BCL business by the difficulty of migrating services to another provider, making these accounts relatively 'sticky'. Initiatives are underway in the ECS business to understand our technical differentiators from a customer perspective, and use these to drive growth.
6 **Cyber and operational resilience** Impact **Major** Likelihood **Possible** Ownership **CFO Office (IT)**	A major business disruption event could impact SUSE's ability to deliver its strategic objectives if operations are not restored in an effective and timely manner. Cybersecurity continues to be a major risk for all organizations and a cyber attack, such as ransomware, or other security breach, could have significant financial, reputational and operational impacts. SUSE's legacy infrastructure contains a number of vulnerabilities, and our Disaster Recovery capability needs to be strengthened. IT systems are spread disparately around the organization and are not all under central control, which may create security issues. The business may also be impacted by non-IT related disruption events, including natural disasters and the potential resurgence of Covid-19, or another pandemic event.	The business has invested significantly in its IT team and particularly in cyber security capability. A quarterly Cyber Security Committee is in place to review key cyber risks and carry out periodic cross-functional crisis management exercises for relevant scenarios, such as ransomware attack. Learnings from these exercises are reviewed and improvements made to SUSE's response protocols. The business has recently been certified as ISO 27K compliant, providing assurance over its IT Security and Data Privacy policies and controls. There are functional Business Continuity Plans in place, developed with third-party support. These are tested and refreshed on an annual basis. The business operates on a remote working basis as standard, which helps to mitigate the impacts of site- and pandemic-related events. This was successfully deployed during the Covid-19 lockdowns.

Topic	Description	Mitigation
7 **Geopolitical and economic factors** Impact **High** Likelihood **Almost certain** Ownership **CEO Office**	Deteriorating macroeconomic conditions and geopolitical uncertainty may impact SUSE's ability to deliver its strategic objectives. An expected global recession and higher interest rates are constraining cash availability for businesses, which may impact customers' ability to invest in IT. This is likely to impact the Rancher business in particular. SUSE's own financial position and cash availability may be impacted by interest rates and adverse fluctuations in exchange rates. Tougher economic conditions may be compounded by geopolitical factors such as the continuing Russia/Ukraine war. Increasing energy prices have a significant effect on the IT industry. Covid impacts in China and uncertainty around its position on Taiwan will also have global economic impacts. A deteriorating relationship with the US may have direct impacts on our Rancher Federal and China business operations.	SUSE's strong security focus mitigates some of the recessionary risks, as this will continue to be a priority for customer CIOs and CFOs. Our internal cashflow remains strong and interest rates on our debt facilities are fixed for three years. The business has a natural hedge against exchange rate movements, as a stronger dollar reduces UK office costs, although this comes at the expense of European revenues. A program of re-pricing across the customer base is also underway to increase revenue. New opportunities may arise for SUSE if customers start to invest in automation and greater IT efficiencies to reduce their own cost base.
8 **Strategic relationships** Impact **Major** Likelihood **Unlikely** Ownership **Commercial**	SUSE is dependent on a number of key strategic partners, the loss of which would have a significant impact on revenue and our ability to grow. These include SAP as well as the hyperscalers, including Microsoft, AWS and Google who provide a large volume of sales in the cloud.	There is an ongoing program of relationship management with our partners and an increasing focus on senior level engagement. SUSE is continually expanding its portfolio of products and reviewing emerging technology to remain relevant to partners. The Rancher product was recently introduced to AWS as an example. There will be further opportunities to grow our SAP business as its customers migrate to S/4HANA for which SUSE is the cloud enabler of choice for the majority of customers.

Topic	Description	Mitigation
9 **Product integrity** Impact **High** Likelihood **Unlikely** Ownership **Product/Technology**	Defects and errors in SUSE's products may cause system failures, security breaches and performance issues for our customers. This could lead to litigation, reputational damage and customers no longer choosing to deploy SUSE products. The open source nature of our products means that much of the code is developed by third parties with no direct control by the business. Specialist engineering support is dependent on the knowledge and expertise of key individuals in the business. The release process for Rancher products requires improvement to meet customer expectations around enhancements and ensure that bugs are removed.	We are considered to have best-in-class quality control processes for our Linux products, including automated QA before any release. We have also strengthened our engineering capability in Rancher, focusing on individuals experienced in growth businesses rather than start-ups. Product security remains a key focus and differentiator for SUSE, driving customers to sign up to our support services for open source products. We have contractual provisions and insurance policies in place to limit our financial exposure to any product liability issues. These are under continual review to ensure there are appropriate limits to our exposure. The business is working on improvements to the Rancher quality control process through the recruitment of appropriate talent and implementation of dashboards and metrics to monitor and improve product quality.

Deutsche Bank

Innovate with care



Kerala Police

Booz Allen Hamilton

Fitch Ratings

Indian police service drives 98% adoption of new digital service in four months with assistance from SUSE and TCS

The challenge

Kerala Police wanted to reimagine how digital services could make police work easier, safer and more efficient. Previous attempts to create a digital policing platform for Indian police forces had been based on slow, inflexible monolithic applications, and progress in eGovernance had been limited. At the same time, the organization knew technology is only part of the equation. Software can be well architected, performance optimized and bug free, but if it hasn't been designed with its end-users in mind, it won't be useful — and won't be used. By building on open source technologies, Kerala Police could give its development team complete freedom to create the services that police and citizens really need.

The solution

Enterprise Container Management

Products

- SUSE Rancher
- SUSE Linux Enterprise Server

Why SUSE?

To make the best use of taxpayers' money, Kerala Police had to ensure both the cost efficiency and quality of its new digital policing platform. Following a comprehensive commercial and technical evaluation, including proofs of concept, the force selected SUSE Linux Enterprise Server as the operating system for its new containerized microservices and SUSE Rancher to manage its Kubernetes clusters. Thanks to the microservices approach supported by SUSE Rancher and SUSE Linux Enterprise Server, Kerala Police has been able to prioritize the services its officers and citizens need most urgently.

- Freedom from vendor lock-in.
- Ease of developing, launching and scaling new microservices independently.
- Ability to insource or outsource development to balance budgets and timelines.
- Rapid rollout of citizen services mobile app, achieving 98% adoption in four months.
- Elimination of paperwork by providing officers with a one-stop-shop mobile app.

"Open source allows us to take full advantage of microservices, with more flexible development, faster time to market, and complete freedom to integrate new technologies when we need them."

P. Prakash
Crime & Criminal
Tracking Network & Systems
Kerala Police

Report of the Supervisory Board

Jonas Persson
Chair of the
Supervisory Board

In the following report, the Supervisory Board would like to inform you about the work that it and its Committees have carried out during FY22, SUSE's first full financial year as a listed company.

Composition of the Management Board and the Supervisory Board

As of October 31, 2022, the Management Board had the following two members:

- Melissa Di Donato, the Chief Executive Officer of SUSE.
- Andy Myers, the Chief Financial Officer of SUSE.

Each member of the Management Board is appointed until April 30, 2024.

As of October 31, 2022, the Supervisory Board had the following eight members:

- Jonas Persson, Chair of the Supervisory Board.
- Henning Kagermann, Vice Chair of the Supervisory Board.
- Adrian T. Dillon, Audit Committee Chair.
- Nora M. Denzel, Nomination and Remuneration Committee Chair.
- Dr. Ariane Reinhart, Member of the Supervisory Board.
- Elke Reichart, Member of the Supervisory Board.
- Johannes Reichel, Member of the Supervisory Board.
- Sheng Liang, Member of the Supervisory Board.

With the exception of Sheng Liang, each member of the Supervisory Board is appointed for the period up until the Annual General Meeting that will resolve the formal approval of SUSE's annual accounts for FY23. This Annual General Meeting must be held at the latest on April 30, 2024.

Sheng Liang was appointed by the Supervisory Board, following a proposal from SUSE's Nomination and Remuneration Committee, to the Supervisory Board on July 7, 2022 until the Company's next shareholder meeting.

Sheng Liang brings invaluable industry experience and knowledge to the Supervisory Board and I look forward to working with him as SUSE continues to develop and grow. Sheng Liang replaced Matteo Thun-Hohenstein, a Partner at EQT Partners, who resigned from the Supervisory Board on July 6, 2022.

Matteo Thun-Hohenstein was an instrumental part of the SUSE journey from the carve out from Micro Focus in 2018 and made valuable contributions as a member of the Supervisory Board and the Audit Committee since his appointment at the time of the Company's IPO.

On his appointment, Sheng Liang was provided with onboarding and training materials explaining his role and duties as a member of the Supervisory Board of SUSE, a Luxembourg incorporated company listed on the Frankfurt Stock Exchange.

The competence profile and objectives for the composition of the Management Board and the Supervisory Board are set out on pages 111 and page 112.

Collaboration between the Management Board and the Supervisory Board

During FY22, the Supervisory Board exercised its duties as required by law with the utmost care. It supervised the management of SUSE by the Management Board, regularly advising and continuously monitoring the work of the Management Board regarding strategic and operational decisions, as well as on governance topics and compliance.

During and outside of meetings of the Supervisory Board, the Supervisory Board was in regular contact with the Management Board to discuss SUSE's strategy, business development and risk management, and was regularly updated on the same by the Management Board. The Management Board provided the Supervisory Board with monthly updates on business and financial performance, including all of SUSE's major financial key performance indicators.

The Chair of the Supervisory Board and the Management Board were also in regular contact outside of Supervisory Board meetings. The Chair was always promptly notified and informed of all significant developments.

When required by the Rules of Procedure, the Supervisory Board, following careful consultation and review, provided its prior written consent to the proposed actions of the Management Board.

During the reporting period, there were no conflicts of interest involving the members of the Management Board and the Supervisory Board which are required to be disclosed to the Supervisory Board and of which the Annual General Meeting must be informed.

Supervisory Board setup, meetings and priorities

The Supervisory Board met in person on three occasions during FY22 and met via videoconference on a further four occasions. The Management Board attended all the Supervisory Board meetings. During four of these meetings, the Supervisory Board held its own private sessions without the Management Board present.

At each quarterly meeting of the Supervisory Board there are a number of standing agenda items that are discussed, and which are informed and supported by board papers shared by the Management Board in advance. The CEO provides a detailed update on business performance, operational and strategic matters, the health, safety and wellbeing of employees and ESG. The CFO provides an update on financial performance and the Chief Legal Officer provides an update on legal, compliance and company secretarial matters.

In addition to the standing agenda items which are covered by the Supervisory Board, the Supervisory Board has also reviewed and approved SUSE's FY21 Annual Report and Accounts, its H1 FY22 results and all announcements of financial results. The Supervisory Board also receives an update from the Chair of the Nomination and Remuneration Committee and the Chair of the Audit Committee following the meetings of these committees.

Over the course of two days on October 10 and 11, 2022, SUSE's Executive Leadership Team provided the Supervisory Board with a strategic review of the SUSE business and set out its plan for the further development of the SUSE business. At this meeting the CFO also presented the budget for FY23.

There was good attendance at all Supervisory Board meetings and only three absences were reported during FY22. On each occasion the Supervisory Board member provided comments in advance on the topics that were discussed by the Supervisory Board.

The table below shows which members of the Supervisory Board attended the various meetings of the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee.

	Supervisory Board	Audit Committee	Nomination and Remuneration Committee
Jonas Persson	7/7	n/a	2/3
Henning Kagermann	7/7	1/1	n/a
Adrian T. Dillon	7/7	3/3	n/a
Nora M. Denzel	7/7	n/a	3/3
Dr. Ariane Reinhart	5/7	n/a	n/a
Elke Reichart	7/7	3/3	n/a
Johannes Reichel	6/7	n/a	3/3
Matteo Thun-Hohenstein	5/5*	1/2	n/a
Sheng Liang	2/2*	n/a	n/a

* Following Matteo Thun-Hohenstein's resignation from the Supervisory Board and the Audit Committee on July 6, 2022, Sheng Liang was appointed to the Supervisory Board and Henning Kagermann was appointed to the Audit Committee, in each case with effect from July 7, 2022.

As allowed under SUSE's Articles of Association and in compliance with Luxembourg law, the Supervisory Board also used written resolutions to approve certain matters when it was not possible for the Supervisory Board to meet in person or virtually.

Committees

To enable it to perform its tasks efficiently, the Supervisory Board has formed the Audit Committee and the Nomination and Remuneration Committee.

Audit Committee

The Audit Committee met on three occasions during FY22. The members of the Audit Committee, together with its duties, are set out in detail on page 110.

At its meeting in January 2022, the Audit Committee reviewed SUSE's FY21 financial statements and KPMG, the Company's statutory auditor, provided a detailed explanation of its audit report.

At its meeting in July 2022, the Audit Committee reviewed SUSE's H1 FY22 results and received an explanation from KPMG of the work they had carried out on these unaudited results.

In addition to the above, at each Audit Committee, the following matters are covered:

- An update from KPMG on the non-audit services provided to SUSE and EQT, its controlling shareholder, as well as confirmation of KPMG's independence as SUSE's auditor.
- An update from the Chief Legal Officer on risk management and whistleblowing.
- An update from the Chief Information Officer on cyber security.
- An update from Internal Audit.

Adrian Dillon, as Chair of the Audit Committee, and Elke Reichart attended all three meetings of the Audit Committee. Matteo Thun-Hohenstein attended one meeting of the Audit Committee before his resignation on July 6, 2022. Henning Kagermann has replaced Matteo Thun-Hohenstein as a member of the Audit Committee and attended the meeting of the Audit Committee on October 10, 2022.

Representatives from KPMG, SUSE's statutory auditor, attended all three meetings of the Audit Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee met on three occasions during FY22. The members of the Nomination and Remuneration Committee, together with its duties, are set out in detail on page 110.

The Nomination and Remuneration Committee covered a number of matters at its meetings during FY22, including:

- The short-term and long-term incentive plans for the Management Board and the Executive Leadership Team.
- Succession planning for the Management Board, the Executive Leadership Team and new hires to the Executive Leadership Team.
- The annual salary review for all employees in the Company.
- The proposed resignation of Matteo Thun-Hohenstein, the criteria for a proposed replacement and a proposal to the Supervisory Board that Sheng Liang be appointed in place of Matteo Thun-Hohenstein.
- The approval of share awards for new hires.

Nora Denzel, as Chair of the Nomination and Remuneration Committee, and Johannes Reichel attended all three meetings of the Nomination and Remuneration Committee. Jonas Persson attended two of the three meetings of the Nomination and Remuneration Committee. When Jonas Persson was not able to attend, he provided comments in advance on the topics that were discussed by the Nomination and Remuneration Committee.

Representatives from PwC, the Company's remuneration advisors, attended all three meetings of the Nomination and Remuneration Committee.

Audit of the annual and consolidated financial statements

SUSE's annual and consolidated financial statements were given an unqualified audit opinion by KPMG Luxembourg.

SUSE's financial statements were submitted to the Supervisory Board well in advance of the meeting to approve the financial statements on January, 17 2023, giving the Supervisory Board sufficient time to review the statements ahead of the meeting. KPMG explained the contents of their audit report on SUSE's FY22 financial statements in detail to the Audit Committee and the key findings were highlighted.

Following its own review, and an update from the Audit Committee to the Supervisory Board on SUSE's FY22 annual and consolidated financial statements, informed by KPMG's presentation to the Audit Committee of its audit report, the Supervisory Board concluded that no objections needed to be raised and concurred with the auditor's audit findings. Accordingly, at its meeting on January, 17 2023, the Supervisory Board adopted SUSE's annual financial statements and approved the consolidated financial statements along with the combined management report.

Corporate governance

The Supervisory Board considers good corporate governance to be of utmost importance, an essential part of SUSE's culture and crucial to SUSE's long-term success.

As part of SUSE's corporate governance, the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee have engaged an independent third party to carry out a review into their effectiveness. The review will be carried out by way of a questionnaire focusing on the activities of the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee, along with their roles and the content and topics of their meetings. We expect this review to be available in the first part of 2023 and it will then be presented to the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee at the earliest opportunity.

SUSE held its first Annual General Meeting as a listed company on March 24, 2022, as a virtual only meeting because of the Covid-19 restrictions that were in place at the time. SUSE's next Annual General Meeting will be held on March 23, 2023 in Luxembourg and I hope to see as many shareholders as possible there.

SUSE S.A. is a public limited liability company (*société anonyme*) incorporated in Luxembourg and is subject to Luxembourg law, in particular the Luxembourg law of 10 August 1915 on commercial companies as amended. As a Luxembourg public limited liability company, the shares of which are traded on the Frankfurt Stock Exchange, SUSE is neither required to adhere to the Luxembourg corporate governance regime that is applicable to companies that are traded on the Luxembourg Stock Exchange nor to the German corporate governance regime that is applicable to companies incorporated in Germany.

German Stock Exchange rules (which are applicable to SUSE) require that certain recommendations of the German Corporate Governance Code that deal with the Audit Committee of the Supervisory Board need to be complied with in order for SUSE to be included in any of the DAX indices (DAX, MDAX, SDAX, TecDAX).

These recommendations are C.10, D.8 and D.9 in the German Corporate Governance Code and are followed in full by SUSE.

On behalf of the Supervisory Board

Jonas Persson
Chair of the Supervisory Board

Corporate governance statement

Corporate governance is the system for managing and supervising a company. SUSE considers good corporate governance to be of utmost importance, an essential part of SUSE's culture and crucial to SUSE's long-term success.

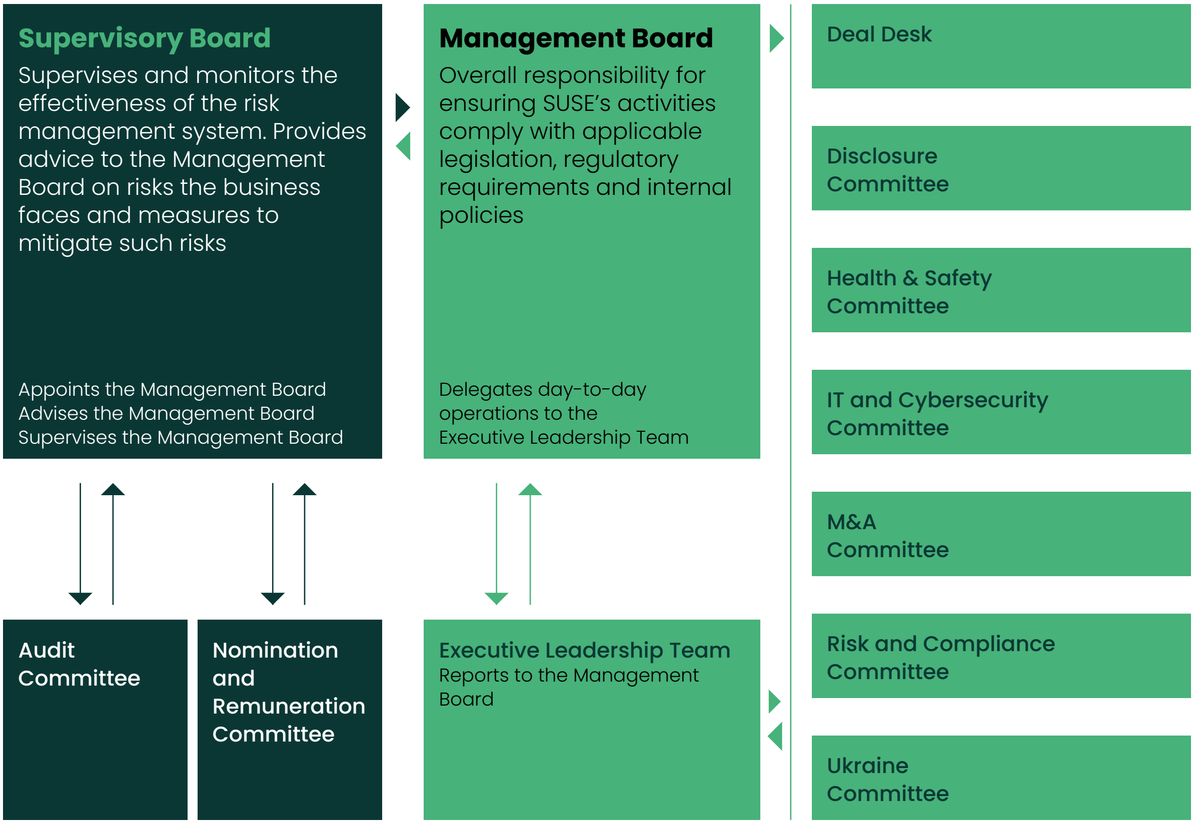
Transparent and effective corporate governance encourages the confidence of SUSE's investors, the financial markets, SUSE's customers and other business partners, SUSE's employees and the public. It ensures that SUSE is managed and supervised effectively with a responsible focus on value creation.

In its first full financial year as a listed company, SUSE has built on the foundations that it put in place in preparation for its listing on the Frankfurt Stock Exchange in May 2021 and has continued to review and enhance its governance processes and procedures on an ongoing basis and to embed such processes and procedures into the organization.

Corporate governance structure

SUSE has a two-tier management structure in the form of the Management Board and the Supervisory Board. The two Boards have different responsibilities and different members although the Supervisory Board and the Management Board have joint responsibility for SUSE's governance and risk management. Shareholders exercise their rights at the Company's General Meetings.

Corporate governance structure



The Management Board is responsible for managing SUSE and the Supervisory Board supervises the Management Board, without being authorized to interfere with the operation of the Management Board. A member of the Management Board cannot be a member of the Supervisory Board, and vice versa.

Together, the Supervisory Board and the Management Board are responsible for ensuring that SUSE has an effective organizational structure in place with clear reporting lines. The Supervisory Board has established the Audit Committee and the Nomination and Remuneration Committee that report directly to the Supervisory Board and assist the Supervisory Board in its supervision of the Management Board. The members and the duties of the Audit Committee and the Nomination and Remuneration Committee are set out on page 110.

The Management Board has established seven committees: the Deal Desk, the Disclosure Committee, the Health & Safety Committee, the IT and Cybersecurity Committee, the M&A Committee, the Risk and Compliance Committee and the Ukraine Committee. The purpose of each committee is set out on page 102.

The Management Board has established an Executive Leadership Team (ELT) that it has delegated the day-to-day operations of the Company to. The ELT is a multi-functional team led by the CEO which consists of the Chief Commercial Officer, the Chief Customer Officer, the Chief Financial Officer, the Chief Innovation Officer, the Chief Legal Officer & Company Secretary, the Chief People Officer, the Chief Revenue Officer, the Chief Sales Officer and the Chief Technology and Product Officer.

Corporate Governance Codes

SUSE S.A. is a public limited liability company (*société anonyme*) incorporated in Luxembourg and is subject to Luxembourg law, in particular the Luxembourg law of 10 August 1915 on commercial companies as amended. As a Luxembourg public limited liability company, the shares of which are traded on the Frankfurt Stock Exchange, SUSE is neither required to adhere to the Luxembourg corporate governance regime that is applicable to companies that are traded on the Luxembourg Stock Exchange, nor to the German corporate governance regime that is applicable to companies that are incorporated in Germany.

German Stock Exchange rules (which are applicable to SUSE) require that certain recommendations of the German Corporate Governance Code that cover the independence of the Chairs of the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee, as well as the role of the Audit Committee and the Company's statutory auditors, need to be complied with in order for SUSE to be included in any of the DAX indices (DAX, MDAX, SDAX, TecDAX).

These recommendations are C.10, D.8 and D.9 in the German Corporate Governance Code and are followed in full by SUSE.

Direction and leadership by the Management Board

- Responsible for managing SUSE.
- Delegates responsibility to adequately qualified personnel in the ELT.
- Ensures compliance through the establishment of seven committees.

The Management Board is responsible for managing SUSE's operations. The Management Board's actions and decisions are focused on acting in the best interests of SUSE with the goal of sustainably increasing SUSE's value. The members of the Management Board are jointly accountable for managing SUSE. In conjunction with the Supervisory Board, the Management Board determines the business and strategic aims of SUSE and ensures their implementation.

The Management Board is also responsible for creating an effective organizational structure, delegating responsibility to adequately qualified personnel in the ELT, managing and monitoring the SUSE business by setting the corporate budget (subject to approval from the Supervisory Board) and strategy and running the SUSE business in accordance with them. The Management Board allocates resources to effect SUSE's business strategy, makes decisions on significant individual measures, implements an efficient reporting system and supervises operational management.

The Management Board must ensure that SUSE's activities comply with applicable legislation, regulatory requirements and internal policies. This includes the establishment of the appropriate systems for internal control, compliance and risk management, as well as establishing a compliance culture across the Group. The Risk management and principal risks section on page 82 describes the main features of the internal control system and the risk management system.

The Management Board has created a Code of Business Ethics ('COBE') which provides the primary ethical and legal framework within which SUSE conducts its business. The COBE is communicated to employees globally and contains a fundamental set of rules that define how SUSE conducts its business. All employees must take mandatory training on the COBE.

SUSE has a Whistleblowing Policy in place, explaining how employees can raise concerns about potential unethical conduct or illegal activity. The Whistleblowing Policy is supported by an independent Reporting Hotline. This is to be used by employees where they have concerns that they do not feel comfortable raising internally.

One of the ways that the Management Board ensures compliance with applicable legislation and regulatory requirements is through the establishment of committees. As mentioned above, the Management Board has established a total of seven committees and their purpose is set out below.

As part of SUSE's ongoing assessment of its corporate governance processes and procedures, the Management Board may decide to create additional committees.

Committee	Purpose
Deal Desk	Sets and implements the governance of sales transactions and enables an approval process at L1 and L2 level to ensure adherence to our commercial strategy.
Disclosure Committee	Monitors any inside information that SUSE has and assesses whether SUSE has any disclosure obligations.
Health & Safety Committee	Assesses and monitors SUSE's current Health and Safety operations and implements any necessary changes.
IT and Cybersecurity Committee	Assesses the strength of SUSE's IT system and cybersecurity defenses. Implements any upgrades which are required to SUSE's IT systems and cybersecurity defenses.
M&A Committee	Identifies M&A targets and executes transactions. Reports to the Management Board and the Supervisory Board to provide transaction updates.
Risk and Compliance Committee	Identifies and assesses all risks facing SUSE and the measures in place to mitigate such risks. Reports in detail on the operational risks facing SUSE to the Management Board.
Ukraine Committee	Set up at the start of 2022 to assess the impact of the war in Ukraine on SUSE's employees, business and stakeholders. Has continued to monitor events in Ukraine to ensure that SUSE is complying with applicable law.

Decisions of the Management Board are made by the majority of the votes of the members present or represented. In the case of a tie, the Chair shall have the casting vote.

Certain transactions of fundamental importance and other Management Board decisions which would have a major impact on the business operations and on the financial position of SUSE, are subject to the Supervisory Board's approval. The full list of reserved matters is set out on SUSE's website and includes approval of the annual budget and annual business planning of SUSE and significant M&A transactions.

The Management Board is strictly separate from the Supervisory Board, which supervises the Management Board on management issues. A member of the Management Board cannot be a member of the Supervisory Board, and vice versa. The Management Board meets as often as the business and interests of SUSE require and, as a minimum, every financial quarter.

As of October 31, 2022, the Management Board comprised two members. The two current members of the Management Board have been appointed for a three-year term of office and their current term of appointment ends on April 30, 2024.

The Supervisory Board is responsible for appointing the members of the Management Board, and deciding their remuneration and the terms of their office (which may not exceed six years). Members of the Management Board may be reappointed for successive terms. A member of the Management Board may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the Supervisory Board.

Supervision of the Management Board by the Supervisory Board

- Appoints members of the Management Board.
- Supervises the Management Board on management issues.
- Establishment of two Supervisory Board Committees: Audit Committee and Nomination and Remuneration Committee.

The Supervisory Board appoints the members of the Management Board and supervises the Management Board on management issues. It monitors and reviews the decisions of the Management Board with respect to their compliance with laws and their commercial suitability but does not manage SUSE.

As of October 31, 2022, the Supervisory Board comprised eight members with Jonas Persson as Chair. The Supervisory Board members, except for Sheng Liang, were first appointed on May 3, 2021, ahead of the IPO. Sheng Liang was appointed as a member of the Supervisory Board on July 7, 2022 by the Supervisory Board to fill a vacancy and replace Matteo Thun-Hohenstein until the next General Meeting of the Company, at which such appointment shall be confirmed by the General Meeting. All members of the Supervisory Board were provided with an induction following their appointment, including onboarding and training materials to prepare them to be directors of a Luxembourg incorporated company listed on the Frankfurt Stock Exchange. The Supervisory Board members are responsible for their ongoing training and professional development, with the Company providing advice and support as required.

The members of the Supervisory Board are appointed at a meeting of SUSE's shareholders (normally the Annual General Meeting) by way of simple majority vote of the shares present or represented. The General Meeting determines the number, the duration of the mandate and the remuneration of the members of the Supervisory Board. The members of the Supervisory Board shall be elected for a term not exceeding six years and shall be eligible for reappointment. They may be removed with or without cause and/or replaced, at any time, by the General Meeting by a simple majority vote of the shares present and represented. In the event of a vacancy in the office of a member of the Supervisory Board, the remaining members of the Supervisory Board may appoint one or more members of the Supervisory Board, as the case may be, to fill any such vacancy until the next General Meeting of the Company.

As explained on page 97 of the Report of the Supervisory Board, the Management Board provides the Supervisory Board with a written report from the CEO and the CFO on the progress and development of SUSE's business each month. There are a number of standing agenda items that are discussed at quarterly Supervisory Board meetings, and which are informed and supported by board papers shared by the Management Board in advance.

The Management Board must promptly pass to the Supervisory Board any information on events which are likely to have a significant effect on SUSE's business. The Chair of the Supervisory Board is in regular contact with the Management Board to discuss SUSE's strategy, business development and risk management.

As explained on page 103, there are certain reserved matters that require the authorization of the Supervisory Board before they can be carried out by the Management Board.

Through the Audit Committee, the Supervisory Board monitors the accounting process, effectiveness of the external auditor including their fees, the internal audit system, the risk management framework, cyber security and the whistleblowing process.

Through the Nomination and Remuneration Committee, the Supervisory Board monitors succession planning, talent review, talent retention considerations and the remuneration of employees. The tasks of the Supervisory Board also include reviewing and approving SUSE's quarterly trading updates, half year results, annual financial statements, SUSE's management report and consolidated financial statements.

The Supervisory Board meets as often as the business and interests of SUSE require but will meet at least four times per year. The Chair of the Supervisory Board can convene additional meetings if necessary. The meetings of the Supervisory Board are called by the Chairs. The Supervisory Board validly deliberates and makes decisions only if at least half of its members are present or represented. Resolutions of the Supervisory Board are passed by a simple majority vote of the participating members present or represented. In the case of a tie, the Chair shall have the casting vote.

The Report of the Supervisory Board provides additional information about the meetings of the Supervisory Board held during FY22.

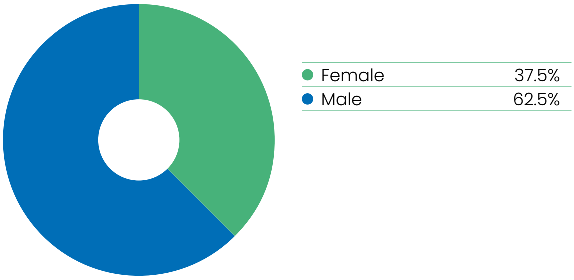
Introduction to the Supervisory Board

Combination of skills and experience shown by the Supervisory Board

This table shows the number of members of the Supervisory Board with specific skills and experience as a way of demonstrating the attributes that the members of the Supervisory Board share as a collective. All members of the Supervisory Board appear in more than one category.

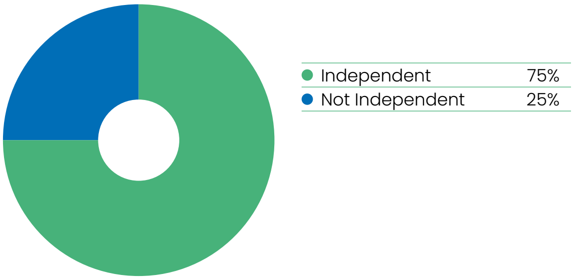
Skills and experience	Number of members of the Supervisory Board
Recent Supervisory Board (or equivalent) experience	7
Management positions in software companies	6
Experience in chairing boards and committees	4
Governance	4
Strategy	8
Finance/accounting	3
Knowledge of software industry	7
Risk management	6
HR	2

Gender split



3 out of 8 Supervisory Board members are female.

Independence



6 out of 8 Supervisory Board members are independent.

Supervisory Board

I NR

Jonas Persson

Chair of the Supervisory Board

Independent Director

Member of the Nomination and Remuneration Committee

Appointed: May 2021

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Jonas spent 20 years at Microsoft in several senior roles, including CEO of Microsoft Sweden, Developer and Platforms Group, CTO of Microsoft EMEA and head of Microsoft Mobile Internet Business Unit. He has served as chairman of TransIP and Stormgeo and has been a member of the Board of Directors at Automic and TIA.

Skills and attributes which support SUSE's strategy and long-term success

- Extensive experience in senior management positions across the software industry.
- Devised strategy and implemented strategic decisions at international software and technology companies.
- Experienced chair of technology and software companies with international operations. As Chair of the Supervisory Board, Jonas is integral in supervising the Management Board and offering strategic advice.

Current membership of Supervisory Boards (or equivalent)

- Chair of the Board at Acumatica.
- Chair of the Board at IFS.
- Chair of the Board at Peltarion.
- Chair of the Board at Sitecore.
- Member of the Board at Skandia.
- Chair at Myrtel Management.

* None of the positions set out above is at a listed company

I A

Henning Kagermann

Vice Chair of the Supervisory Board

Independent Director

Member of the Audit Committee

Appointed: May 2021 as a member of the Supervisory Board and July 2022 as a member of the Audit Committee

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Henning worked at SAP from 1982 to 2009, including as a member of the management board from 1991 to 1998 as co-Chief Executive Officer and as sole Chief Executive Officer until 2009.

Henning has held a number of Supervisory Board and Committee roles at BMW, Deutsche Post, Munich Re and Deutsche Bank.

Skills and attributes which support SUSE's strategy and long-term success

- Detailed knowledge and experience of the management of international software companies.
- Significant experience as a member of Supervisory Boards and the committees of Supervisory Boards of international companies.
- Strategic planning and management insights to assist the Management Board in its development of SUSE's strategy.

Current membership of Supervisory Boards (or equivalent)

- Member of the Supervisory Board and Chairman of its Strategy and Technology Committee at KUKA AG.
- Member of the Supervisory Board and Chair of the Risk Committee at Mambu.
- Chairman of the Board of Trustees (Kuratorium) at acetech (German Academy of Science and Engineering).

I A

Adrian T. Dillon

Member of the Supervisory Board

Independent Director

Audit Committee Chair

Appointed: May 2021

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Adrian spent 22 years at Eaton Corporation and was Executive Vice President and Chief Financial and Planning Officer from 1995 to 2001. From 2001 to 2010 Adrian was Executive Vice President – Finance & Administration and Chief Financial Officer at Agilent Technologies, Inc. Adrian was Chief Financial Officer at Skype from 2010 to 2011.

Adrian has held a number of non-executive directorships, including at Williams-Sonoma, Inc., WNS Holdings, Inc. and Datto, Inc..

Skills and attributes which support SUSE's strategy and long-term success

- Experienced Chief Financial Officer who has held senior strategic roles at international companies in a variety of sectors, including technology.
- Strong knowledge of role of Audit Committee, including its role in monitoring accounting systems and establishing effective risk management and internal control procedures. As Chair of the Audit Committee, Adrian is developing SUSE's financial reporting structure, as well as its risk management and internal control systems.

Current membership of Supervisory Boards (or equivalent):

- Member of the Board, Chair of the Audit & Risk Committee and member of the Cybersecurity Committee at HealthEquity, Inc.

I NR

Nora M. Denzel

Member of the Supervisory Board

Independent Director

Nomination and Remuneration Committee Chair

Appointed: May 2021

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Nora worked as a software engineer at IBM from 1984 to 1997 before joining Legato Systems in 1997 as Senior Vice President of product operations in enterprise storage software. Nora was Senior Vice President of three large technology product divisions, including enterprise software, at HP Enterprise from 2000 to 2006. From 2008 to 2012, Nora served as a Senior Vice President at Intuit and from 2013 to 2016 she served as Board Director and Interim Chief Executive Officer at Outerwall, Inc.

Skills and attributes which support SUSE's strategy and long-term success

- Experienced member of the Nomination and Remuneration Committee. Nora has developed SUSE's Remuneration Policy for the Supervisory Board and the Management Board and is overseeing employee compensation.
- Held senior management roles in technology companies, developing and implementing strategy.

Current membership of Supervisory Boards (or equivalent):

- Compensation Committee Chair and member of the Technology and Nominating Committee at Advanced Micro Devices.
- Member of the Technology and Science Committee at LME Ericsson.
- Member of the Compensation Committee, Technology and Cyber Committee and Audit Committee at NortonLifelock.

I A

Elke Reichart

Member of the Supervisory Board

Independent Director

Member of the Audit Committee

Appointed: May 2021

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Elke worked at Hewlett-Packard in Europe from 1991 to 2017. She was Vice President of HP Transformation Programme, Vice President of Strategy and Planning, Technology & Operations, Vice President of Global Sales Manager SAP, Director of Asset Management and Managing Director at Leasametric (a Hewlett-Packard subsidiary). From 2018 until 2021, Elke served as the Chief Digital Officer at the TUI Group and the Chief Executive Officer at TUI InfoTec GmbH.

From 2009 to 2016, Elke served as a member of the Supervisory Board at Hewlett-Packard Germany.

Skills and attributes which support SUSE's strategy and long-term success

- Senior planning, strategic and operational roles at an international technology company. Elke is familiar with developing and implementing business strategies in the technology sector.
- Insight into customer requirements to develop digital and technology strategies.

Current membership of Supervisory Boards (or equivalent)

- Member of the Supervisory Board at Bechtle AG.
- Independent Non-Executive Director at esure Group plc.

Key

- I Independent Director
- A Audit Committee
- NR Nomination and Remuneration Committee
- Committee Chair

Supervisory Board

I

Dr Ariane Reinhart

Member of the Supervisory Board

Independent Director

Appointed: May 2021

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Ariane started her career at the International Labour Organization before serving in various roles within the Volkswagen Group from 1999 to 2014. Notable roles held by Ariane at Volkswagen included Head of International Labor Relations at Volkswagen AG from 1999 to 2002, Head of Human Resources at Volkswagen Retail GmbH from 2006 to 2008, Head of Management Development in Sales & Marketing from 2008 to 2012 and a Member of the Board at Bentley Motors Ltd from 2012 to 2014.

Skills and attributes which support SUSE's strategy and long-term success

- Over twenty years' experience in senior HR roles in listed German companies.
- Strong background in ESG that allows Ariane to fulfil her role as "ESG champion" providing SUSE with advice and insight on integrating ESG more deeply into SUSE's strategy and culture. Ariane holds quarterly catch-up sessions with SUSE ESG leads to assist in the development of SUSE's ESG strategy.
- Experience of executive and non-executive board roles that enable effective and targeted supervision of the Management Board.

Current membership of Supervisory Boards (or equivalent)

- Member of the Executive Board at Continental AG, Group Human Relations and Director of Labor Relations and Sustainability.
- Member of the Supervisory Board at Vonovia SE.

NR

Johannes Reichel

Member of the Supervisory Board

Member of the Nomination and Remuneration Committee

Appointed: May 2021

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024)

Career and experience: Johannes is a Partner at EQT Partners and Head of Private Equity Central & Southern Europe, a member of EQT's global Technology, Media and Telecoms team and a member of the Private Equity Investment Committee. He has held board observer roles in EQT's portfolio companies Automic Software, Lima Corporate and CBR and a board role at Acumatica.

Prior to joining EQT, Johannes worked for Deutsche Bank as an Associate in the Corporate Finance and Advisory Group in Frankfurt.

Skills and attributes which support SUSE's strategy and long-term success

- Detailed knowledge of the international technology and software market, including trends.
- Wide-ranging experience of M&A transactions, in particular in the technology and software market.
- Familiar with providing strategic advice and input.

Current membership of Supervisory Boards (or equivalent):

- Managing Director at EQT Partners GmbH.
- Member of the Supervisory Board at Zooplus SE.
- Member of the Supervisory Board at Ottobock SE & Co, KGaA.
- Member of the Supervisory Board at IFS AB.
- Member of the Supervisory Board at Workwave Holdings, Inc.
- Managing Director at RFO GmbH & Co. KG.
- Managing Director at RFO II GmbH & Co. KG.

Sheng Liang

Member of the Supervisory Board

Appointed: July 2022

Term expires: At the AGM approving SUSE's annual accounts as at October 31, 2023 (held at the latest on April 30, 2024) to be confirmed at the Company's next General Meeting

Career and experience: Sheng started his career at Sun Microsystems Inc. in 1996 before taking on a number of engineering roles at technology companies. In July 2011, Sheng joined Citrix Systems as CTO, Cloud Platforms and then co-founded Rancher Labs in 2014 where he was the CEO. In 2020 SUSE acquired Rancher Labs and Sheng joined SUSE as President of Engineering & Innovation. In June 2022, Sheng left his operating role as President of Engineering and Innovation to join the Supervisory Board of SUSE. He is currently CEO and co-founder of Acorn Labs.

Skills and attributes which support SUSE's strategy and long-term success

- Over 20 years' experience in multinational software and technology companies. Sheng's significant industry experience and knowledge enables him to advise the Management Board on the development of SUSE's strategy.
- Current management experience of multinational software and technology companies.

Current membership of Supervisory Boards (or equivalent)

- CEO of Acorn Labs, Inc.

Management Board

Melissa Di Donato

Chief Executive Officer

Appointed: May 2021

Term expires: April 30, 2024

Joined SUSE: July 2019

Career and experience: Melissa commenced her career as a technologist and SAP R/3 developer followed by functions in engineering and product development and leadership positions in sales, services and general management at technology companies such as IBM and Oracle. In 2010, she joined Salesforce as Area Vice President before joining SAP in 2016 as Chief Revenue Officer, ERP Cloud, and then from July 2018 as COO, Digital Core. Melissa joined SUSE in July 2019 as Chief Executive Officer.

Skills and attributes which support SUSE's strategy and long-term success

- Extensive experience in senior management positions at international software and technology companies.
- Engineering, product development and sales background provides key knowledge and understanding of SUSE's core business model.
- Broad knowledge of the global open source software market to inform SUSE's business strategy.
- Focus on people development and culture to support SUSE's growth and development

Current membership of Supervisory Boards (or equivalent):

- Member of the Supervisory Board at Porsche AG.
- Independent Non-Executive Director at JPM Europe.

Andy Myers

Chief Financial Officer

Appointed: May 2021

Term expires: April 30, 2024

Joined SUSE: August 2020

Career and experience: Andy started his career at KPMG qualifying as a Chartered Accountant in 1990. In 1993 Andy started as an Internal Audit Manager at the Rover/BMW Group and was appointed as the Finance and Business Improvement Director at the Rover Oxford car plant in 1996. In 2000, Andy joined Rolls-Royce Plc as a Financial Controller and in 2002 he was appointed as Chief Financial Officer of the Energy Sector. From 2004 to 2018, Andy served as Chief Financial Officer of the McLaren Technology Group and then joined SHL Group as Chief Financial Officer in 2018. Andy joined SUSE in August 2020 as Chief Financial Officer.

Andy is a ICAEW Chartered Accountant.

Skills and attributes which support SUSE's strategy and long-term success

- Extensive experience as a Chief Financial Officer in international companies.
- Andy is developing SUSE's financial reporting structure, as well as its risk management and internal control systems by ensuring that appropriate governance is in place.

Current membership of Supervisory Boards (or equivalent):

- Non-Executive Director, Audit Chair and a member of the Remuneration Committee at Berkeley Group Holdings plc.

Key

- I Independent Director
- A Audit Committee
- NR Nomination and Remuneration Committee
- Committee Chair

Supervisory Board Committees

To enable it to carry out its supervision activities effectively, the Supervisory Board has established two Supervisory Board Committees: the Audit Committee and the Nomination and Remuneration Committee. As part of SUSE's ongoing assessment of its corporate governance processes and procedures, the Supervisory Board may decide to create additional committees.

Audit Committee

Members
- Adrian T. Dillon (Chair), Henning Kagermann (replaced Matteo Thun-Hohenstein on July 7, 2022) and Elke Reichart.
- Adrian T. Dillon, Henning Kagermann and Elke Reichart are all considered to be independent.

Duties
- Informs the Supervisory Board of the outcome of SUSE's statutory audit and explains how the statutory audit contributed to the integrity of SUSE's financial reporting and what the role of the Audit Committee was in that process.
- Reviews SUSE's accounting, particularly comprising of the consolidated financial statement and the Group management report, interim financial information and single entity financial statements.
- Monitors the statutory audit of SUSE's annual and consolidated financial statements.
- Supports, assesses and monitors the accounting process, effectiveness of the internal control system, the internal audit system and compliance.
- Reviews SUSE's risk assessment and the risk management and control framework and processes.
- Recommends the statutory auditor and reviews and monitors the auditor's independence, in particular the appropriateness of the provision of non-audit services to the Group.

The Audit Committee met three times during FY22.

Expertise
Adrian T. Dillon has expertise in accounting, in particular special knowledge and experience in the application of accounting principles and internal control and risk management systems. Adrian T. Dillon also has expertise in auditing, in particular special knowledge and experience in the auditing of financial statements.

Please see the description in the report of the Supervisory Board for information on the meetings of the Audit Committee during FY22 on page 98.

Nomination and Remuneration Committee

Members
- Nora M. Denzel (Chair), Jonas Persson and Johannes Reichel.
- Nora M. Denzel and Jonas Persson are considered to be independent.

Duties
- Identifies and recommends candidates suitable to be members of the Supervisory Board, including specifying the experience and the qualifications necessary for the duties carried out by the Supervisory Board.
- Evaluates the independence of the independent members of the Supervisory Board.
- Reviews the structure, number of members and composition of the Supervisory Board and the Management Board.
- Provides advice to the Supervisory Board on the general remuneration policy and the identity of the members of the Supervisory Board, Management Board and ELT.
- Assists the Supervisory Board in its review and design of the diversity policy and reviews the structure, number of members and composition of the Supervisory Board and the Management Board.

The Nomination and Remuneration Committee met three times during FY22.

Please see the description in the report of the Supervisory Board for information on the meetings of the Nomination and Remuneration Committee during FY22 on pages 98 and 99.

Management Board and Supervisory Board composition

Diversity of the Management Board and the Supervisory Board

SUSE strongly believes that a diverse and inclusive culture is cultivated through clear tone from the top, with members of the Management Board, the Supervisory Board and the ELT championing diversity and inclusion in support of SUSE's values.

In line with its focus on diversity, SUSE adopted a Board Diversity and Inclusion Policy in July 2022.

The purpose of the Board Diversity and Inclusion Policy is to set out the approach to diversity and inclusion for the Management Board and the Supervisory Board with the intention of supporting the succession planning work of the Nomination and Remuneration Committee in creating and maintaining the appropriate composition for the Supervisory Board and the Management Board. The Supervisory Board and the Nomination and Remuneration Committee recognize that a diverse Supervisory Board and Management Board, sharing a range of views, insights, perspectives, and opinions will improve decision making and effectiveness. The Supervisory Board and the Nomination and Remuneration Committee are therefore committed to ensuring the composition of the Supervisory Board and the Management Board exhibits a diverse mix of skills, professional, industry, cultural and educational backgrounds, geographical experience, expertise (including regarding sustainability issues relevant to the Group), gender, age, tenure, ethnicity and independence of thought.

Currently 37.5% of the Supervisory Board and 50% of the Management Board are female. The Supervisory Board and the Management Board aspires that female representation on both the Supervisory Board and the Management Board is a minimum of 30% by 2026, which reflects SUSE's overall goal to have at least 30% women in leadership positions by 2026, as set out on page 60.

The Supervisory Board and the Management Board both recognize that periods of change in the composition of the Supervisory Board and the Management Board may result in temporary periods when this balance is not achieved.

Competence profile and objectives for the composition of the Management Board

The Supervisory Board, supported by the Nomination and Remuneration Committee, works with the Management Board to ensure long-term succession planning for the Management Board and the ELT. As mentioned in the report of the Supervisory Board, the Nomination and Remuneration Committee has focused on succession planning for the Management Board and the Executive Leadership Team.

Skills and expertise

Each Management Board member must be able to perform the tasks required of a Management Board member in a listed software company with international operations. Furthermore, the members of the Management Board must possess in-depth knowledge of SUSE's business and the market environment and are usually expected to have several years of management experience.

In view of SUSE's business model, at least one member of the Management Board should have knowledge of the following areas:

- Strategy and strategic management.
- Technology and SaaS companies, including the relevant markets and customer needs.
- Operations and technology, including IT and digitalization.
- Finance, including financing, accounting, controlling, risk management and internal control procedures.
- Corporate governance and compliance.

Given the international focus of SUSE's activities, at least some members of the Management Board should possess noteworthy international experience.

The number of members of the Management Board is determined by the Supervisory Board. The Supervisory Board considers two to be an appropriate number of Management Board members given the current position of the SUSE business and its future strategy.

The current composition of the Management Board meets the competence profile and objectives, including diversity, for the composition of the Management Board, with each member of the Management Board being chosen following an extensive and thorough recruitment process.

Competence profile and objectives for the composition of the Supervisory Board

On its formation in May 2021, the competence profile and objectives for the composition of the Supervisory Board were considered, with reference to the German Corporate Governance Code, and these objectives will continue to be reviewed on a regular basis. The Supervisory Board is composed of members who have strong backgrounds in finance, technology, HR and strategy for international companies, both public and private.

The guiding principle for the Supervisory Board is to ensure qualified supervision and guidance for the Management Board. Any individuals who are nominated for election or re-election to the Supervisory Board should be individuals who can, based on their professional expertise and experience, integrity, commitment, specialist knowledge and character, successfully perform the work of a supervisory board member at a listed software company with international operations.

Skills and expertise

In view of SUSE's business model, the Supervisory Board members must, taken as a whole, have all of the skills and expertise required to perform its function effectively. Therefore, at least one member of the Supervisory Board should have knowledge of the following areas:

- Strategy and strategic management.
- Management of a company with international operations, in particular in software, SaaS or technology.
- Supervisory positions in Germany and/or abroad.
- Corporate development of a company with an international footprint.
- Finance, including financing, accounting, controlling, risk management and internal control procedures.
- Corporate governance and compliance.

The current composition of the Supervisory Board meets the competence profile, the diversity concept and objectives for the composition of the Supervisory Board, with each member of the Supervisory Board being chosen following an extensive and thorough recruitment process.

Independence

The Supervisory Board believes that the Supervisory Board should include at least two members who are independent.

The Supervisory Board considers that all of its members, except for Johannes Reichel and Sheng Liang, are independent in accordance with the criteria for independence set out in the German Corporate Governance Code.

Conflicts of interest

The members of the Management Board and the Supervisory Board must act in the best interests of SUSE. In all their decisions, they must neither pursue personal interests nor exploit for themselves business opportunities that are offered to SUSE or one of its subsidiaries for themselves or third parties.

Each member of the Supervisory Board must inform the Chair of the Supervisory Board of any conflicts of interest without undue delay. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate.

Each member of the Management Board must disclose conflicts of interest to the Chair of the Supervisory Board and to the rest of the Management Board without undue delay. During the reporting period, there were no conflicts of interest involving members of the Management Board and the Supervisory Board that are required to be disclosed to the Supervisory Board and of which the AGM must be informed.

Board evaluation and effectiveness

As part of SUSE's corporate governance, the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee have engaged an independent third party to carry out a review into their effectiveness. The review will be carried out by way of a questionnaire focusing on the activities of the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee, their roles and the content and topics of their meetings. We expect this review to be available in the first part of 2023 and it will then be presented to the Supervisory Board, the Audit Committee and the Nomination and Remuneration Committee at the earliest opportunity.

Relationship with majority shareholder

Johannes Reichel is a member of the Supervisory Board and is a Partner at EQT Partners, which are entities advising the EQT funds. Johannes Reichel does not receive additional payment for his services as a member of the Supervisory Board. Until July 6, 2022, Matteo Thun-Hohenstein was also a member of the Supervisory Board and a Partner at EQT Partners. He did not receive additional payment for his services as a member of the Supervisory Board.

Under article 7 quater of the Luxembourg Law of 24 May 2011 as amended, any material transaction between SUSE and a related party shall be subject to the approval of the Management Board. SUSE shall publicly announce any material transactions with related parties at the latest by the time of conclusion of the transaction.

Overview of Shareholder Rights

General Meetings

General meetings of shareholders ("General Meeting(s)") shall be convened under the conditions, in the form and within the time limits provided for by the Law of 10 August 1915 and the Law of 24 May 2011 on the exercise of certain rights of shareholders in General Meetings of listed companies and transposing Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders of listed companies (the Shareholders Rights Law).

General Meetings are conducted in English at SUSE's registered office in the Grand Duchy of Luxembourg or at any other location in the Grand Duchy of Luxembourg as specified in the convening notice.

SUSE shall ensure equal treatment for all shareholders who are in the same position with regard to participation in, and the exercise of voting rights at, the General Meeting. Any duly constituted General Meeting shall represent all SUSE's shareholders. It shall have the widest powers to order, implement or ratify all acts connected with SUSE's operations that are not conferred on the Management Board or the Supervisory Board.

General Meetings (other than the AGM of the shareholders) may be called as often as the interests of the Company require. The Management Board or the Supervisory Board are obliged to call a General Meeting if a group of shareholders representing at least 10% of SUSE's share capital requests the convening of a General Meeting in writing, indicating the agenda of the proposed meeting. The AGM shall be held within six months of the end of SUSE's financial year. Following the approval of the annual accounts and consolidated accounts, the AGM shall decide by special vote on the discharge of the liability of the members of the Management Board and the Supervisory Board.

In accordance with the Shareholders Rights Law, the convening notice to a General Meeting is to be published at least 30 days before the day of the General Meeting in the official gazette of Luxembourg (Recueil Electronique des Sociétés et Associations), in a Luxembourg newspaper and in such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European Union, in a manner ensuring fast access to it and on a non-discriminatory basis. If a General Meeting is adjourned for lack of quorum, provided that the convening requirements of the Shareholders Rights Law have been complied with, and no new item has been added to the agenda, the 30-day period is reduced to a 17-day period.

The convening notice must inter alia contain the time and place of the General Meeting as well as the agenda and the nature of the business to be transacted at the General Meeting. The agenda for an extraordinary General Meeting shall also, where appropriate, describe any proposed changes to the Articles of Association. The convening notice must also set out a clear and precise description of the procedures shareholders must comply with in order to participate and to cast their vote in the General Meeting.

The convening notice and the documents required to be submitted to the shareholders in connection with a General Meeting shall be posted on SUSE's website from the date of the first publication of the convening notice for the General Meeting, as set out above.

In accordance with the Shareholders Rights Law, shareholders holding, individually or collectively, at least 5% of the issued share capital of SUSE (a) have the right to put items on the agenda of the General Meeting and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting. Those rights shall be exercised upon request in writing by the relevant shareholders submitted to SUSE by postal services or electronic means at the address indicated by SUSE in the convening notice. The requests shall be accompanied by a justification or a draft resolution to be adopted in the General Meeting and shall include the electronic or mailing address at which SUSE can acknowledge receipt of these requests. Any such requests from shareholders shall be received by SUSE at the latest on the twenty-second (22nd) day before the date of the General Meeting.

SUSE shall acknowledge receipt of these requests within forty-eight (48) hours from such receipt. Where the requests entail a modification of the agenda for the General Meeting already communicated to the shareholders, SUSE shall make available a revised agenda at the latest on the fifteenth (15th) day before the date of the General Meeting.

Under normal circumstances each shareholder is entitled to attend the General Meeting, in person or by proxy, and to exercise voting rights in accordance with SUSE's Articles of Association. Each SUSE share issued and outstanding represents one vote. The right to participate in the General Meeting and exercise voting rights is determined on the basis of share ownership on the fourteenth (14th) day at midnight (00:00 a.m.) (Luxembourg time) before the date of the General Meeting (the Record Date).

All shareholders holding shares on the Record Date have the right to participate in the General Meeting regardless of the number of shares held. Shareholders shall notify the Company of their intention to participate in a General Meeting by a declaration in writing by post or by email to the postal or email address indicated in the convening notice, which shall be received on the Record Date at the latest. Further details about attending and voting at the General Meeting will be included in the convening notice that will be available from SUSE's website once the convening notice has been published.

The General Meetings pass resolutions by a simple majority of votes cast, unless the Articles of Association or the Law of 10 August 1915 provide for a different majority or different requirements. Abstention and nil votes will not be taken into account.

The AGM is empowered to decide on the appropriation of distributable profit, the discharge of the members of the Management Board and the Supervisory Board, the election of Supervisory Board members, amendments to the Articles f Association, the issue of new shares and the authorization to acquire SUSE's own shares, the approval of the remuneration system, the selection of the independent auditors and the approval of the annual financial statement

Disclosures made in accordance with article 11 of the Luxembourg law on Takeover Bids of 19 May 2006

(A) Share Capital Structure

SUSE has issued one class of ordinary shares which is admitted to trading on the Frankfurt Stock Exchange. No other securities have been issued. The issued share capital as at October 31, 2021 amounts to $16,936,044.50 represented by 169,360,445 ordinary shares without any nominal value, all subscribed and fully paid up.

SUSE shares are in dematerialized form.

(B) Transfer Restrictions

Subject to the below, at the date of this report, all SUSE shares are freely transferable but shall be subject to the provisions of German insider dealing and market manipulation laws and regulation, which prevent anyone who has material non-public information about a company from dealing in its shares and from manipulating the market.

Notwithstanding the above, SUSE has a Share Dealing Code in place that contains restrictions on dealings by employees of SUSE and its subsidiaries. All awards to Management Board members under the LTI are subject to a holding period such that the total period from the grant to the release of shares is four years.

(C) Major Shareholding

As of 31 December 2022, Marcel LUX III SARL, on behalf of EQT VIII fund, held 133,812,577 shares in SUSE.

(D) Special Control Rights

All the issued and outstanding shares of SUSE S.A. have equal voting rights with no special control rights attached.

(E) Control System in Employee Share Scheme

SUSE's Management Board is not aware of any issue regarding section e) of article 11 of the Luxembourg Law on Takeover Bids of 19 May 2006.

(F) Restrictions on Voting Rights

Each SUSE share issued and outstanding represents one vote. The Articles of Association do not provide for any voting restrictions.

(G) Shareholders' Agreement with Transfer Restrictions

At the date of this report, the Supervisory Board and the Management Board have no information about any agreements that may result in restrictions on the transfer of securities of voting rights.

(H) Appointment of Board Members, Amendments to the Articles of Association

The appointment and replacement of members of the Supervisory Board and the Management Board and the amendments to the Articles of Association are governed by Luxembourg Law and the Articles of Association.

The members of the Supervisory Board are appointed at a meeting of SUSE's shareholders (normally the Annual General Meeting) by way of simple majority vote of the shares present or represented. The General Meeting determines the number, the duration of the mandate and the remuneration of the members of the Supervisory Board. Provided that SUSE has more than one shareholder, the Supervisory Board shall be composed of at least three members. The members of the Supervisory Board shall be elected for a term not exceeding six years and shall be eligible for reappointment. They may be removed with or without cause and/or replaced, at any time, by the General Meeting by a simple majority vote of the shares present and represented.

In the event of a vacancy in the office of a member of the Supervisory Board, the remaining members of the Supervisory Board may appoint a successor to fill such vacancy until the following General Meeting, at which such appointment shall be confirmed by the General Meeting or at which the General Meeting may appoint another member of the Supervisory Board. The Supervisory Board shall appoint a chair from among its members and may also appoint from among its members one or more vice-chairs.

The Supervisory Board is responsible for appointing the members of the Management Board. It determines the number of members of the Management Board, the duration of the mandate and the remuneration of the members of the Management Board. Provided that the Company has more than one shareholder, the Management Board shall be composed of at least two members. The members of the Management Board are elected for a term not exceeding six years. They are eligible for reappointment.

The Management Board members may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the Supervisory Board by a simple majority of the votes of the members present or represented. In the event of a vacancy in the office of members of the Management Board, the remaining members of the Management Board may appoint a successor to fill such vacancy until the following meeting of the Supervisory Board, which shall resolve on a permanent appointment. The Management Board may appoint a chair from among its members and may also appoint from among its members one or more vice-chairs. The Articles of Association may be amended at a meeting of SUSE's shareholders in an extraordinary general meeting. In this case, the quorum shall be at least 50% of all the shares issued and outstanding. If the said quorum is not present, a second meeting may be convened at which there shall be no quorum requirement. In order for the proposed resolutions to be adopted, and save as otherwise provided by the law, a two-thirds majority of the votes of the shareholders present or represented is required. Abstention and nil votes will not be taken into account.

The Articles of Association are published under the 'Investors' Corporate Governance section on SUSE's website, www.suse.com.

(I) Powers of the Management Board and the Supervisory Board

The Management Board is vested with the broadest powers to manage the business of SUSE. It may take all acts of administration and of disposal in the interests of SUSE.

All powers not expressly reserved by the law or by the Articles of Association to the General Meeting or the Supervisory Board fall within the authority of the Management Board. Certain major decisions require the authorization of the Supervisory Board.

SUSE shall be bound against third parties in all circumstances by the joint signature of any two members of the Management Board. The Company shall also be bound against third parties by (i) the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Management Board or, (ii) with respect to matters of daily management, by the sole signature of a daily manager.

During a period of five years from the day of the General Meeting held on May 3, 2021, the Management Board may from time to time issue shares within the limits of the authorized capital which is currently set at $26,000,000 (the Authorized Share Capital), at such times and on such terms and conditions, including the issue price, as the Management Board resolves. The Management Board is further authorized to arrange for a requisite change in SUSE's Articles of Association to reflect such capital increase. The Management Board is authorized to suppress or limit any pre-emptive subscription rights for any issue of shares within the Authorized Share Capital.

The Management Board is authorized to attribute existing shares or issue new shares, to the following persons free of charge:

- Employees or a certain category of employees of SUSE.
- Employees of companies in which SUSE holds directly or indirectly at least ten per cent (10%) of capital or voting rights.
- Employees of companies holding directly or indirectly at least ten per cent (10%) of the capital or voting rights of SUSE.
- Employees of companies of which at least fifty per cent (50%) of the capital or voting rights are directly or indirectly held by a company holding directly or indirectly at least fifty per cent (50%) of the capital or voting rights of SUSE.
- Corporate officers of SUSE or of any of the companies mentioned above or certain categories of such corporate officers.

The Management Board is authorized to determine the conditions and modalities of any attribution or issue of shares free of charge (including any required minimum holding period).

During FY22, the Company created 333,328 new shares and these free shares were allocated to employee to satisfy share awards to employees under SUSE's long-term incentive plan.

SUSE may, to the extent and under the terms permitted by law, repurchase its own shares.

As at the date of this report, the Management Board does not have the authority to repurchase SUSE shares and no SUSE shares were repurchased during FY22.

Interim dividends may be declared by the Management Board subject to observing the conditions laid down in the law.

The Supervisory Board and the Management Board have set up several committees that report directly to the Supervisory Board and the Management Board, as appropriate. Their duties and members are set out above and the activities of the Audit Committee and the Nomination and Remuneration Committee for FY22 are included in the Report of the Supervisory Board.

(J) Significant Agreements or Essential Business Contracts

The Supervisory Board and the Management Board are not aware of any significant agreements to which SUSE is party and which take effect, alter or terminate upon a change of control of SUSE following a takeover bid.

(K) Agreements with Directors and Employees

There are no agreements between SUSE and the members of the Management Board or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Remuneration report

Nora M. Denzel
Chair of the Nomination and Remuneration Committee

The Remuneration report outlines the remuneration of members of the SUSE Management Board and Supervisory Board for the financial year ended October 31, 2022 (FY22), our first full financial year as a listed company.

As a Luxembourg incorporated company listed on the Frankfurt Stock Exchange, this report complies with statutory reporting requirements in Luxembourg.

Summary of FY22 business performance and remuneration outcomes

SUSE delivered impressive revenue and profitability results in an exceptionally challenging environment as it completed its first full financial year as a listed company. In particular, we achieved an Adjusted EBITDA of $241.9 million (an increase of 14% on FY21) and total ARR of $645.8 million (an increase of 12% on FY21).

The performance was delivered against a volatile macroeconomic landscape, and we are proud of the collective effort made by SUSE employees and management teams. They have remained focused on our growth targets while managing the uncertainty and the continued disruption caused by external factors surrounding our business.

In light of the Company's FY22 performance and in line with the formulaic assessment of actual metric achievement against targets, annual short-term incentives for the Management Board were 90.7% of the target opportunity which was 100% of base salary, equal to $872k and $462k for the CEO and CFO respectively. The FY22 awards under the LTI were made at 100% of the opportunity level based on FY21 pre-grant performance criteria. The awards are a mix of restricted stock units (RSUs) and stock options. In line with the Remuneration Policy, RSUs vest in equal tranches one, two and three years after the award date. Stock options vest in equal tranches two and three years after the award date. All awards to Management Board members under the LTI are subject to a holding period such that the total period from the grant to the release of shares is four years.

Remuneration Policy

In accordance with the Grand Ducal Law of August 1, 2019 in Luxembourg, a Remuneration Policy that governs the remuneration of our Management and Supervisory Boards was approved at our first Annual General Meeting on March 24, 2022 with the support of our shareholders. The Nomination and Remuneration Committee acknowledges that some of our shareholders were unable to support the Remuneration Policy and the FY21 Remuneration Report. In response to the feedback provided, we have structured this year's report differently and have expanded our disclosures with regards to the Nomination and Remuneration Committee's decision-making process, and provided a greater level of transparency regarding the operation of the variable pay applicable to the Management Board. We believe the additional clarity provided throughout the report will address the concerns of our shareholders and broader stakeholders.

The Nomination and Remuneration Committee has primarily focused this year on ensuring that the Remuneration Policy is fully implemented together with reviewing the links to the Company's long-term strategy delivery through our incentive schemes. We have included ESG metrics in the short-term incentive plan for FY22, in order to ensure the indicators of sustainable success are embedded in SUSE's remuneration design.

As a result of our continued focus to promote diversity and inclusion, the Nomination and Remuneration Committee proposed a Board Diversity and Inclusion Policy which was subsequently approved by the Supervisory Board and published on the Company's website. Our approach to diversity and mechanisms to foster an inclusive culture are detailed in the ESG section of this report, on pages 64 to 65.

A summary of the Remuneration Policy approved by shareholders is set out on pages 121 to 128 of this report. This Remuneration Policy represents the 'Remuneration System' for the purposes of the German Corporate Governance Code and the full Remuneration Policy has been included in the FY21 Annual Report.

Nora M. Denzel
Chair of the Nomination and Remuneration Committee

SUSE S.A. Remuneration Policy

This section sets out a summary of the Remuneration Policy for the Management Board and the Supervisory Board that was approved by the shareholders at the AGM on March 24, 2022, and was in place during the financial year ended October 31, 2022. The full Remuneration Policy is set out in the Remuneration Report contained in the Annual Report for the financial year ended October 31, 2021, which is available on our website. SUSE's Remuneration Policy represents the 'Remuneration System' for the purposes of the German Corporate Governance Code.

Overview of the Management Board Remuneration Policy

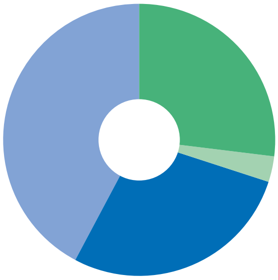
Principles of the Management Board Remuneration Policy

The Management Board Remuneration Policy of SUSE described in the following pages is designed to provide effective incentives for our strategy of organic growth acceleration supported by selective acquisitions. It thus delivers a key contribution to execute and achieve the SUSE growth strategy. The Remuneration Policy appropriately reflects the individual tasks and performance of the members of the Management Board, as well as SUSE's overall situation and performance. It is based on the following principles:

Business strategy	– Promotes the execution of SUSE's organic and inorganic growth strategy supported by selective acquisitions.
Regulatory requirements	– Meets the requirements of the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders at general meetings of listed companies, as amended by the law of August 1, 2019 transposing Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017 amending Directive 2007/36/EC (the Law) with a view to promoting long-term shareholder engagement. – Aims to comply with the guiding principles of the German Corporate Governance Code.
Shareholder interests	– Linked to the overall business strategy. – Long-term incentives align the interests of executives and shareholders through share price development and achievement of pre-grant criteria.
Performance and sustainability	– Focuses on the key performance indicators that reflect the business strategy over the short term, as well as the long-term indicators of sustained performance. – Considers financial and non-financial performance targets which take the ESG strategy into account.
Straightforward and demanding	– The Remuneration Policy has been designed to provide simplicity. – Clearly structured and easily comprehensible. – Cascadable to tiers below the Management Board. – Sets demanding and quantifiable targets.

Structure of the Management Board Remuneration Policy

The Management Board Remuneration Policy is composed of fixed and variable elements, with the quantum set by the Supervisory Board based on comparisons against a basket of technology and technology-enabled companies based in the UK, Germany, elsewhere in Europe and in the US. Fixed remuneration consists of base salary, pension and benefits. Variable remuneration comprises a Short-Term Incentive Plan (STI) and a Long-Term Incentive Plan (LTI). The sum of base salary, benefits, pension, STI and LTI target amounts constitute the total target remuneration.



30-35% fixed remuneration

Base salary	27%
Pension and benefits	3%

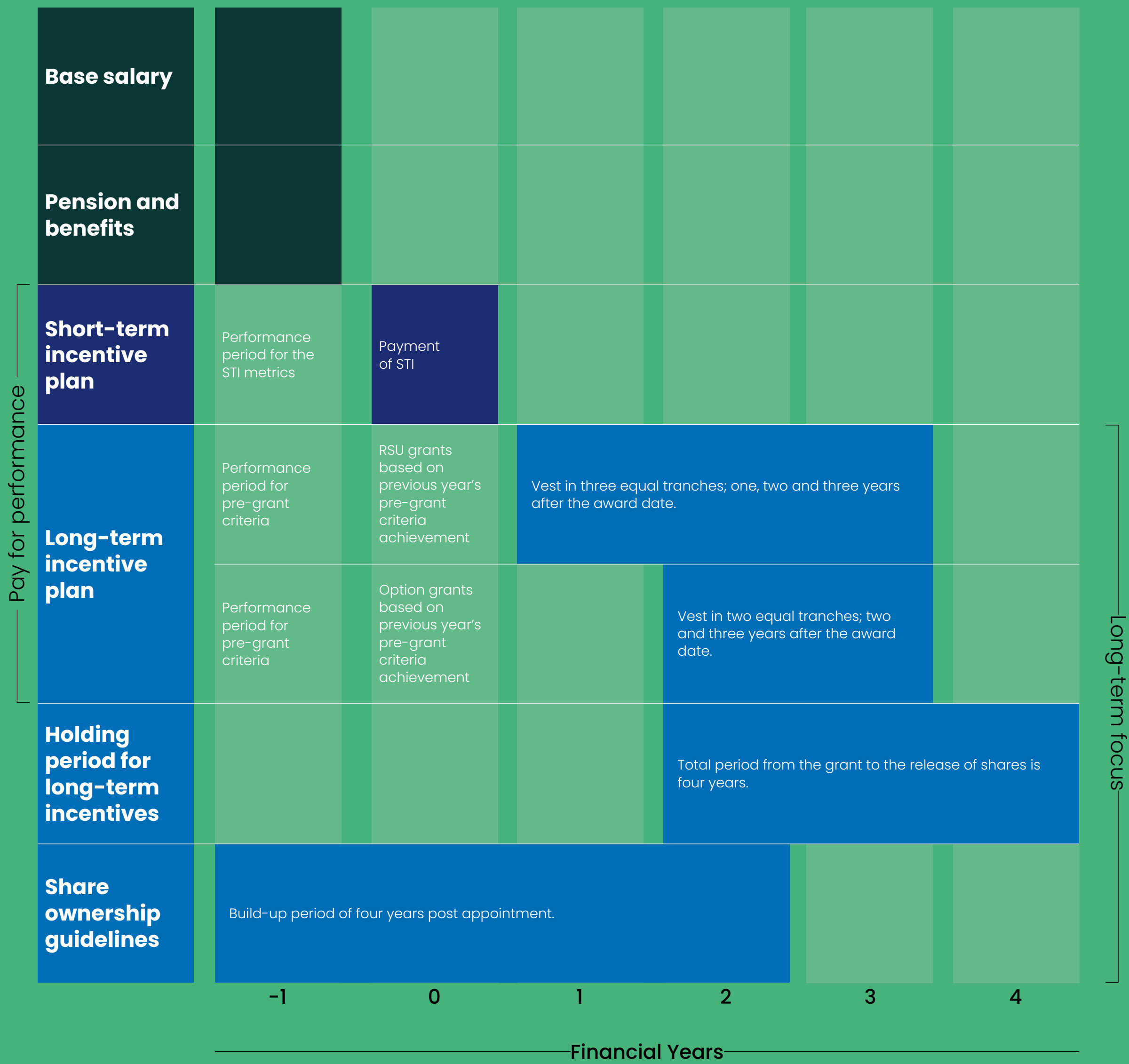
65-70% variable, performance-based remuneration

Short-term incentives	28%
Long-term incentives	42%

The proportion of the fixed remuneration in total target remuneration ranges between 30% and 35%, whereof base salary has a share of 90% to 95% and fringe benefits account for 5% to 10%. The proportion of variable remuneration in total target remuneration is between 65% and 70%, of which 40% to 45% is attributable to the STI and 55% to 60% to the LTI. The proportions may vary where Management Board members receive buyout awards to compensate for remuneration forfeited from previous employers. Any such buyout awards would take into account the form (cash or shares), timing and expected value (i.e. the likelihood of meeting any existing performance criteria) of the remuneration being forfeited.

Short-term and long-term remuneration incentives are designed in a way to effectively promote the sustainable delivery of SUSE's business strategy. In addition to financial performance targets, non-financial performance targets have been included in the short-term incentive metrics for FY22. Those non-financial performance targets comprise ESG objectives providing an additional incentive for the long-term and sustainable success of SUSE. Furthermore, the long-term variable remuneration is largely based on the performance of SUSE's share price which ensures that the interests of the Management Board and the shareholders are aligned. An obligation to acquire and hold SUSE shares also contributes to this alignment.

Timing of Management Board remuneration
An overview of delivery timescales in respect of the elements included in Management Board remuneration is presented below:



Consideration of employee remuneration when setting Management Board pay
SUSE's Management Board remuneration complies with the requirements of the law. When determining compensation for the Management Board, the Supervisory Board takes the respective compensation and employment conditions of senior management and the workforce of SUSE into account. The consistency of the Remuneration Policy for Management Board members, executives and employees is ensured by using the same overarching incentive structure, namely a short-term annual bonus and a long-term, share-based incentive.

Elements of the Management Board remuneration

Fixed compensation

Strategic purpose	Offer competitive guaranteed compensation in order to attract and retain high-caliber individuals to develop and execute SUSE's growth strategy.
Basic annual salary	Fixed, non performance-related remuneration paid in installments.
Fringe benefits	Include car allowance, private medical expenses insurance, life assurance and permanent health insurance.
Company pension plan	The members of the Management Board are generally entitled to a company pension or cash allowance in lieu of pension contributions. The level of allowance is determined by the Supervisory Board with reference to market appropriateness. Different pension rules may apply according to the location of the member of the Management Board e.g. in order to comply with local tax regulations. For the current members of the Management Board, the pension allowances are: – CEO: Allowance in lieu of a pension contribution of £30,000 gross per annum. – CFO: Allowance in lieu of a pension contribution at a rate of 4.39% of his annual salary.

Variable (i.e. performance-based) compensation

Short-Term Incentive (STI)

Strategic purpose	To incentivize the achievement of SUSE's strategic objectives on an annual basis in line with the interests of shareholders and to ensure that the total remuneration package is set at a level that is within the competitive range enabling attraction and retention of high-caliber talent.
Performance criteria	Determined by a minimum of 75% financial performance metrics and a minimum of 10% assessment of ESG metrics. Financial performance metrics may include: – Annual Contract Value (ACV). – Revenue. – Adjusted EBITDA. – Adjusted Cash EBITDA.
Performance period	One year.
Limitation/cap	200% of the target amount.
Payment	– Paid in cash. – Three equal advance payments of 20% of the target award at the end of Q1, Q2 and Q3 on the condition that the year-to-date performance at the time of payment is in line with annual targets. – Balancing payment made in Q1 of next financial year.

Long-Term Incentive (LTI)

Strategic purpose	To effectively promote the business strategy and the sustainable and long-term development of SUSE while ensuring that Management Board remuneration outcomes are closely aligned to the interests of shareholders.
Equity instrument	There are normally two LTI equity instruments which may be granted: Restricted Stock Units and stock options. The mix between each instrument will be reviewed and determined annually by the Nomination and Remuneration Committee. The maximum award which may be granted under the LTI is 300% of salary.
Performance conditions	Pre-grant assessment criteria apply in respect of the financial year prior to the financial year in which awards are granted. Criteria may include ACV, Adjusted EBITDA and Adjusted Cash EBITDA and other financial and non-financial metrics. The Nomination and Remuneration Committee assesses performance against the criteria in order to determine the level of grant. However, the awards are not subject to further performance conditions once granted.

Holding periods	A compulsory holding period normally applies to ensure that the period from grant of an award until it becomes exercisable is at least four years.

Plan Type 1 – Restricted Stock Units (RSUs)

Vesting period	Vest in three equal tranches on the first, second and third anniversaries of the date of the grant.

Plan Type 2 – Market value stock options (Options)

Vesting period	Vest in two equal tranches on the second and third anniversaries of the date of the grant.
Exercise period	Exercise period expires 10 years from the grant.

Other contractual elements

Malus and clawback	Partial or complete reduction or reclamation of variable compensation components.
Share ownership guidelines (SOG)	Management Board members are obliged to build a shareholding in SUSE S.A. over a period of four years after their first appointment as members of the Management Board. The share ownership guideline is 150% of gross base salary for the CEO and 125% of gross base salary for other Management Board members.
Maximum remuneration	In order to avoid uncontrolled and excessive Management Board remuneration, the remuneration is capped twice. Firstly, the pay-out of STI is limited to 200% of the target amount. Secondly, the Supervisory Board has determined an overall maximum remuneration for the Management Board members, which comprises the fixed and variable remuneration elements in respect of a financial year (defined as salary, pension and bonus earned in respect of a financial year and the value at vesting of LTIP awards granted for that financial year). Maximum remuneration achievable for a specific financial year may not exceed £10 million for each member of the Management Board.

Overview of the Supervisory Board Remuneration Policy

Principles of the Supervisory Board Remuneration Policy

The structure of the Supervisory Board remuneration of SUSE S.A. as approved at the Annual General Meeting on March 24, 2022 is based on the following principles:

- To ensure that the Supervisory Board can exercise its control and advisory function in an independent manner, the Supervisory Board remuneration solely consists of fixed remuneration. As the remuneration is independent from SUSE's short-term success, the Supervisory Board is enabled to focus its activities on the long-term development of SUSE.
- In addition, it is ensured that the level of remuneration is appropriate to SUSE's situation and takes into account the duties and responsibilities of the Supervisory Board members. Furthermore, the Supervisory Board remuneration of comparable companies is considered. In this respect, due consideration is taken in particular of the increased time required for the Chair and Deputy Chair of the Supervisory Board as well as for the Chair and members of committees.

The provisions of the Law and the recommendations of the German Corporate Governance Code (GCGC) form the regulatory framework of the Remuneration Policy of the Supervisory Board.

Structure of the Supervisory Board Remuneration Policy

The remuneration of the Supervisory Board members of SUSE solely comprises fixed remuneration components.

The members of the Supervisory Board may receive a fixed annual remuneration (currently €70,000). For the Chair and Deputy Chair an increased remuneration is provided to reflect the higher responsibility and the associated time plus effort (currently fixed annual remuneration of €175,000 and €125,000 respectively).

Supervisory Board members acting as Chair of a Supervisory Board Committee may receive additional fixed remuneration to reflect the additional associated responsibility and time and effort of the role. The remuneration for the Chair of the respective committees is currently as follows, provided the relevant committee meets at least once a year to perform its duties:

Committee	Current fee for Chair of the Committee
Audit	€25,000
Nomination and Remuneration	€25,000
Other (if any)	€25,000

Supervisory Board members who only belong to the Supervisory Board or hold the office of Chair or Deputy Chair for part of a financial year receive corresponding proportionate remuneration on a pro-rata basis. The same approach applies to remuneration for a Chair or member of a committee.

The remuneration is due and payable in four equal installments at the end of the quarter for which the remuneration is paid.

The fees may be reviewed from time to time by the Board and any changes will be set out in the Remuneration report.

Beyond the remuneration described above, SUSE shall reimburse the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members, including any VAT on expenses.

Employees of EQT Partners who serve as members of the Supervisory Board of the Company shall not receive payments from the Company for their services, since these are considered to be covered by their contractual remuneration at EQT. As a rule, they are obliged to waive any compensation that may be due to them in connection with such positions.

Furthermore, new members of the Supervisory Board may be granted a one-off stock grant on appointment up to the amount of €200,000 gross (the Stock Grant). During the period of the first mandate of the Supervisory Board member to the Company's Supervisory Board, the Stock Grant shall be subject to a lock-up (the Vesting Period). During the Vesting Period, the Supervisory Board member shall not sell, transfer, encumber, use as collateral or otherwise dispose of or liquidate the Stock Grant. During the Vesting Period, the Stock Grant shall further be subject to the condition subsequent that certain bad leaver events occur.

The terms of the Supervisory Board members

As provided by the Articles of Association, the Supervisory Board members are elected for a term not exceeding six (6) years.

The General Meeting shall determine the terms of their office (including without limitation any notice period regarding their resignation). A member of the Supervisory Board may be removed with or without cause (in addition, may be replaced) at any time, by a resolution adopted by the General Meeting.

Changes to the Supervisory Board during the year

On July 7, 2022 the Company announced that the Supervisory Board had appointed Sheng Liang to the Supervisory Board with immediate effect, until the next General Meeting of the Company, at which such appointment shall be confirmed by the General Meeting. Sheng Liang was appointed to fill a vacancy created by the departure of Matteo Thun-Hohenstein who resigned from the Supervisory Board on July 6, 2022.

Total remuneration of the Supervisory Board for FY22

The remuneration of the Supervisory Board members is determined on the basis of SUSE's Articles of Association and comprises fixed remuneration components only: a fixed annual fee, additional fixed fees and reimbursement for out-of-pocket expenses, as outlined in the Remuneration Policy. Employees of EQT Partners who serve as members of the Supervisory Board of the Company shall not receive payments from the Company for their services.

The table below sets out the remuneration of the members of the Supervisory Board in respect of FY22. The remuneration of Supervisory Board members is fully based on fixed remuneration.

Name Position	Fees[1]
Jonas Persson Chair of the Supervisory Board	$187,246
Henning Kagermann Deputy Chair of the Supervisory Board	$133,747
Adrian T. Dillon Supervisory Board Member, Chair of the Audit Committee	$101,648
Nora M. Denzel Supervisory Board Member, Chair of the Nomination and Remuneration Committee	$101,648
Dr. Ariane Reinhart Supervisory Board Member	$74,898
Elke Reichart Supervisory Board Member	$74,898
Johannes Reichel Supervisory Board Member	n/a
Matteo Thun-Hohenstein Supervisory Board Member	n/a
Sheng Liang[2] Supervisory Board Member	n/a

1. The figures stated above have been converted from EUR to USD using an exchange rate of EUR 1:USD 1.07 ave. rate Nov 2021-Oct 2022.
2. Sheng Liang has not received any fees or share awards following his appointment to the Supervisory Board, however he had been granted share awards whilst he was an employee of SUSE.
   The unvested portion of those share awards lapsed upon ceasing to be an employee of SUSE.

Total remuneration of the Management Board for FY22

The remuneration of the Management Board is determined by the Supervisory Board and is based on recommendations from the Nomination and Remuneration Committee. The table below sets out the remuneration earned by members of the Management Board during FY22 (over the full period from November 1, 2021 to October 31, 2022).

	Fixed remuneration[1]			Variable remuneration				
Name Position	Base salary	Benefits	Pension	STI[2]	LTI[3]	Other[4]	Total remuneration	Fixed vs. variable remuneration
Melissa Di Donato CEO	$1,072k	$22k	$38k	$872k	$890k	$38k	$2,932k	Fixed: 39% Variable: 61%
Andy Myers CFO	$568k	$14k	$25k	$462k	$392k	$75k	$1,536k	Fixed: 42% Variable: 58%

1. The fixed remuneration figures above have been converted from GBP to USD using the average exchange rate on a monthly basis.
2. The annual STI figures above have been converted from GBP to USD using the exchange rate GBP 1: USD 1.13076 as at October 31, 2022.
3. The LTI figures above reflect the value of awards granted during the year. As the market value options have no value at grant, the values above are wholly attributable to RSUs (equal to number of RSUs multiplied by the share price at grant, €25.48). The figures have been converted from EUR to USD using the exchange rate of EUR 1: USD 1.1032 on the date of grant March 17, 2022.
4. The "Other" figures above primarily reflect reimbursement of travelling expenses. As these are one-off in nature, they are not considered attributable to fixed remuneration and have not been included in the fixed vs variable remuneration percentage values.

Fixed remuneration

The amounts in the table reflect the fixed remuneration earned and received by Melissa Di Donato and Andy Myers in their capacity as CEO and CFO respectively over the full FY22.

The gross annual base salary amounts were set at the time of the IPO as £850,000 for the CEO, and as £450,000 for the CFO, which have remained unchanged during FY22.

Management Board members received the following additional benefits in the reporting year:

- An allowance in lieu of pension contributions:
  - CEO: £30,000 gross per annum.
  - CFO: 4.39% of annual salary.
- Membership of a private medical expenses insurance scheme.
- Annual medical check-up.
- Life assurance.
- Permanent health insurance .
- Car allowance.
- Reimbursement of out-of-pocket expenses (including travel expenses) incurred in the course of providing services to SUSE.

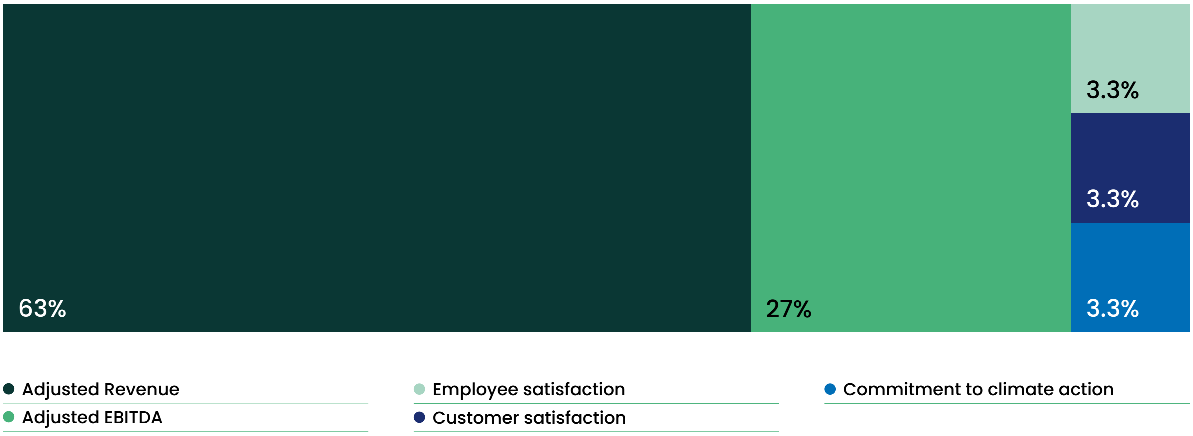
Variable remuneration

1. Annual STI outcomes in FY22

The FY22 STI plan was established in alignment with the Remuneration Policy and the final tranche of the payments was made in January 2023.

The target STI opportunity for the CEO and CFO for FY22 was 100% of salary. The STI is subject to an overall cap of 200% of the target STI (i.e. the maximum STI is 200% of salary).

Performance under the annual STI plan is based on a combination of financial measures (Adjusted Revenue, Adjusted EBITDA and Adjusted Cash EBITDA) and non-financial measures that are aligned to the Company's ESG objectives, all of which were derived from the Company's success criteria and long-term strategy. Their weights are presented in the below chart.



- Financial measures have a total weight of 90%. All financial measures are subject to a pay-out curve pre-determined by the Nomination and Remuneration Committee. According to these pre-determined pay-out curves, all financial measures have a threshold performance level and have several gates above the threshold performance with straight-line development in between gates in order to appropriately incentivize achievement of stretch targets.
  - Adjusted Revenue: 70% weighting of the financial measures.
  - Adjusted EBITDA: 30% weighting of the financial measures.
  - Adjusted Cash EBITDA: Does not have a weight however actual Adjusted Cash EBITDA performance translates into a multiplier for financial performance measures.
- Non-financial measures have a total weight of 10%, with each element representing one third of the total 10%. Maximum achievable under each element is 100%, based on performance assessed against the respective target:
  - Employee satisfaction (3.3% weighting): The performance target for FY22 was to achieve a threshold Employee Net Promoter score of 24 points measured through surveys, and actual performance was above this target. A summary of our employee engagement activities can be found in the ESG section of this report, on pages 68 to 70.
  - Customer satisfaction (3.3% weighting): The performance target for FY22 was to achieve a threshold Net Promoter score of 27 points measured through surveys, and actual performance was above this target. A summary of our approach to customer satisfaction can be found on page 22.
  - Commitment to climate action (3.3% weighting): The performance target for FY22 was to define science-based goals and create a long-term roadmap to deliver these goals, and both key milestones have been achieved. More details regarding our commitment to climate action can be found in the ESG section of our report, on pages 74 to 77.

The table below sets out the targets and resulting performance outcome under the financial measures (before application of the multiplier):

Financial measures: Pay-out before Adjusted Cash EBITDA multiplier

Performance measure	Weight	Performance target	Actual performance achieved	% of target achieved	Corresponding bonus outcome as per pre-agreed pay-out curves	Weighting x Outcome
Adjusted Revenue	63%	$680.5m	$669.4m	98.4%	117.3%	73.9%
Adjusted EBITDA	27%	$227.8m	$227.8m	100%	100%	27%
Total	90%					100.9%

The outcome under the financial measures is then subject to an Adjusted Cash EBITDA multiplier as follows:

Financial measures: Adjusted Cash EBITDA multiplier

Performance target	Actual performance achieved	% of target achieved	Multiplier Outcome
$349.6m	$295m	84.4%	80%

The table below sets out the total outcome of the FY22 bonus including both financial and non-financial performance:

		Financial outcome	ESG outcome	
Financial outcome (% of target of financial measures before multiplier)	Multiplier	Financial outcome x multiplier (% of target)	(% of target)	**Total outcome** (% of target)
100.9%	80%	80.7%	10%	90.7%

The above performance target and actual performance attainment figures are at FY22 budget rates, which are the exchange rates used to set the budget and calculate the actual attainment relative to the target.

The table below sets out the resulting annual bonus outcomes for FY22:

	Base Salary	Total Outcome (as % of salary)	FY22 Annual Bonus
Melissa Di Donato, CEO	£850,000	90.7%	£770,950
Andy Myers, CFO	£450,000	90.7%	£408,150

2. LTI awards in FY22

LTI awards comprise a mix of Restricted Stock Units and stock options. The mix between each instrument is reviewed and determined annually by the Nomination and Remuneration Committee.

A proportion of the value of the LTI grants for the Management Board is granted as stock options (also known as market value options), which have no intrinsic value at the date of grant and will only have value if the share price increases over the vesting and holding period to the point of exercise. This aligns with the German Corporate Governance Code principle that Management Board remuneration should be set in a way that promotes the corporate strategy and the Company's long-term development.

A holding period also applies to all LTI grants such that the awards may not be disposed of until at least four years from the date of grant.

The value of LTI awards on vesting depends solely on share price and is therefore fully aligned to corporate performance and the shareholder interests. In addition, LTI awards are subject to a pre-grant assessment of SUSE's achievement against performance criteria relating to the financial year prior to the financial year in which the awards are granted. For awards made in FY22 in respect of FY21 performance, a formulaic approach was used whereby the performance was measured relative to two pre-set points and the LTI grant level was determined based on this positioning:

- 0% of the normal grant level was to be awarded if no Adjusted EBITDA was achieved.
- 100% of the normal grant level was to be awarded if the Adjusted EBITDA target of $147.7 million was fully achieved.
- For actual FY21 Adjusted EBITDA achievement between 0% and 100%, normal grant level would be pro-rated with straight-line interpolation between these points.

For the awards granted in FY22, performance was assessed by the Nomination and Remuneration Committee as per the scale-based approach described above. Based on the FY21 Adjusted EBITDA outturn of $171.6 million, the Nomination and Remuneration Committee determined that awards should be made at 100% of the opportunity level for the CEO and CFO respectively.

The table below shows the award opportunities for the CEO and CFO respectively as a percentage of salary in relation to FY22:

	Options award (% of salary)	RSU award (% of salary)	Face value[1]
Melissa Di Donato CEO	225%	75%	$890k
Andy Myers CFO	187.5%	62.5%	$392k

1. Calculated as:
a) For the RSU award, the total number of shares subject to the award multiplied by the share price on the date of award, €25.48; and
b) For the options, the value is zero (because the exercise price is equal to the share price at grant).
The figures have been converted from EUR to USD using the exchange rate of EUR 1: USD 1.1032 on the date of grant (March 17, 2022).

Further details of the awards granted during FY22 are set out in the next section.

LTI Awards to be made in FY23

The LTI awards to be made in FY23 will be based on the achievement of FY22 ACV targets set by the Nomination and Remuneration Committee, and a scale-based approach will be used in determining the quantum of award:

- 0% of the normal grant level will be awarded if actual FY22 ACV achievement is 75% or less than the set target.
- 100% of the normal grant level will be awarded if FY22 ACV ($654.3 million) target is fully achieved.
- If actual FY22 ACV achievement is between 75% and 100% of target, normal grant level will be pro-rated with straight-line interpolation between these points.

For the awards to be granted in FY23, performance was assessed by the Nomination and Remuneration Committee as per the scale-based approach described above. Based on the FY22 ACV outturn of $558.2million, 41.3% of the normal LTI grant level will be granted during FY23.

Share options awarded or due to the Directors for the reported financial year

The table below sets out the share options granted to Directors during FY22:

								Information regarding the reported financial year (FY22)					
The main conditions of share option plans								Opening balance	During the year		Closing balance		
Name Position	Plan	Pre-grant performance period	Award date	Vesting dates	End of holding period	Exercise period	Strike price of the share (€)	Share options held at the start of the year[1]	Share options awarded	Share options vested	Share options subject to a performance condition	Share options awarded and unvested	Share options subject to a holding period
Melissa Di Donato CEO	LTI	1/11/2020 – 31/10/2021	17/3/2022	17/3/2024 17/3/2025	17/3/2026	17/3/2024 – 17/3/2032	25.48	74,084	94,952	n/a	n/a	169,036	n/a
Andy Myers CFO	LTI	1/11/2020 – 31/10/2021	17/3/2022	17/3/2024 17/3/2025	17/3/2026	17/3/2024 – 17/3/2032	25.48	32,684	41,890	n/a	n/a	74,574	n/a
Total								106,768	136,842	n/a	n/a	243,610	n/a

1. The number of awards granted is based on the face value of the grant and the share price on IPO (€30).

Shares awarded or due to the Directors for the reported financial year

The table below sets out the share awards granted to Directors during FY22:

						Information regarding the reported financial year (FY22)					
The main conditions of share plans						Opening balance	During the year		Closing balance		
Management Board:	Plan	Pre-grant performance period	Award date	Vesting dates	End of holding period	Shares held at the start of the year	Shares awarded	Shares vested	Shares subject to a performance condition	Shares awarded and unvested at year end	Shares subject to a holding period
Melissa Di Donato CEO	LTI	1/11/2020 – 31/10/2021	17/3/2022	17/3/2023 17/3/2024 17/3/2025	17/3/2026	24,694[1]	31,650[2]	8,231	n/a	48,113	8,231
Andy Myers CFO	LTI	1/11/2020 – 31/10/2021	17/3/2022	17/3/2023 17/3/2024 17/3/2025	17/3/2026	10,894[1]	13,963[2]	3,631	n/a	21,226	3,631
Total						35,588	45,613	11,862	n/a	69,339	11,862
Supervisory Board:											
Jonas Persson Chair	n/a	n/a	n/a	n/a	n/a	3,000	n/a	n/a	n/a	3,000	n/a
Henning Kagermann Deputy Chair	n/a	n/a	n/a	n/a	n/a	6,666	n/a	n/a	n/a	6,666	n/a
Adrian T. Dillon Member	n/a	n/a	n/a	n/a	n/a	6,666	n/a	n/a	n/a	6,666	n/a
Nora M. Denzel Member	n/a	n/a	n/a	n/a	n/a	4,333	n/a	n/a	n/a	4,333	n/a
Dr. Ariane Reinhart Member	n/a	n/a	n/a	n/a	n/a	6,666	n/a	n/a	n/a	6,666	n/a
Elke Reichart Member	n/a	n/a	n/a	n/a	n/a	3,933	n/a	n/a	n/a	3,933	n/a
Johannes Reichel Member	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Matteo Thun-Hohenstein Member	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sheng Liang Member	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total						31,264	n/a	n/a	n/a	31,264	n/a

1. The number of awards granted is based on the face value of the grant and the share price on IPO (€30).
2. The number of awards granted is based on the face value of the grant and the share price at the date of grant (€25.48).

Malus and clawback provisions
Variable remuneration is subject to malus and clawback provisions. In certain circumstances, the Supervisory Board is entitled to reduce outstanding variable remuneration in whole or in part (malus) and may also partially or completely reclaim variable remuneration elements already paid out at its reasonable discretion (clawback).

The circumstances in which malus or clawback may apply include:

- The discovery of a material misstatement resulting in an adjustment in the audited accounts.
- The discovery that any information used to determine the award was based on error, or inaccurate or misleading information.
- Conduct amounting to fraud (or a comparable criminal offence), gross misconduct or a serious breach of duty.
- Reputational damage to the Company attributable to the awards holder.
- Material failure of risk management of the Company.
- Insolvency.
- Corporate failure.

No malus or clawback was applied in relation to the remuneration earned during FY22.

Change in the remuneration of the Directors
Luxembourg law imposes an obligation relating to the reporting of changes in total remuneration of the Company's employees (but not its subsidiaries), performance of the company and total remuneration of each of the individual directors of the Company.

As the current members of the Management Board are based in the UK, the Committee decided to use the average UK SUSE employee as the appropriate comparator group.

As disclosed last year, the remuneration structure for the financial years prior to our IPO in May 2021 differs from the remuneration payable under the Remuneration Policy. We will therefore build up to a five-year comparison in line with Luxembourg reporting requirements.

Change in the remuneration of the Directors (continued)

The relevant data, as determined under the provisions of the Luxembourg remuneration reporting law, are as follows:

	% change from FY21 to FY22[1]
Adjusted Revenue	14.0%
Management Board members[2]	
Melissa Di Donato	-59.7%
Andy Myers	-34.9%
Supervisory Board members	
Jonas Persson[3]	-40.5%
Henning Kagermann[3]	-53.6%
Adrian Dillon[3]	-62.6%
Nora Denzel[3]	-62.6%
Dr. Ariane Reinhart[3]	-71.1%
Elke Reichart[3]	-71.1%
Johannes Reichel[4]	n/a
Matteo Thun-Hohenstein[4]	n/a
Sheng Liang[5]	n/a
Average UK employee[6,7]	1.6%

Notes to the table:

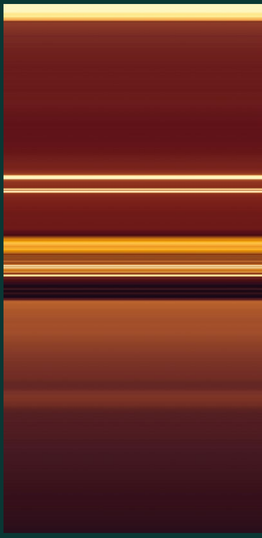
1. The pay of Management Board and Supervisory Board members have been calculated using the single figure totals on a local currency basis in order to eliminate the impact of exchange rate fluctuations over years.
2. For members of the Management Board, numbers used in the calculations include the cost of one-off tax advisory benefits provided following IPO during FY21. These benefits amount to $644k for Melissa Di Donato and $132k for Andy Myers.
3. For members of the Supervisory Board, FY21 numbers used in the calculations include share awards made following IPO.
4. Employees of EQT Partners who serve as members of the Supervisory Board of the Company do not receive payments from the Company for their services.
5. Appointed to the Supervisory Board on July 7, 2022 and has not received any fees for his services during FY22.
6. The average pay of UK employees is calculated on a full-time equivalent basis for each year. Joining and departing employees have been grossed-up to a 12-month equivalent.
7. The data used for the UK employees are made up of as follows as at October 31, 2021 and October 31, 2022: (1) the weighted average base salaries of full-time permanent employees, (2) the average pensions and benefits, (3) the weighted average corporate bonus outcome based on that population as at that date, (4) the average annual RSU awards made to that population as at that date.

Derogations and deviations from the Remuneration Policy and from the procedure for its implementation

There have been no deviations from the Remuneration Policy and from the procedure for its implementation during FY22.

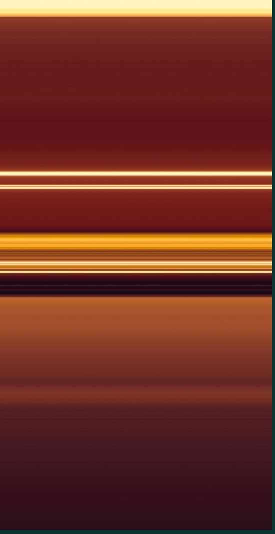
SUSE does not have any outstanding loans or advances to members of the Company's Management Board and Supervisory Board or any guarantees for the benefit of any member of the Company's Management Board and Supervisory Board. None of the members of the Management Board and Supervisory Board has entered into service contracts with the Company or any of our affiliates that provide for benefits upon the termination of their service.

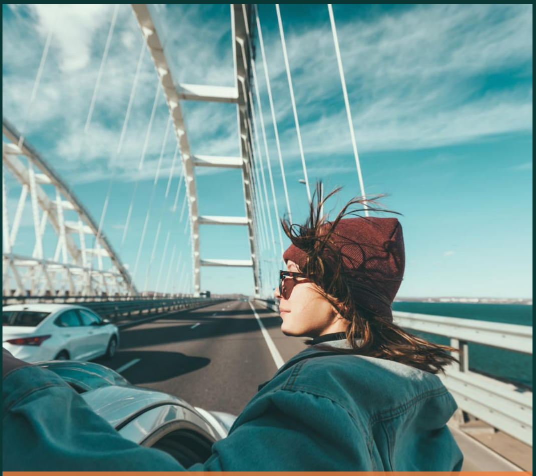

BMW



Innovate at speed


Daimler AG





Honda

Deutsche Bahn

Consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2022

Income statement:	Notes	**Year ended 31 October 2022** Headline US$'000	Separately reported items (Note 8) US$'000	Total US$'000	Year ended 31 October 2021 Headline US$'000	Separately reported items (Note 8) US$'000	Total US$'000
Revenue	7	**653,023**	**–**	**653,023**	**559,539**	**–**	**559,539**
Cost of sales		(51,868)	–	(51,868)	(43,213)	–	(43,213)
Gross profit		**601,155**	**–**	**601,155**	**516,326**	**–**	**516,326**
Selling and distribution costs		(182,452)	–	(182,452)	(154,192)	–	(154,192)
Research and development costs		(113,236)	–	(113,236)	(100,117)	–	(100,117)
Administrative expenses		(153,061)	–	(153,061)	(283,342)	(26,894)	(310,236)
Reversal of impairment on trade receivables	19	171	–	171	265	–	265
Operating profit/(loss) before depreciation and amortization		**152,577**	**–**	**152,577**	**(21,060)**	**(26,894)**	**(47,954)**
Amortization of intangible assets	15	(141,999)	–	(141,999)	(141,980)	–	(141,980)
Depreciation – Property, plant and equipment	16	(3,743)	–	(3,743)	(4,496)	–	(4,496)
Depreciation/impairment – right-of-use assets	24	(7,334)	–	(7,334)	(6,485)	–	(6,485)
Operating loss		**(499)**	**–**	**(499)**	**(174,021)**	**(26,894)**	**(200,915)**
Finance costs	11	(40,739)	–	(40,739)	(58,884)	–	(58,884)
Finance income	11	9	–	9	8	–	8
Net finance costs	11	**(40,730)**	**–**	**(40,730)**	**(58,876)**	**–**	**(58,876)**
Share of losses of associate	18	(2,265)	–	(2,265)	(2,133)	–	(2,133)
Loss before tax		**(43,494)**	**–**	**(43,494)**	**(235,030)**	**(26,894)**	**(261,924)**
Taxation	12	4,004	–	4,004	48,745	5,566	54,311
Loss for the period		**(39,490)**	**–**	**(39,490)**	**(186,285)**	**(21,328)**	**(207,613)**
Attributable to:							
Equity shareholders of the parent		(39,490)	–	(39,490)	(186,285)	(21,328)	(207,613)
Non-controlling interests		–	–	–	–	–	–
Loss for the period		**(39,490)**	**–**	**(39,490)**	**(186,285)**	**(21,328)**	**(207,613)**
Earnings per share	13						
Basic		–	–	(0.2)	–	–	(2.5)
Diluted		–	–	(0.2)	–	–	(2.5)

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2022

	Notes	Year ended 31 October 2022 Headline US$'000	Year ended 31 October 2022 Separately reported items US$'000	Year ended 31 October 2022 Total US$'000	Year ended 31 October 2021 Headline US$'000	Year ended 31 October 2021 Separately reported items US$'000	Year ended 31 October 2021 Total US$'000
Loss for the period		**(39,490)**	**–**	**(39,490)**	**(186,285)**	**(21,328)**	**(207,613)**
Other comprehensive income:							
Items not to be reclassified to income statement:							
Remeasurement of defined benefit pension schemes	26	3,859	–	3,859	(590)	–	(590)
Related tax impact	12	(1,388)	–	(1,388)	1	–	1
Items that may be reclassified to income statement:			–			–	
Foreign currency translation differences	30	48,393	–	48,393	1,632	–	1,632
Cash flow hedge – changes in fair value	29	4,002	–	4,002	(502)	–	(502)
Cash flow hedge – reclassified to income statement	29	4,386	–	4,386	8,963	–	8,963
Related tax impact	12	(2,994)	–	(2,994)	(2,148)	–	(2,148)
Other comprehensive income for the period		**56,258**	**–**	**56,258**	**7,356**	**–**	**7,356**
Total comprehensive income/(loss) for the period		**16,768**	**–**	**16,768**	**(178,929)**	**(21,328)**	**(200,257)**
Attributable to:							
Equity shareholders of the parent		16,768	–	16,768	(178,929)	(21,328)	(200,257)
Non-controlling interests		–	–	–	–	–	–
Total comprehensive income/(loss) for the period		**16,768**	**–**	**16,768**	**(178,929)**	**(21,328)**	**(200,257)**

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

Consolidated Statement of Financial Position

As at 31 October 2022

	Notes	**As at 31 October 2022 US$'000**	As at 31 October 2021 US$'000
Non-current assets			
Goodwill	15	2,686,320	2,685,751
Intangible assets	15	393,427	537,056
Property, plant and equipment	16	13,914	8,157
Right-of-use assets	24	18,089	14,415
Investments	18	12,276	14,041
Derivative assets	29	4,051	6
Long-term pension assets	26	484	648
Other receivables	19	8,697	7,899
Deferred tax assets	12	178,680	190,010
Contract-related assets	20	78,183	55,510
		3,394,121	**3,513,493**
Current assets			
Trade and other receivables	19	158,044	138,038
Current tax receivables	12	3,597	1,663
Cash and cash equivalents	21	177,544	61,061
Contract-related assets	20	37,796	28,865
		376,981	**229,627**
Total assets		**3,771,102**	**3,743,120**
Current liabilities			
Trade and other payables	22	110,490	129,656
Borrowings	23	3,600	3,600
Lease liabilities	24	6,249	6,012
Provisions	25	337	4,866
Current tax liabilities	12	10,113	11,510
Contract liabilities	28	351,197	329,611
		481,986	**485,255**
Non-current liabilities			
Borrowings	23	695,989	742,148
Lease liabilities	24	14,431	10,708
Provisions	25	1,033	1,024
Non-current tax liabilities	12	8,083	7,439
Deferred tax liabilities	12	98,831	107,073
Retirement benefit obligations	26	2,142	6,552
Contract liabilities	28	215,034	178,175
Derivative liabilities	29	–	5,182
Other payables	22	3,861	13,554
		1,039,404	**1,071,855**
Total liabilities		**1,521,390**	**1,557,110**

Consolidated Statement of Financial Position

As at 31 October 2022

	Notes	**As at 31 October 2022 US$'000**	As at 31 October 2021 US$'000
Equity			
Share capital	30	16,936	16,903
Share premium	30	2,522,978	2,523,011
Retained losses	30	(400,262)	(355,870)
Other reserves	27, 30	72,482	21,169
Cash flow hedging reserve	29, 30	4,051	(4,337)
Foreign currency translation reserve	30	33,527	(14,866)
Total equity		**2,249,712**	**2,186,010**
Total liabilities and equity		**3,771,102**	**3,743,120**

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

Consolidated Statement of Changes in Equity

For the year ended 31 October 2022

	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 2021		**16,903**	**2,523,011**	**(355,870)**	**21,169**	**(4,337)**	**(14,866)**	**2,186,010**
Loss for the period		–	–	(39,490)	–	–	–	**(39,490)**
Other comprehensive (expense)/income for the period		–	–	(523)	–	8,388	48,393	**56,258**
Total comprehensive (expense)/income for the period		**–**	**–**	**(40,013)**	**–**	**8,388**	**48,393**	**16,768**
Transactions recorded in equity:								
Conversion of share premium into share capital	30	33	(33)	–	–	–	–	**–**
IPO transaction costs	30	–	–	(4,379)	–	–	–	**(4,379)**
Equity-settled share-based payments	27	–	–	–	51,313	–	–	**51,313**
Total transactions with owners		**33**	**(33)**	**(4,379)**	**51,313**	**–**	**–**	**46,934**
As at 31 October 2022		**16,936**	**2,522,978**	**(400,262)**	**72,482**	**4,051**	**33,527**	**2,249,712**

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

Consolidated Statement of Changes in Equity

For the year ended 31 October 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		–	–	(207,613)	–	–	–	**(207,613)**
Other comprehensive (expense)/income for the period		–	–	(2,737)	–	8,461	1,632	**7,356**
Total comprehensive (expense)/income for the period		**–**	**–**	**(210,350)**	**–**	**8,461**	**1,632**	**(200,257)**
Transactions recorded in equity:								
Cancellation of nominal value	30	126	(126)	–	–	–	–	**–**
Contribution of share capital and share premium	30	16,763	249,435	–	–	–	–	**266,198**
Proceeds from Initial Public Offering	30	–	669,451	–	–	–	–	**669,451**
IPO transaction costs	30	–	–	(14,696)	–	–	–	**(14,696)**
Equity-settled share-based payments	27	–	–	–	17,969	–	–	**17,969**
Total transactions with owners		**16,889**	**918,760**	**(14,696)**	**17,969**	**–**	**–**	**938,922**
As at 31 October 2021		**16,903**	**2,523,011**	**(355,870)**	**21,169**	**(4,337)**	**(14,866)**	**2,186,010**

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

Consolidated Statement of Cash Flows

For the year ended 31 October 2022

	Notes	**Year ended 31 October 2022 US$'000**	Year ended 31 October 2021 US$'000
Loss for the period		**(39,490)**	**(207,613)**
Net finance costs	11	40,730	58,876
Taxation	12	(4,004)	(54,311)
Share of losses of associate	18	2,265	2,133
Operating loss for the period		**(499)**	**(200,915)**
Addback:			
Depreciation – Property, plant and equipment	16	3,743	4,496
Depreciation/impairment – right-of-use assets	24	7,334	6,485
Amortization of intangible assets	15	141,999	141,980
Amortization of contract-related assets	20	15,073	9,260
Share-based payments expense	27	52,206	175,164
Restructuring charges	8, 25	–	4,358
Foreign exchange movements	9	17,243	12,555
Impairment credit on trade receivables	19	(171)	(265)
Movements:			
Movements in trade receivables	19	(19,886)	(20,635)
Movements in other receivables	19	(747)	(594)
Movements in trade payables	22	4,060	4,759
Movements in other payables	22	(32,721)	12,378
Movement in other pensions	26	(351)	562
Movements in provisions	25	(4,520)	(7,996)
Movements in contract-related assets	20	(46,330)	(46,087)
Contract assets – fair value haircut	20	(347)	(940)
Movements in contract liabilities	28	53,325	63,425
Contract liabilities – fair value haircut	7, 28	5,120	13,647
Settlement of share-based payments	27	(198)	(113,257)
Cash generated from operations		**194,333**	**58,380**
Interest paid	11	(31,729)	(47,616)
Interest received	11	9	8
Tax paid	12	(15,462)	(7,955)
Net cash inflow from operating activities		**147,151**	**2,817**
Cash flow used in investing activities			
Purchase of property, plant and equipment	16	(10,641)	(4,808)
Purchase and development of intangible assets	15	(3,205)	(10,496)
Acquisition of a business, net of cash	14	(2,545)	(586,764)
Other investment	18	(500)	–
Net cash outflow from investing activities		**(16,891)**	**(602,068)**
Net cash inflow/(outflow) before financing activities		**130,260**	**(599,251)**

Consolidated Statement of Cash Flows

For the year ended 31 October 2022

	Notes	**Year ended 31 October 2022 US$'000**	Year ended 31 October 2021 US$'000
Cash flows (used in)/from financing activities			
Proceeds from contribution of share premium	30	–	135,338
Net proceeds from IPO	30	–	659,391
Proceeds from bank borrowings	23	–	310,000
Payment of arrangement fees	23	–	(3,825)
Repayment of bank borrowings	23	(3,600)	(523,963)
Payment of interest rate swap premia	29	(4,386)	(8,963)
Lease payments	24	(7,803)	(4,531)
Loan repaid by intermediary parent undertaking		–	1,500
Net cash (outflow)/inflow from financing activities		**(15,789)**	**564,947**
Net increase/(decrease) in cash and cash equivalents		**114,471**	**(34,304)**
Foreign exchange movements		2,012	432
Cash and cash equivalents at beginning of period		61,061	94,933
Cash and cash equivalents at end of period	21	**177,544**	**61,061**

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

Notes to the Consolidated Financial Statements

For the year ended 31 October 2022

1. General information

SUSE S.A. (the "Company") (*société anonyme*) is a public limited liability company incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 11-13 Boulevard de la Foire, L-1528 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B225816. On 19 May 2021, the shares of the Company were admitted to trading on the regulated market of the Frankfurt Stock Exchange.

The principal activity of the Group is that of an enterprise software company. The Group is a global leader in innovative, reliable and secure open and interoperable enterprise-grade solutions, specializing in Business-critical Linux, Enterprise Container Management and Edge computing solutions.

The Company together with its wholly owned subsidiaries (the "Group" or the "SUSE Group") collectively represent the operations of SUSE. These Consolidated Financial Statements of the Group are as at and for the year ended 31 October 2022. These Consolidated Financial Statements present the results of the Group as a whole. Details of the financial statements of the Company can be obtained at their registered office and at the Luxembourg Register of Commerce and Companies.

These Consolidated Financial Statements were authorized for issuance on 17 January 2023.

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

2. Basis of preparation

A. Basis of measurement

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS" or "IFRS").

The Consolidated Financial Statements are presented in compliance with the requirements as set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation") which requires EU-regulated listed companies to produce their annual reports in eXtensible HyperText Markup Language ("XHTML") for reporting periods beginning on or after 1 January 2020. An XBRL markup of the primary financial statements of the Group comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows has been created using the core taxonomy as specified in the ESEF Regulation.

The Consolidated Financial Statements have been prepared under the historical cost basis except for the following items:

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

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

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

2. Basis of preparation *continued*

B. Basis of consolidation

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

Subsidiaries

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

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

Associates

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

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

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

Other investments

Investments in unlisted shares where the Group does not exert influence or control on the investee are accounted for as financial instruments and recorded within "Investments" in the Consolidated Statement of Financial Position. Unlisted shares are initially measured at fair value less a transaction price associated with acquiring the shares and are subsequently remeasured at their fair value through profit and loss ("FVTPL") at each reporting date.

C. Going concern

The directors consider that the Company and its subsidiaries have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these Consolidated Financial Statements.

The directors reviewed and assessed downside scenarios considered to be severe but plausible based on the principal risks and uncertainties to validate the continued application of the going concern basis in the preparation of the Consolidated Financial Statements of the Group.

The directors evaluated the Group's funding position, liquidity and financial covenant profile to ensure it had sufficient access to liquidity and covenant headroom for the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing the Group's Consolidated Financial Statements. The going concern assessment period is from date of signing the financial statements to 31 January 2024 (the "Assessment Period"). Furthermore, and in accordance with best practice guidance the directors considered events or conditions that may cast significant doubt on the Group's ability to continue as a going concern in the period beyond the Assessment Period to 30 April 2024. The directors concluded that the disclosures contained herein sufficiently address relevant events and conditions in both the Assessment Period and the period beyond.

In evaluating whether the going concern assumption is appropriate, the directors performed the following procedures:

- reviewed the Group's forecast cash flows, liquidity, covenant compliance and borrowing requirements over the Assessment Period.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

2. Basis of preparation *continued*

C. Going concern *continued*

- evaluated a range of severe but plausible downside scenarios to reflect uncertainties inherent in forecasting future operational and financial performance, including changes in the macroeconomic environment. These include, but are not limited to, a reduction in forecast Annual Contract Value ("ACV") growth and lower-than-expected renewal rates.
- considered various mitigation strategies available to management including, but not limited to, taking measures to reduce costs through a reduction in the number of incremental hires, reduced travel and marketing spend and commission payments in line with lower-than-expected revenues. Under each scenario, the mitigating actions identified are deemed to be in the control of, or realistically available to management.

In addition, the directors also considered the following factors in their going concern assessment:

- for FY22, the Group has demonstrated double digit growth in revenue and profitability year on year. The vast majority of planned future revenues for 2023 arise from subscription contracts. The business model is a recurring revenues model, and there has not been any significant change to renewal rates. Equally the Group has not experienced any customer collectability issues.
- 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, and no indicators of impairment have been identified during FY22.
- as at 31 October 2022 the Group had available liquidity of US$346.8m (US$177.5m in cash and US$169.3m in available headroom on the Revolving Credit Facility).
- the Group retains sufficient liquidity to support operations and make scheduled interest and capital payments as they become due, throughout the Assessment Period in the severe but plausible downside scenario. Further, the Revolving Credit Facility is forecast to remain unutilized in the modelled downside scenario.
- currently there are no financial covenants applicable to the Group owing to the unutilized status of the Revolving Credit Facility as at 31 October 2022 and the date of approval of the Consolidated Financial Statements. As such, there is no risk of breach of financial covenants.
- the Group retains financial covenant compliance throughout the Assessment Period in the severe but plausible downside scenario.
- the Group has a proven track record of taking timely actions to effectively mitigate downside risks, including cutting costs and conserving cash by managing working capital.

  The directors concluded, after evaluating relevant, available information, that there are no other events or conditions, that may cast significant doubt upon the Group's ability to continue as a going concern during the Assessment Period that require disclosure in the Group's Consolidated Financial Statements for the year ended 31 October 2022. The directors also evaluated potential events and conditions during the period beyond the Assessment Period that may cast significant doubt on the going concern assessment, concluding that there were no other such events or conditions. Based on this comprehensive assessment, the directors concluded that the continued use of the going concern basis of accounting in preparing the Group's Consolidated Financial Statements for the year ended 31 October 2022 remains appropriate. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

D. Functional and presentational currency

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

2. Basis of preparation *continued*

E. Adoption of new and revised International Financial Reporting Standards

(i) The following amendments were applied by the Group for the first time in the year ended 31 October 2022 but did not result in material changes to the Consolidated Financial Statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- The Group modified all of its floating-rate borrowings previously indexed to USD LIBOR during the year ended 31 October 2022 to an economically equivalent interest rate referencing SOFR. Further details are set out in Note 23
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

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

- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IFRS 7)*
- Annual Improvements to IFRS Standards 2018-2020*
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
- Reference to the Conceptual Framework (Amendments to IFRS 3)**
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**
- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts***
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**
- Definition of Accounting Estimates (Amendments to IAS 8)**
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to IFRS 10 and IAS 28)***

Management does not believe that the future impact of the amendments and interpretations to existing standards listed above will have a material impact on the Consolidated Financial Statements.

* Required to be applied for annual periods after 1 January 2022
** Required to be applied for annual periods after 1 January 2023
*** Available for optional adoption / effective date deferred indefinitely

3. Critical judgments and sources of estimation uncertainty

The preparation of these Consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The Group regularly reviews these estimates and updates them as required. Revisions to estimates are recognized prospectively. The following estimates are those which management view as critical and therefore could result in a material adjustment to the carrying amount of assets and liabilities in the next financial period should actual results differ:

A. Potential impairment of goodwill and intangible assets

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

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

The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are as disclosed in the notes to the financial statements.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

3. Critical judgments and sources of estimation uncertainty *continued*

B. 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 evaluates 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 contract liabilities involved a step-down adjustment to reflect its fair value based on the cost to deliver the related service ("the haircut" to contract liabilities). 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.

C. Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes including structuring activities undertaken by the Group and the application of complex transfer pricing rules. The Group recognizes liabilities for anticipated settlement of tax issues based on judgments of whether additional taxes will be due.

Significant issues may take several periods to resolve. In making judgments on the probability and amount of any tax charge, management considers:

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

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

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

D. Recoverability of deferred tax assets

The recoverability of deferred tax assets recognized by the Group is dependent on the future generation of taxable profits. Management is satisfied that tax losses generated in prior periods are substantially as a result of one off transactions including the SUSE acquisition, the IPO, and the Rancher and NeuVector acquisitions. The Group forecasts sustained taxable profits in future periods, allowing for recoverability of recognized deferred tax assets.

4. Significant accounting policies

Set out below are the significant accounting policies of the Group to 31 October 2022 which have been applied consistently in the current year and prior financial reporting period.

A. Revenue recognition

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

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

The Group applies five steps in recognizing revenue as follows:

1. Identify the contract with a customer

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

2. Identify the performance obligations in the contract

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

3. Determine the transaction price

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

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

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

4. Significant accounting policies *continued*

A. Revenue recognition *continued*

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

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised subscription and service offerings to a customer. For each performance obligation, a determination is made as to whether the control is transferred over time or at a point in time. For performance obligations satisfied over time, a method to measure progress towards complete satisfaction is selected, based upon the most faithful depiction of performance. The selected method for each performance obligation type is applied consistently to similar contracts.

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

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

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

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

B. Cost of sales

Cost of sales includes costs of consulting, helpline support and royalties payable to third parties.

C. Pension obligations and long-term pension assets

(i) Defined contribution plans

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

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

4. Significant accounting policies *continued*

C. Pension obligations and long-term pension assets *continued*

(ii) Defined benefit plans

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

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

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

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

D. Share-based payments

(i) Long-term Incentive Plans

The Long-term Incentive Plans ("LTIP") comprise predominantly equity-settled, and some limited cash-settled, share-based payment arrangements which allow employees to a pro-rata economic participation in the future value increase of the Group. The LTIP comprises two Restricted Stock Unit ("RSU") Programs and a Stock Option Program for Senior Executives.

(a) Restricted Stock Units ("RSUs")

Following the IPO on 19 May 2021, the Group established a Transitional RSU Award and an Annual RSU Award. Participants are granted a Conditional Share Award by the Group which comprises a number of RSUs.

The transitional RSUs have a two-year vesting period. The Annual RSUs vest in three equal annual tranches after the date of grant.

100% of RSUs granted are subject to a service condition and follow a graded vesting pattern over the contractual period. The fair value includes a true up at each reporting date to take into account leavers in that period. An attrition rate is also applied to account for future leavers, where unvested awards will be forfeited. This percentage is based on observed attrition rates adjusting for the fact actual leaver awards have already been removed.

The exercise price of all awards is US$ nil.

The RSU Awards are equity-settled apart from in a small number of cases where the Board has approved for the awards to be cash-settled due to legal complexities in some countries.

(a)(i) Equity-settled

Each RSU is a promise to transfer one share of SUSE S.A. stock to a participant at the end of the vesting period. Fair value is determined as at the grant date, based on the spot price of an ordinary share of SUSE S.A. on this date.

For all equity-settled share-based payment arrangements, the cost is recognized in employee expense with a corresponding increase in the capital contribution. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

4. Significant accounting policies *continued*

D. Share-based payments *continued*

(i) Long-term Incentive Plans *continued*

(a)(i) Equity-settled continued

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

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

(a)(ii) Cash-settled

Where the awards are to be cash-settled, participants have been granted a Cash Conditional Share Award which comprises a number of notional shares. Each notional share is a promise to a cash payment equivalent to the market value of one share of SUSE S.A. stock at the end of the vesting period of the award.

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially at the date of grant and at each reporting date up to and including the settlement date, with changes in fair value recognized as an employee expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for modifications and cancellations when measuring equity-settled transactions also applies to cash-settled transactions.

(b) Annual Option Award

Members of the Management Board and senior employees of SUSE are eligible for the grant of an Annual Option Award, with an exercise price equal to the grant date share price. Annual Option Awards will vest in two equal tranches on the second and third anniversaries of the date of grant. The options will become exercisable on the respective vesting date of each tranche and will expire on the tenth anniversary, if not exercised. 100% of the Annual Options granted are subject to a service condition and follow a graded vesting pattern over the contractual period. The fair value of the Options is measured using the Black-Scholes Option model taking into account the terms and conditions upon which the options were granted. The risk-free interest rate is based on prices and yields of listed federal securities for zero coupon bonds, listed on the Frankfurt Stock Exchange. The future volatility for the life of the options was estimated based on the median volatility of peer groups/competitors used by Thompson One and other financial analysts.

(ii) Stock grant award to members of the Supervisory Board

Members of the Supervisory Board were awarded a one-off stock grant award settled partly in SUSE S.A. shares and partly in cash based on the initial IPO listing price. The grants are subject to a service condition and the fair value is being recognized over the vesting period on a straight-line basis, with the cash amount already settled being treated as a prepayment.

(iii) Management Investment Participation Program

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. As the characteristics of the shares are similar to an option, the grant date fair value of shares issued is determined using a Black-Scholes-Merton valuation model.

(iv) Virtual Share Option Program

During the prior year, the Virtual Share Options Program ("VSOP") closed. The VSOP was a cash-settled scheme in which certain employees could participate in the future share appreciation rights of the Group's equity until an exit event. On vesting, the VSOP liability settled was based on an indexed share price linked to the SUSE S.A. IPO Listing Price.

4. Significant accounting policies *continued*

E. Foreign currency

(i) Functional and presentation currency

The presentation currency of the Group is US dollars (denoted as "US$'000s"). Items included in the financial statements of each of the Group's entities are measured in the functional currency of each entity.

(ii) Transaction balances

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

(iii) Group companies

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

- Income and expenses for each consolidated statement of profit or loss items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- Assets and liabilities for each Consolidated Statement of Financial Position presented are translated at the closing rate as at the date of that Consolidated Statement of Financial Position;
- All resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve.

(iv) Exchange rates

The most significant foreign currencies for the Group are the euro ("€") and pound sterling ("£"). The exchange rates used as at 31 October 2022 ("Closing") and for the 12-month period then ended ("Average") are as follows:

	Closing rates	
Exchange	**As at 31 October 2022**	**As at 31 October 2021**
£1.00 : US$	1.16	1.37
€1.00 : US$	1.00	1.16

	Average rates	
Exchange	**Year ended 31 October 2022**	**Year ended 31 October 2021**
£1.00 : US$	1.26	1.38
€1.00 : US$	1.07	1.19

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

4. Significant accounting policies *continued*

F. Business combinations and goodwill

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

A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values are made within the measurement period, a period of no more than one year from the acquisition date.

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

G. Intangible assets

(i) Purchased software including cloud arrangements

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

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

(ii) Capitalized development costs

The Group capitalizes directly attributable costs that meet the definition of 'development expenditure' under the standard in preparing software for its intended use as it expects to obtain the future economic benefit from the underlying resource developed. Development costs are amortized over a period of 10 years relating to the expected useful life of the related IT systems developed.

4. Significant accounting policies *continued*

G. Intangible assets *continued*

(iii) Other intangible assets

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

Asset class	Estimated useful life
Intellectual property	3 to 7 years
Customer relationships	3 to 10 years
Non-compete agreements	3 years

H. Property, plant and equipment

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated Statement of Comprehensive Income.

I. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. An impairment loss is recognized if an asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows, being cash-generating units ("CGUs"). For annual impairment testing purposes, assets with indefinite useful lives are allocated to a group of two geographical-based CGUs being the EMEA and Non-EMEA operations. Impairment is determined for goodwill by assessing the recoverable amount of the group of CGUs to which the goodwill relates. Management monitors goodwill only at a segment level as the Group currently operates as a single Operating Segment as defined by IFRS 8 *Operating Segments*.

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

4. Significant accounting policies *continued*

I. Impairment of non-financial assets *continued*

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. When the recoverable amount of a CGU or group of CGUs is less than it's carrying amount, an impairment loss is recognized. This is allocated first to goodwill and then pro-rata to other assets.

J. Trade receivables

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

Loss rates applied are based on forecasted credit loss for individual customers based on observed patterns of trading history as adjusted for specific risk applied based on country of operation. The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers. The expected loss rates are based on the historical credit loss experience. These historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors.

The Group considers economic factors prevailing at the measurement date (for example, the ongoing Covid-19 pandemic) and country-specific risks to be the most relevant factors and has adjusted the historical loss rates based on expected changes in these factors.

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

K. Cash and cash equivalents

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

L. Borrowings

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

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

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

4. Significant accounting policies *continued*

M. Leases

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

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use); for lease contracts acquired in a business combination the acquirer recognizes a right-of-use asset and a lease liability. The lease liability is measured at the present value of the remaining lease payments. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. In addition, the right-of-use asset is periodically reduced by impairment losses. Where an office building is sub-let, if the sub-lease is for the major part of the useful life of the right-of-use asset, as intermediate lessor it is classified as a finance lease. The related right-of-use asset is derecognized, and a new asset representing the Net investment in the sub-lease is reported within Other receivables. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lease category	Estimated useful life
Office buildings	Varies by contract
Office equipment	2 to 6 years
Motor vehicles	3 to 5 years
Leased software	0.5 to 1.5 years
IT equipment	5 years

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

N. Taxation

Income tax expense represents the sum of current and deferred taxes. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

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

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax liabilities are not recognized to the extent they arise from the initial recognition of non-tax-deductible goodwill. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

4. Significant accounting policies continued

N. Taxation *continued*

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

O. Share capital, share premium and dividend distribution

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

P. Earnings per share

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

Q. Financial assets and financial liabilities

(i) Financial assets measured at amortized costs

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

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

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

(iii) Write-offs

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

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

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

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

4. Significant accounting policies *continued*

Q. Financial assets and financial liabilities *continued*

(v) Derivative financial instruments and hedge accounting

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

R. Cash flow hedge

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

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

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

S. Provisions

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

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

5. Financial risk factors

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

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 Executive 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.

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

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

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Europe, Middle East and Africa	1,195,775	1,233,346
North America	2,010,328	2,085,479
Asia Pacific and Japan	1,412	1,970
Greater China	3,337	2,233
Latin America	538	449
Sub-total	**3,211,390**	**3,323,477**
Derivative asset	4,051	6
Deferred tax assets	178,680	190,010
Total non-current assets	**3,394,121**	**3,513,493**

7. Revenue

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

(a) Analysis of revenue from contracts with customers

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Recognized over time:		
– Subscription revenue	614,617	530,873
Recognized at a point in time:		
– Subscription revenue	20,973	15,625
– Consulting revenue	17,433	13,041
Total	**653,023**	**559,539**

7. Revenue *continued*

(a) Analysis of revenue from contracts with customers *continued*

The following table shows the impact of the acquisition accounting adjustment of the contract liability haircut on recognized revenues:

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Effect of contract liability haircut:		
Recognized revenue before contract liability haircut	657,796	572,246
Contract liability haircut amortized	(4,773)	(12,707)
Total revenue	**653,023**	**559,539**

(b) Revenue by product type

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Core products	556,064	494,485
Emerging products	96,959	65,054
Total revenue	**653,023**	**559,539**

(c) Revenue by route to market

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
End user	551,255	457,674
Independent Hardware Vendor & Embedded	101,768	101,865
Total revenue	**653,023**	**559,539**

(d) Revenue by geographical location

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Europe, Middle East and Africa	297,784	269,385
North America	247,126	196,604
Asia Pacific and Japan	47,247	38,374
Greater China	38,359	39,995
Latin America	22,507	15,181
Total revenue	**653,023**	**559,539**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

8. Separately reported items

The Group has adopted a columnar presentation in its presentation of the 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 notes IAS 1 *Presentation of Financial Statements* does not provide definitive guidance as to the format of the Consolidated Statement of Comprehensive Income, but states key lines, which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the Consolidated Statement of Comprehensive Income when appropriate for a proper understanding of the entity's financial performance.

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Separately reported items:		
Transaction costs – acquisition of the Rancher Group	–	2,706
Transaction costs – Initial Public Offering	–	21,240
Transaction costs – acquisition of NeuVector Inc	–	1,541
Total transaction costs	**–**	**25,487**
Costs arising from a restructuring program	–	1,407
Expense items forming part of operating losses	**–**	**26,894**
Tax credit on transaction and restructuring costs	–	(5,566)
Total tax credit reported separately	**–**	**(5,566)**
Separately reported items, net	**–**	**21,328**

Current year

There were no separately reported items for the year ended 31 October 2022.

Prior year

Separately reported items for the year ended 31 October 2021 of $21.3 million comprised transaction costs of US$25.5 million, restructuring costs of US$1.4 million and a tax credit of US$5.6 million.

- Transaction costs of US$25.5 million for the year ended 31 October 2021 relate to legal and other fees associated with the acquisition of Rancher and NeuVector and transaction costs relating to the placing of the share capital of the Group on the Frankfurt Stock Exchange that are not deemed directly attributable to the issuance of equity.
- Restructuring costs of US$1.4 million for the year ended 31 October 2021 relates to a program announced during the prior year to align the operations of the Group with its strategic objectives.
- A tax credit of US$5.6 million arises in respect of tax-deductible transaction and restructuring costs.

9. Operating costs by nature

The Group classifies costs in the Statement of Comprehensive Income 'by function'. Operating losses of US$0.5 million (2021: US$200.9 million) for the year are recorded after charging/(crediting) the following costs as classified 'by nature' set out below:

	Note	**Year ended 31 October 2022 US$'000**	Year ended 31 October 2021 US$'000
Operating costs by nature:			
Total employee expenses (excluding share-based payments expense)	31	337,055	295,027
Depreciation – property, plant and equipment	16	3,743	4,496
Depreciation/impairment – right-of-use assets	24	7,334	6,485
Amortization of intangible assets	15	141,999	141,980
Amortization of contract related assets	20	15,028	9,260
Share-based payments expense	27	52,206	175,164
Reversal of impairment loss on trade receivables	19	(171)	(265)
Net foreign exchange gains and losses:			
– Realized net foreign exchange loss/(gain)		3,249	(3,563)
– Unrealized net foreign exchange loss		13,994	16,118
Expense items forming part of operating losses		**574,437**	**644,702**
Plus:			
Other expenses incurred		79,085	115,752
Total operating expenses for year		**653,522**	**760,454**

10. Auditor's remuneration

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Audit services:		
Audit of Group Consolidated Financial Statements	756	957
Subsidiary financial statement audits	374	387
Audit related fees	–	1,802
Total audit fees	**1,130**	**3,146**
Non-audit services:		
Tax services:		
Tax compliance services	23	154
Total remuneration to Group auditors and network firms	**1,153**	**3,300**

In the prior year, total IPO transaction costs (Note 30(b)(i)) included US$1.8 million of audit-related fees. US$0.9 million were deemed to be qualifying costs of an equity transaction and US$0.9 million deemed to be non-qualifying costs. Of the US$0.9m deemed as a qualifying cost, 11% (US$0.1 million) was recorded as a deduction from equity with the remainder (US$0.8 million) expensed to Separately Reported Items (Note 8). Non-qualifying costs of US$0.9 million were expensed in full to Separately Reported Items (Note 8) in the Income Statement.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

11. Net finance costs

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Finance costs	40,739	58,884
Finance income	(9)	(8)
Net finance costs	**40,730**	**58,876**

(a) Finance costs

	Note	**Year ended 31 October 2022 US$'000**	Year ended 31 October 2021 US$'000
Finance costs:			
Interest payable on borrowings		30,773	46,828
Amortization of facility and debt issuance costs		3,172	4,453
Interest rate swap premia	29(d)	4,386	8,963
Commitment fees		2,164	748
Foreign exchange gain on borrowings		(574)	(10,787)
Fair value gain on derivative liabilities	29(d)	–	(12,668)
Loss on modification of borrowings		–	20,654
Finance costs on borrowings		**39,921**	**58,191**
Net interest on retirement benefit obligations	26	50	39
Present value un-wind of lease obligation	24	768	654
Total finance costs		**40,739**	**58,884**

The total fair value of derivative assets as at 31 October 2022 was US$4.1million (2021: liability of US$5.2 million) comprising US$4.1 million (2021: liability US$4.3 million) in respect of those designated as hedging instruments.

(i) Derivatives designated as hedging instruments

The interest rate swap in place at 31 October 2021 matured in April 2022. Premia paid on this interest rate swap of US$4.4 million (2021: US$9.0 million) were recycled from the cash flow hedge reserve.

In September 2022, the Group entered into three interest rate swap agreements to hedge the full exposure to variable interest on its three external loan facilities (B1, B2 and Sidecar). These interest rate swaps are deemed to be effective and the fair value of US$4.1 million has been recognized in other comprehensive income. No settlements were paid in respect of these instruments in 2022.

(ii) 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. In the prior year a fair value gain of US$12.7 million in respect of the derivatives embedded in borrowings was recognized as a component of finance costs. This facility was repaid in May 2021.

(b) Finance income

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Finance income		
Bank interest income	9	8
Total finance income	**9**	**8**

12. Taxation

(a) Income tax credit

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Current tax		
Current tax expense – current year	14,023	7,083
Current tax (credit) / expense – prior period	(1,144)	1,997
Total current tax expense	**12,879**	**9,080**
Deferred tax		
Deferred tax credit– current year	(9,185)	(67,731)
Deferred tax (credit) / expense – prior period	(7,698)	4,340
Total deferred tax credit	**(16,883)**	**(63,391)**
Total income tax credit for the year	**(4,004)**	**(54,311)**

(b) Tax charged to other comprehensive income

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Deferred tax expense	4,382	2,147
Total tax charged to other comprehensive income	**4,382**	**2,147**

(c) Tax charged / (credited) directly to equity

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Deferred tax expense / (credit) on IPO transaction costs	4,379	(5,128)
Total tax charged / (credited) directly to equity	**4,379**	**(5,128)**

(d) Factors affecting income tax for the year

The Group's total tax credit for the period of US$4.0 million (2021: US$54.3 million) represents an effective tax rate of 9.2% (2021: 20.7%). Differences between the expected tax credit, being the aggregate of the Group's geographical split of losses multiplied by local tax rates, and the total tax credits are explained as:

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Loss before tax for the year	**(43,494)**	**(261,924)**
Aggregated expected income tax credit using weighted local tax rate of 28.1% (2021: 26.5%)	(12,222)	(69,410)
Tax effect of:		
Non-deductible acquisition-related expenses	–	919
Taxable gains on reorganization	–	1,554
Non-deductible share-based payment expenses	9,505	976
Non-deductible interest expense in Germany	541	1,360
Temporary differences not expected to reverse	6	3,401
Irrecoverable withholding and other taxes	4,795	–
Alternative basis of state and local taxes	647	412
Prior period over-provision	(8,842)	6,336
Other differences	1,566	141
Total income tax credit	**(4,004)**	**(54,311)**
Effective tax rate	**(9.2%)**	**(20.7%)**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

12. Taxation *continued*

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

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

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

The Group maintains accruals for tax liabilities in respect of certain potential tax risks in legal entities acquired as part of the prior period business combination which have been indemnified by the vendor of the business. Non-current tax liabilities include US$7.1 million (2021: US$6.6 million) related to such potential risks with a corresponding indemnity asset recorded in other non-current receivables. There are no significant accrued tax liabilities in respect of uncertain tax positions arising in relation to the post-acquisition period.

(g) Deferred taxes

Deferred tax assets	Tax losses US$'000	Contract liabilities US$'000	Interest expenses US$'000	Financial derivatives US$'000	Other items US$'000	Total US$'000
As at 1 November 2021	**117,695**	**17,166**	**30,309**	**198**	**24,642**	**190,010**
(Charged)/credited to the income statement	(12,115)	4,321	8,259	–	2,742	3,207
Charged to other comprehensive income	–	–	–	–	(2,233)	(2,233)
Charged direct to equity	–	–	–	–	(4,379)	(4,379)
Reclassification	–	–	–	(198)	–	(198)
Foreign exchange movement	(4,793)	–	(2,816)	–	(118)	(7,727)
As at 31 October 2022	**100,787**	**21,487**	**35,752**	**–**	**20,654**	**178,680**

Deferred tax assets	Tax losses US$'000	Contract liabilities US$'000	Interest expenses US$'000	Financial derivatives US$'000	Other items US$'000	Total US$'000
As at 1 November 2020	**53,711**	**21,307**	**15,426**	**5,704**	**11,199**	**107,347**
Arising on acquisition	12,390	(241)	–	–	1,643	13,792
(Charged)/credited to the income statement	52,153	(3,900)	14,883	(3,359)	6,113	65,890
Charged to other comprehensive income	–	–	–	(2,147)	–	(2,147)
Credited direct to equity	–	–	–	–	5,128	5,128
Reclassification	(559)	–	–	–	559	–
As at 31 October 2021	**117,695**	**17,166**	**30,309**	**198**	**24,642**	**190,010**

Deferred tax assets are recognized to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilized. Recognized deferred tax assets are mainly in respect of German and US subsidiaries. Deferred tax assets in Germany of US$36.7 million (2021: US$53.8 million) are recognized on the basis that they are fully offset by deferred tax liabilities in the same legal entity or tax group. Further deferred tax assets of US$15.9 million are recognized on the basis of a deferred tax asset reversal calculation, based on Management's projections of future profitability. These calculations are consistent with forecasts used for other relevant assessments across the business. Similarly, US$24.2 million (2021: US$28.7 million) of US deferred tax assets are fully offset by US deferred tax liabilities with a further US$82.3 million (2021: US$75.5 million) of US deferred tax assets being recognized on the basis of a deferred tax asset reversal calculation as noted above. The Group has an unrecognized deferred tax asset in relation to temporary differences of US$5.6 million (2021: US$5.8 million) relating to unutilized foreign tax credits in the US expiring within ten years and carried forward tax losses.

12. Taxation *continued*

Deferred tax liabilities	Intangible assets US$'000	Contract related assets US$'000	Finance costs US$'000	Other items US$'000	Total US$'000
As at 1 November 2021	**(67,357)**	**(22,771)**	**(2,155)**	**(14,790)**	**(107,073)**
Remeasurement of acquisition	258	–	–	–	258
Credited/(charged) to the income statement	12,378	(7,766)	752	8,312	13,676
(Charged)/credited to other comprehensive income	–	–	–	(2,149)	(2,149)
Reclassification	–	–	–	198	198
Foreign exchange adjustment	(3,706)	–	–	(35)	(3,741)
As at 31 October 2022	**(58,427)**	**(30,537)**	**(1,403)**	**(8,464)**	**(98,831)**

Deferred tax liabilities	Intangible assets US$'000	Contract related assets US$'000	Finance costs US$'000	Other items US$'000	Total US$'000
As at 1 November 2020	**(44,103)**	**(12,037)**	**(6,223)**	**(6,332)**	**(68,695)**
Arising on acquisition	(35,343)	(536)	–	–	(35,879)
Credited/(charged) to the income statement	12,089	(10,198)	4,068	(8,458)	(2,499)
(Charged)/credited to other comprehensive income	–	–	–	–	–
As at 31 October 2021	**(67,357)**	**(22,771)**	**(2,155)**	**(14,790)**	**(107,073)**

A deferred tax liability of US$1.5 million (2021: US$1.5 million) is recognized in respect of tax liabilities expected to arise on the future repatriation of proceeds. Otherwise, no deferred tax liability is recognized in respect of unremitted earnings (including pre-acquisition earnings) of overseas subsidiaries of US$250.1 million (2021: US$171.1 million) as the Group can control the timing of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognized deferred tax liabilities in respect of such unremitted earnings.

13. Earnings per share

Basic and diluted EPS is calculated by dividing the loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the year.

During the year, long-term incentive awards were granted which would have an antidilutive impact on earnings per share as their conversion to ordinary shares would decrease loss per share from continuing operations.

	Year ended 31 October 2022	Year ended 31 October 2021
Loss for the year (US$'000)	(39,490)	(207,613)
Weighted average number of ordinary shares in issue (number)	169,152,991	83,842,865
Basic and diluted loss per share (US$ per share)	**(0.2)**	**(2.5)**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

14. Business combinations

A. Current year

There were no acquisitions in the current year.

B. Prior year: Acquisition of NeuVector (27 October 2021)

Pursuant to the terms of the "Agreements and Plans of Merger" ("the Agreement") dated 6 October 2021, and with the completion date of 27 October 2021, the Group acquired 100% of the assets and liabilities of (NeuVector Inc ("NeuVector"). The acquired entity is a non-listed entity headquartered in San Jose, California.

The acquisition of NeuVector was completed in the prior year. The net assets recognized in the last annual financial statements were based on a provisional assessment of their fair value and were finalized during 2022 within the allowed measurement time under IFRS 3.

(a) Transaction overview

The completion date of 27 October 2021 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. NeuVector provides full lifecycle container security, offering end-to-end security for modern container infrastructures. The company's customer base includes multiple industries including financial services, healthcare, transportation and government. The purpose of the acquisition and integration of NeuVector is to increase revenue and consequently shareholder value through integrated sales with other Group products. Assets and liabilities acquired as set out below are identified with reference to the books and records as at 27 October 2021. For convenience, the Group designated an acquisition date at the end of the month (31 October 2021) rather than the actual acquisition date during the month. No events between the 'convenience' date of 31 October 2021 and the actual acquisition date resulted in material changes in the amounts recognized. The amounts of revenue and profit or loss of NeuVector since the designated acquisition date included in the consolidated statement of comprehensive income for the reporting period are US$ nil. If the transaction had occurred on 1 November 2020, Management estimates that consolidated revenue for the SUSE Group would have been US$560.8 million and consolidated losses for the period would have been US$214.4 million.

(b) Purchase consideration

Total consideration of US$131.2 million was satisfied in cash (US$100.8 million), a transfer of certain liabilities payable by the acquirer (US$1.3 million) and the transfer of shares in SUSE S.A. (US$29.1 million).

	US$'000
Cash consideration:	
Cash transferred to former owners	100,800
Amounts paid to settle employee-related liabilities and other obligations to third parties	1,345
Cash consideration paid	**102,145**
Non-cash consideration:	
Shares issued at fair value	29,066
Total non-cash consideration	**29,066**
Total purchase consideration	**131,211**

The consideration transferred in the acquisition is measured at fair value. Total shares in SUSE S.A. comprised 695,691 ordinary shares measured at the fair value of US$41.78 per ordinary share.

14. Business combinations *continued*

B. Prior year: Acquisition of NeuVector (27 October 2021) *continued*

(b) Purchase consideration *continued*

Total consideration excludes transaction costs of US$1.5 million which have been expensed to the Income Statement in the prior year in accordance with IFRS 3 *Business Combinations*. The 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 [1]	(102,145)
Net cash acquired	2,260
Net cash outflow on acquisition	**(99,885)**

1. Cash consideration paid comprises US$99.6 million paid in the prior year and US$2.6 million paid in the current year.

(c) Identification of net assets acquired

The net assets recognized in the last annual financial statements were based on a provisional assessment of their fair value while the Group finalized the fair values of the identifiable assets and liabilities. This primarily resulted in decreases to intangible assets of US$1.0 million, deferred tax liabilities of US$0.3million, deferred tax assets of US$0.1 million and a corresponding increase to goodwill of US$0.6 million.

The final fair values of the identified assets and liabilities of NeuVector as at the date of acquisition are as follows:

	Notes	27 October 2021 US$'000
Identifiable assets at fair value		
Intangible assets	(i)	21,053
Property, plant and equipment	(ii)	65
Right-of-use assets	(iii)	835
Trade and other receivables	(iv)	2,285
Deferred tax assets	(vi)	670
Cash and cash equivalents	(b)	2,260
Total assets		**27,168**
Identifiable liabilities at fair value		
Trade and other payables	(iv)	584
Lease liabilities	(iii)	835
Contract liabilities	(v)	2,778
Deferred tax liabilities	(vi)	4,760
Total liabilities		**8,957**
Net identifiable assets at fair value		**18,211**

(i) Intangible assets

Separately identifiable intangible assets of US$21.1 million meeting the definition of IAS 38 *Intangible Assets* within the transaction consist of brands (US$1.5 million) and technology (US$19.6 million).

Intellectual property (including technology and brands) was 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.

(ii) Property, plant and equipment

The Group identified property, plant and equipment of US$65 thousand as part of the analysis of the transaction which primarily consist of office equipment, the fair value of which was deemed to approximate the previous carrying value.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

14. Business combinations *continued*

B. Prior year: Acquisition of NeuVector (27 October 2021) *continued*

(iii) Right-of-use assets and lease liabilities

The Group analyzed the transaction to identify explicit and implied lease arrangements as defined by IFRS 16 *Leases*. The lease identified relates to office premises. The present value of future lease payments of US$0.8 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 which equates to their fair value. Included within trade and other receivables are trade receivables which amount to US$0.7 million which is the gross contractual amounts and all of which is expected to be collected. There were no fair value adjustments required to trade receivables.

(v) Contract liabilities

The Group acquired contract liabilities of US$2.8 million which included a step-down adjustment of US$1.0 million to reflect its fair value based on the costs to deliver the related service ("the haircut" to contract liabilities). 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 assumption 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.

(vi) Deferred tax asset and liabilities

Deferred tax assets of US$0.7 million and deferred tax liabilities of US$4.8 million were acquired. Refer to Note 12 Taxation for further details.

(d) Goodwill

	US$'000
Total purchase consideration	131,211
Net identifiable assets acquired	(18,211)
Goodwill recognized on acquisition	**113,000**

Goodwill of US$113.0 million represents the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill is attributable mainly to the growth opportunities in the markets NeuVector operates in, the skills and technical talent of NeuVector's workforce and synergies expected to be achieved. The goodwill arising from the acquisition of the NeuVector that is expected to be tax deductible is US$ nil.

C. Prior year: Acquisition of the Rancher Group (25 November 2020)

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$53.5 million to consolidated revenue and a loss of US$12.0 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 27). If the transaction had occurred on 1 November 2020, Management estimates that consolidated revenue for the SUSE Group would be US$564.2 million and consolidated losses for the period would be US$209.2 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.

14. Business combinations *continued*

C. Prior year: Acquisition of the Rancher Group (25 November 2020)

	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 values of identified liabilities of the business are reduced by this amount.

Total consideration excludes transaction costs of US$8.7 million which have been expensed to the Income Statement in accordance with IFRS 3 *Business Combinations*. US$2.7 million was expensed in the year ended 31 October 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 Consolidated Financial Statements *continued*

For the year ended 31 October 2022

14. Business combinations *continued*

(c) Identification of net assets acquired

The fair values 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		59
Right-of-use assets		324
Trade and other receivables	(ii)	14,916
Cash and cash equivalents	(b)	55,065
Deferred tax assets	(iv)	13,066
Total assets		**208,873**
Identifiable liabilities at fair value		
Trade and other payables		6,644
Lease liabilities		312
Contract liabilities	(iii)	26,362
Deferred tax liabilities	(iv)	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'.

Intellectual property (including technology and trademarks) was 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.

(ii) 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) above. 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.

14. Business combinations *continued*

(iii) 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 contract liabilities). 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 Consolidated Income Statement in line with the contract liability released.

(iv) Deferred tax assets and liabilities

Deferred tax assets of US$13.1 million and deferred tax liabilities of US$30.8 million were acquired. Refer to Note 12 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 31 October 2022 of US$4.1 million in respect of service to be rendered by employees of the acquiree in future financial periods, of which US$4.8 million is accrued at 31 October 2022.

(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 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.

15. Goodwill and intangible assets

Intangible assets are amortized on a straight-line basis over their estimated useful lives as set out in Note 4G. The remaining useful life as at 31 October 2022 is set out below.

Asset class	Remaining useful life at reporting date
Purchased software	Varies by contractual term of license
Development costs	7.3 years
Intellectual property	1.1 to 2 years
Customer relationships	3.1 to 6.6 years
Non-compete agreements	1.1 years

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

15. Goodwill and intangible assets *continued*

(a) Roll forward of goodwill

	Year ended 31 October 2022	Year ended 31 October 2021
Opening	2,685,751	2,134,881
Acquired through a business combination	–	550,870
Business combination finalization	569	–
As at 31 October	**2,686,320**	**2,685,751**

(b) Roll forward of intangible assets

Current period	**Development costs US$'000**	**Purchased software US$'000**	**Intellectual property US$'000**	**Customer relationships US$'000**	**Non-compete agreements US$'000**	**Total US$'000**
Cost						
1 November 2021	10,065	38,300	358,991	461,888	2,632	871,876
Acquired in the period	341	2,864	–	–	–	3,205
Business combination finalization	–	–	(1,047)	–	–	(1,047)
FX movements	(1,415)	(5,549)	–	–	–	(6,964)
31 October 2022	**8,991**	**35,615**	**357,944**	**461,888**	**2,632**	**867,070**
Accumulated amortization						
1 November 2021	1,933	15,293	182,766	134,025	803	334,820
Charge for the period	1,082	9,134	69,217	61,690	876	141,999
FX movements	(316)	(2,897)	–	37	–	(3,176)
31 October 2022	**2,699**	**21,530**	**251,983**	**195,752**	**1,679**	**473,643**
Carrying value						
31 October 2022	**6,292**	**14,085**	**105,961**	**266,136**	**953**	**393,427**
31 October 2021	8,132	23,007	176,225	327,863	1,829	537,056

Prior period	Development costs US$'000	Purchased software US$'000	Intellectual property US$'000	Customer relationships US$'000	Non-compete agreements US$'000	Total US$'000
Cost						
1 November 2020	9,046	27,823	315,963	360,005	–	712,837
Acquired in the period	1,021	9,475	–	–	–	10,496
Acquired through a business combination	–	–	43,028	101,883	2,632	147,543
FX movements	(2)	1,002	–	–	–	1,000
31 October 2021	**10,065**	**38,300**	**358,991**	**461,888**	**2,632**	**871,876**
Accumulated amortization						
1 November 2021	788	7,125	113,278	72,276	–	193,467
Charge for the period	1,180	8,082	69,301	62,614	803	141,980
FX movements	(35)	86	187	(865)	–	(627)
31 October 2021	**1,933**	**15,293**	**182,766**	**134,025**	**803**	**334,820**
Carrying value						
31 October 2021	**8,132**	**23,007**	**176,225**	**327,863**	**1,829**	**537,056**
31 October 2020	8,258	20,698	202,685	287,729	–	519,370

15. Goodwill and intangible assets *continued*

(c) Carrying value assessment

The annual impairment test of goodwill is performed during the fourth quarter of each fiscal year, or more frequently, if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The impairment test is performed at a single Group operating segment level, as the EBITDA of the Group is reviewed at this level. This represents the Group as a whole, being a single operating segment under IFRS 8 *Operating Segments*, which is the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group performed its annual impairment test as of 30 September 2022 when the carrying amount of the goodwill allocated to the Group as a whole was $2,686.3m.

The Group considers its operating performance in relation to the Board-approved budgets to be the key contributor, when reviewing for indicators of impairment. The recoverable amount has been determined based on a 'value in use' calculation using cash flow projections built on the latest financial budgets approved by the Board.

The pre-tax discount rate applied to the cash flow projections is 12.1% (2021: 10.1%). The post-tax discount rate applied to the cash flow projections is 10.4% (2021: 7.9%). Cash flows beyond a five-year forecast period are extrapolated using a 3.7% growth rate (2021: 2.1%). This growth rate is in line with the long-term average growth rate on a weighted average basis for the geographical markets in which the Group is operating. As a result of this analysis, Management has recognized no impairment in the current year (2021: US$ nil).

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

Management views a reasonably possible change to the key assumptions which would result in an impairment for the financial year ended 31 October 2022 to be unlikely. The assumptions used in the impairment testing reflect past experience of the Group.

The sensitivity analysis for the key assumptions reflects the existence of sufficient headroom between the recoverable amount and the carrying value of the Group's long-term assets. As shown below the headroom remains positive even in case of hypothetical adverse changes of the key assumptions. The calculation of 'value in use' for the Group is most sensitive to the following key assumptions:

- Revenue growth rates
- EBITDA margins
- Discount rate

Revenue growth rate – Revenue growth rate increases conservatively from 13.9% to 15.4% in the initial three-year forecast period. This is in line with revenue growth between FY21 and FY22. The revenue forecast is then extended to FY26 and FY27, using the revenue CAGR from FY22-FY25 of 14.8%. While the Group can maintain high growth rates for extended periods, for the purposes of a perpetual valuation, it is assumed that the Group will approach a "steady state" with stable growth rates at some point in time. This implies that once the steady state is reached, the terminal growth rate should not exceed, for example, the nominal GDP rate in the countries, in which the business operates. Hence, a terminal revenue increase of 3.7% has been applied from FY28 onwards. The growth rate used to extrapolate cash flows beyond the forecast period is based on a weighted average of the geographical markets in which the Group operates.

AEBITDA margins – AEBITDA margin is flat throughout the testing period and is in line with the margin achieved in the current year.

Discount rates – Discount rates represent the current market risk of the Group and its weighted average cost of capital ("WACC") which considers both debt and equity. The cost of equity is derived starting with a risk-free return, adding a relevant inflation spread and adjusting for country risk and market risk premia (adjusted for peer group beta factors). The cost of debt is estimated with reference to a basket of debt issued by other technology companies. The cost of debt has no impact on the results as there is no weighting related to debt from peers.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

15. Goodwill and intangible assets *continued*

(c) Carrying value assessment *continued*

Sensitivity analysis for the key assumptions in the terminal period is presented in the table below:

	Headroom (US$'000)
Base case	1,773.0
Revenue terminal growth rate (%)	
4.6%	2,201.9
3.7%	1,773.0
2.9%	1,428.7
AEBITDA Margin (%)	
40.0%	1,956.2
38.0%	1,773.0
36.0%	1,580.6
Pre-tax WACC Rate (%)	
13.0%	1,344.6
12.1%	1,773.0
11.0%	2,450.5

The sensitivity analysis shows that for the terminal growth rate, even if this reduces to 2.9%, the headroom remains positive ($1,428.7m). Similarly, for AEBITDA margin, even if the AEBITDA margin is reduced to 36.0%, the headroom remains positive ($1,580.6m). For WACC, even with a significantly higher WACC of 13.0%, the headroom remains positive ($1,344.6m).

Management further analyzed key assumptions and how they would need to change individually (that is, without changing other key assumptions) for the recoverable amount to be equal to the carrying amount. This is set out below:

- Terminal period revenue would need to be a decline of 3.8%.
- AEBITDA margin in the terminal period would need to drop to 16.2%.
- Pre-tax WACC would need to increase to 17.6%.

Management have considered these possibilities and have determined there is very low risk of these scenarios occurring.

16. Property, plant and equipment

Current period	Leasehold improvements US$'000	Computer equipment US$'000	Fixtures and fittings US$'000	Total US$'000
Cost				
1 November 2021	3,651	13,800	2,294	19,745
Additions during the year	2,373	7,307	1,019	10,699
Disposals during the year	(339)	(78)	(167)	(584)
FX movements	(656)	(2,115)	(242)	(3,013)
31 October 2022	**5,029**	**18,914**	**2,904**	**26,847**
Accumulated depreciation				
1 November 2021	1,636	8,895	1,057	11,588
Charge for the period	593	2,987	163	3,743
Disposals during the year	(317)	(78)	(113)	(508)
FX movements	(369)	(1,412)	(109)	(1,890)
31 October 2022	**1,543**	**10,392**	**998**	**12,933**
Carrying value				
31 October 2022	**3,486**	**8,522**	**1,906**	**13,914**
31 October 2021	2,015	4,905	1,237	8,157

Prior period	Leasehold improvements US$'000	Computer equipment US$'000	Fixtures and fittings US$'000	Total US$'000
Cost				
1 November 2020	2,316	10,809	1,514	14,639
Additions during the year	1,219	2,909	680	4,808
Acquired through a business combination	8	39	77	124
Disposals during the year	–	(4)	–	(4)
FX movements	108	47	23	178
31 October 2021	**3,651**	**13,800**	**2,294**	**19,745**
Accumulated depreciation				
1 November 2021	962	5,435	618	7,015
Charge for the period	602	3,459	435	4,496
Disposals during the year	–	(3)	–	(3)
FX movements	72	4	4	80
31 October 2021	**1,636**	**8,895**	**1,057**	**11,588**
Carrying value				
31 October 2021	**2,015**	**4,905**	**1,237**	**8,157**
31 October 2020	1,354	5,374	896	7,624

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

17. Subsidiary undertakings

Details of subsidiaries of the Company as at 31 October 2022 are provided below. The principal activities of subsidiary undertakings are (A) Software sales and support functions, (B) Development of software, (C) Investment holding, (D) Intellectual property licensing and (E) dormant.

Company name	Country of incorporation	Principal activities	Ownership[1] 31 October 2022	Ownership[1] 31 October 2021	Registered office address
SUSE Software Solutions Australia Pty Ltd	Australia	(A)	100.0%	100.0%	Tower One International Towers Sydney, Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
SUSE Software Solutions Austria GmbH	Austria	(A)	100.0%	100.0%	Parkring 2, 1010 Vienna, Austria
SUSE Software Solutions Brasil Ltda	Brazil	(A)	100.0%	100.0%	Rua Fidencio Ramos 302, Cj. 43 Condomino Edificio Vila Olimpia Corporate, Vila Olimpia, Sao Paulo, 04551-010, Brazil
SUSE Software Solutions Canada ULC	Canada	(A)	100.0%	100.0%	701 Georgia St. W, PO Box 10149, Vancouver, British Colombia, Canada
SUSE Software (Beijing) Co., Ltd.[(4)]	China	(A), (B)	100.0%	100.0%	Units 01, 14-16, Unit 1401, 14th Floor, Unit 2, Building 1, No. 1, Dongsanhuan Zhong Road, Chaoyang District, Beijing, China
YuanChe Technology Development (Shenzhen) Co., Ltd. (In liquidation)	China	(A), (B)	100.0%	100.0%	Room 201, Building A, No.1, Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, China
YunChe Information Technology (Shenzhen) Co., Ltd.[(5)]	China	(A), (B)	100.0%	100.0%	Dachong, Dashen Community, Yue Street, Nanshan District, Shenzhen, Building 3, Dachong Business Center (Phase 3), No.18 Road, 19A,19B-1, China
YunLong Technology Development (Shenzhen) Co., Ltd.[(5)]	China	(A), (B)	100.0%	100.0%	Dachong, Dashen Community, Yue Street, Nanshan District, Shenzhen, Building 3, Dachong Business Center (Phase 3), No.18 Road, 19A,19B-1, China
SUSE LINUX s.r.o.	Czech Republic	(A), (B)	100.0%	100.0%	Křižíkova 148/34, Karlín, 186 00 Praha 8, Czech Republic

17. Subsidiary undertakings *continued*

Company name	Country of incorporation	Principal activities	Ownership[1] 31 October 2022	Ownership[1] 31 October 2021	Registered office address
SUSE Software Solutions France Sarl	France	(A)	100.0%	100.0%	3, Place Giovanni da Verrazzano Campus Verrazzano Bâtiment A RdC 69009 Lyon, France
SUSE Software Solutions Germany GmbH(4)	Germany	(A), (B)	100.0%	100.0%	Frankenstraße 146, 90461, Nürnberg, Germany
Marcel Bidco GmbH(4)	Germany	(D)	100.0%	100.0%	Frankenstraße 146, 90461, Nürnberg, Germany
SUSE International Holdings GmbH(4)	Germany	(C)	100.0%	100.0%	Frankenstraße 146, 90461, Nürnberg, Germany
Marcel Topco GmbH(4)	Germany	(C)	100.0%	100.0%	Frankenstraße 146, 90461, Nürnberg, Germany
SUSE Software Solutions Hong Kong Limited	Hong Kong	(A)	100.0%	100.0%	21/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
SUSE Software Solutions India Private Limited	India	(A)	100.0%	100.0%	U & I Corporate Centre, 47, Echelon, Sector 32, Gurgaon, Haryana, 122001, India
SUSE Software Solutions Ireland Ltd	Ireland	(A)	100.0%	100.0%	One Spencer Dock, North Wall Quay, Dublin 1, Ireland
SUSE Software Solutions International Services Ltd	Ireland	(A)	100.0%	100.0%	One Spencer Dock, North Wall Quay, Dublin 1, Ireland
SUSE Software Solutions Israel Ltd	Israel	(A)	100.0%	100.0%	11 Amal , Rosh-Haayin, Israel , 48092, Israel
SUSE Software Solutions Italy srl	Italy	(A)	100.0%	100.0%	Viale Giorgio Ribotta 11, CAP 00144, Rome, Italy
SUSE Software Solutions Japan K.K.(4)	Japan	(A)	100.0%	100.0%	Midtown Tower 18F, 9-7-1, Akasaka, Minato-ku, Tokyo, Japan
Marcel LUX DebtCo SARL	Luxembourg	(C)	100.0%	100.0%	11-13 Boulevard de la Foire L-1528 Luxembourg
SUSE Software Solutions Mexico S. de R.L. de C.V.(3)	Mexico	(E)	100.0%	–	Periferico Sur 4338 Jardines del Pedregal de San Angel, Coyoacan, C.P. 04500 Ciudad de Mexico, Mexico
SUSE Software Solutions Netherlands B.V.(4)	Netherlands	(A)	100.0%	100.0%	Zuidtoren 5th floor, Taurusavenue 11, 2132 LS , Hoofddorp, Netherlands
SUSE Software Solutions Portugal Sociedade Unipessoal Lda	Portugal	(A)	100.0%	100.0%	Palácio Sottomayor, Rua Sousa Martins, 1 – 1.º esquerdo, 1069-316 Lisbon, Portugal

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For the year ended 31 October 2022

17. Subsidiary undertakings *continued*

Company name	Country of incorporation	Principal activities	Ownership [1] 31 October 2022	Ownership [1] 31 October 2021	Registered office address
SUSE Software Solutions Korea Ltd[(4)]	Republic of Korea	(A)	100.0%	100.0%	13-103, Daesae building, 14, Teheran-ro 26gil, Gangnam-gu, Seoul, Republic of Korea
SUSE Software Solutions Singapore Pte Ltd	Singapore	(A)	100.0%	100.0%	71 Robinson Road #14 – 01, Singapore, 068895, Singapore
SUSE Software Solutions South Africa Pty Ltd	South Africa	(A)	100.0%	100.0%	The Campus, Twickenham Building, Corner Sloane and Main Road, Bryanston, Johannesburg, Gauteng, 2000, South Africa
SUSE Software Solutions Spain S.L.	Spain	(A)	100.0%	100.0%	Paseo de la Castellana 43, Madrid, 28046, Spain
SUSE Software Solutions Sweden AB[(4)]	Sweden	(A)	100.0%	100.0%	Convendum, Esselte Buidling, Vasagatan 16, 111 20 Stockholm, Sweden
SUSE Software Solutions Schweiz AG	Switzerland	(A)	100.0%	100.0%	Merkurstrasse 14, 8953, Dietikon, Switzerland
SUSE Software Solutions Taiwan Co., Ltd[(4)]	Taiwan	(A),(B)	100.0%	100.0%	17F, No. 97 Songren Road, Xinyi District, Taipei City, 11073, Taiwan
SUSE Software Solutions Middle East FZ-LLC	UAE	(A)	100.0%	100.0%	G.09, Building 1, DIC, Ground Floor, Dubai Internet City, Dubai, United Arab Emirates
SUSE Group UK Limited (formerly Marcel UK TopCo Ltd)[(4)]	UK	(C)	100.0%[(2)]	100.0%[(2)]	Waterfront, Waterside Park, Kingsbury Crescent, Staines, UK TW18 3BA
SUSE Group International Holdings Limited[(3)]	UK	(C)	100.0%	–	Waterfront, Waterside Park, Kingsbury Crescent, Staines, UK TW18 3BA
SUSE Software Solutions UK Ltd	UK	(A)	100.0%	100.0%	Waterfront, Waterside Park, Kingsbury Crescent, Staines, UK TW18 3BA
Marcel Topco, LLC[(4)]	USA	(C)	100.0%	100.0%	Corporation Trust Center, 1209 Orange St, Wilmington, DE 19801 United States
Marcel Bidco, LLC[(4)]	USA	(D)	100.0%	100.0%	Corporation Trust Center, 1209 Orange St, Wilmington, DE 19801 United States

17. Subsidiary undertakings *continued*

Company name	Country of incorporation	Principal activities	Ownership [1] 31 October 2022	Ownership [1] 31 October 2021	Registered office address
SUSE LLC(4)	USA	(C),(D)	100.0%	100.0%	155 Federal Street, Suite 700, Boston, Massachusetts, 02110, United States
Rancher Federal, Inc.(4)	USA	(A)	100.0%	100.0%	251 Little Falls Drive, Wilmington DE 19808, United States
Rancher Labs, LLC(4)	USA	(A),(B)	100.0%	100.0%	Corporation Trust Center, 1209 Orange St, Wilmington, DE 19801, United States
Rancher China Holdings, Inc. (In de-registration)	USA	(E)	100.0%	100%	251 Little Falls Drive, Wilmington DE 19808, United States
NeuVector, LLC (formerly NeuVector Inc)	USA	(A), (B)	100.0%	100.0%	Corporation Trust Center, 1209 Orange St, Wilmington, DE 19801, United States

1. The ordinary share capital of the subsidiaries, unless otherwise indicated, are wholly owned by subsidiary undertakings of the Company.
2. The ordinary share capital of SUSE Group UK Limited is 100% held by the Company.
3. SUSE Group International Holdings Limited and SUSE Software Solutions Mexico S. de R.L. de C.V. were incorporated during the year ended 31 October 2022.
4. The name or registered office address of these entities were changed during the year ended 31 October 2022.
5. YunChe Information Technology (Shenzhen) Co., Ltd. and YunLong Technology Development (Shenzhen) Co., Ltd. are under contractual control.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

18. Investments

(a) Investment in associate

Open Invention Network LLC ("OIN") is a strategic partnership of software corporations that licenses global patent pools in exchange for a pledge of non-aggression by its participants. The initiative encourages freedom of action in the use of 'Linux' and the sharing of new ideas and inventions. At 31 October 2022 the Group's 12.5% (2021: 12.5%) interest was carried at US$11.8 million (2021: US$14.0 million) after recording its share of losses for the year of US$2.3 million (2021: US$2.1 million) as detailed below:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Carrying value of associate investment:		
1 November	14,041	16,174
Acquired during the year	–	–
Carrying value of associate before share of losses	**14,041**	**16,174**
Share of losses after tax for the year	(2,265)	(2,133)
31 October	**11,776**	**14,041**

The investment is accounted for under the equity method of accounting. The accounting year-end date of the associate investment is 31 December, and results are reported on a quarterly basis. The Group records an adjustment to align the reporting period of the associate and the basis for measurement of the Group. Assets, liabilities, and equity of the investment in the current year and prior period and the results for the period ended 31 October 2022 as adjusted were as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Condensed balance sheet of associate investment:		
Non-current assets	12,146	17,504
Current assets	21,876	31,324
Current liabilities	(430)	(398)
Non-current liabilities	(2,273)	(2,175)
Net assets	**31,319**	**46,255**

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Condensed income statement of associate investment:		
Revenue	–	–
Loss after taxation for the year	18,120	17,064
Loss attributable to the Group for the year	**2,265**	**2,133**

There are no significant restrictions on the ability of the associate investment to transfer returns to the Group. There are no contingent liabilities to the Group's interest in associate investments (2021: US$ nil).

18. Investments *continued*

(b) Other investment

Pursuant to the terms of the "Series Seed Preferred Stock Purchase Agreement" dated 15 June 2022, the Group purchased 222,222 shares in Acorn Labs Inc. for cash consideration of US$0.5 million. The Group does not exert influence or control on Acorn Labs Inc. and the investment is accounted for as financial instrument, recorded within "Investments" in the Consolidated Statement of Financial Position.

As at 31 October 2022, the Groups interest was carried at US$0.5 million (2021: nil) as detailed below:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Carrying value of other investment:		
1 November	–	–
Acquired during the year	500	–
31 October	**500**	**–**

Sheng Liang, a member of the Supervisory Board, is the CEO of Acorn Labs Inc. This transaction has been disclosed in Note 32 Related Party Transactions.

19. Trade and other receivables

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Current trade and other receivables		
Trade receivables	133,318	113,317
Less: expected credit losses	(1,228)	(1,284)
Trade receivables, net	**132,090**	**112,033**
Prepayments	8,876	12,345
Other receivables	17,078	13,660
Total current trade and other receivables	**158,044**	**138,038**
Non-current other receivables		
Other receivables	8,697	7,899
Total non-current other receivables	**8,697**	**7,899**

At 31 October 2022, the carrying amount of trade and other receivables approximates their fair value due to their short-term nature. Included within 'Other receivables' at 31 October 2022 was US$9.2 million (2021: US$7.8 million) in respect of accrued income resulting from completed performance obligations that are yet to be invoiced as at the reporting date. Accrued income is reclassified to trade receivables upon invoicing.

The following tables provide information about the ageing and the expected credit losses for trade receivables from individual customers. The loss rates presented below have considered country-specific risks.

Current year	**Weighted average loss rate %**	**Gross carrying amount US$'000**	**Expected credit loss US$'000**	**Net carrying amount US$'000**
Category				
Current	1%	128,540	(330)	128,210
Up to three months	1%	3,609	(13)	3,596
Three to four months	92%	122	(112)	10
Over four months	74%	1,047	(773)	274
As at 31 October 2022		**133,318**	**(1,228)**	**132,090**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

19. Trade and other receivables *continued*

Prior year	Weighted average loss rate %	Gross carrying amount US$'000	Expected credit loss US$'000	Net carrying amount US$'000
Category				
Current	1%	107,628	(732)	106,896
Up to three months	5%	5,427	(290)	5,137
Three to four months	100%	172	(172)	–
Over four months	100%	90	(90)	–
As at 31 October 2021		**113,317**	**(1,284)**	**112,033**

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

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Provision roll forward:		
1 November	1,284	1,466
Loss allowance movement in the year	(171)	(265)
Receivables written off as uncollectible	–	187
Other movements	120	(94)
Exchange movements	(5)	(10)
31 October	**1,228**	**1,284**

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

20. Contract-related assets

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Presented as:		
Non-current	78,183	55,510
Current	37,796	28,865
Total contract-related assets	**115,979**	**84,375**

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

Reseller rebates are amortized over the estimated duration of the related revenue contract term. The Group incurred and capitalized reseller rebates of US$2.5 million (2021: US$3.6 million) during the year with related amortization of US$2.6 million (2021: US$2.2 million) expensed in the Statement of Comprehensive Income net of revenue recognized under the principles of IFRS 15 *Revenue from Contracts with Customers*.

Sales commissions paid for new customer contracts are amortized on a straight-line basis over an expected customer life, which averages 96 months based on analysis of transactions and which considers expected renewal frequency. Sales commissions paid for customer contract renewals are not commensurate with new contracts and are amortized over 40 months, except where the renewal is less than one year, in which case the costs are expensed when incurred. Sales commissions paid to partners are amortized over the contract term. The Group incurred and capitalized sales commission costs of US$46.8 million (2021: US$46.8 million) during the year with related amortization of US$15.1 million (2021: US$9.3 million) expensed to the Statement of Comprehensive Income as a sales and marketing cost. The current portion of contract-related assets includes the amortization expected in the following financial year on sales commission assets, US$17.7 million (2021: US$10.2m), reseller rebates US$5.5m (2021: $5.6m) accrued commission assets US$14.6m (2021: $13.1m). Commissions are settled arrears and are capitalized when realized. The accrued commission asset represents the amortized asset value based on the closing commission accrual.

21. Cash and cash equivalents

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Cash at bank and in hand	177,544	61,061
Total cash and cash equivalents	**177,544**	**61,061**

Included in cash and cash equivalents at 31 October 2022 was US$0.6 million (2021: US$0.7 million) which is restricted for the purposes of lease deposits covered by actual cash deposits.

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

22. Trade and other payables

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Current:		
Trade payables	15,763	11,703
Payroll related accruals	45,571	50,023
Tax and social security	15,430	15,289
Accrued royalties	4,466	4,215
Other payables	29,260	48,426
Total current trade and other payables	**110,490**	**129,656**
Non-current:		
Other payables	3,861	12,554
Tax and social security	–	1,000
Total non-current trade and other payables	**3,861**	**13,554**
Total trade and other payables	**114,351**	**143,210**

Current other payables includes US$7.2 million (2021: US$6.7 million) and non-current other payables of US$3.7 million (2021: US$12.6 million) relate to contractual amounts payable under cloud software arrangements.

At 31 October 2022, the carrying amount approximates to the fair value. Further information regarding the Group's exposure to foreign currency and liquidity risk is set out in Note 29.

23. Borrowings

(a) Amounts outstanding at the reporting date

Loan note description	Contractual Interest terms	Effective interest rate	Contractual maturity date	**31 October 2022 US$'000**	31 October 2021 US$'000
Current borrowings					
USD 360,000,000 (B1)	SOFR* + 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)	SOFR* + 4%	4.98%	Nov 2027	–	–
USD 169,300,000 (RCF)	SOFR*/EURIBOR +3%	5.68%	Sept 2025	–	–
Total current interest-bearing loans and borrowings				**3,600**	**3,600**
Non-current borrowings					
USD 360,000,000 (B1)	SOFR* + 3.25%	6.46%	March 2026	335,276	336,570
EUR 300,000,000 (B2)	EURIBOR + 3.5%	4.03%	March 2026	294,510	339,329
USD 300,000,000 (SC)	SOFR* + 4%	4.98%	Nov 2027	66,203	66,249
USD 169,300,000 (RCF)	SOFR*/EURIBOR +3%	5.68%	Sept 2025	–	–
Total non-current interest-bearing loans and borrowings				**695,989**	**742,148**
Total interest-bearing loans and borrowings				**699,589**	**745,748**

* SOFR – includes a credit adjustment spread of 0.11448

Total arrangement fees of US$41.4 million (31 October 2021: US$42.4 million) are included in the calculation of the amortized cost using the effective interest method. US$37.6 million are attributable to the origination of the B1 and B2 loan notes and US$3.8 million is attributed to the origination of the loan note used in the acquisition of the Rancher Group.

On 21 December 2021, the original revolving credit facility of US$81.0 million was increased by US$88.3 million to US$169.3 million under the Senior Facilities Agreement. The full amount is available for drawdown at 31 October 2022.

23. Borrowings *continued*

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

A reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform"). The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Group amended all of its floating-rate borrowings previously indexed to USD LIBOR during the year ended 31 October 2022 to an economically equivalent interest rate referencing SOFR. This included a rate switch addendum and corresponding amendment letters in line with the SFA in respect of the B1, RCF and Sidecar loan facilities.

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.

(b) Reconciliation of movement in consolidated net leverage

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

	As at 1 November 2021 US$'000	Acquisitions US$'000	Foreign exchange US$'000	Other movements US$'000	Accrued interest US$'000	Cash flow US$'000	**As at 31 October 2022 US$'000**
Related to borrowings:							
Interest bearing borrowings	(745,748)	–	46,939	(3,172)	(1,208)	3,600	(699,589)
Capitalized arrangement fees	(42,409)	–	1,016	–	–	–	(41,393)
Amortization of arrangement fees	24,011	–	–	3,172	–	–	27,183
Gain on loan modification	(710)	–	–	–	–	–	(710)
Movement in borrowings	**(764,856)**	**–**	**47,955**	**–**	**(1,208)**	**3,600**	**(714,509)**
Related to other items:							
Other payables	(19,297)	–	2,713	5,659	–	–	(10,925)
Cash and cash equivalents	61,061	–	2,012	–	–	114,471	177,544
Consolidated net leverage	**(723,092)**	**–**	**52,680**	**5,659**	**(1,208)**	**118,071**	**(547,890)**

	As at 1 November 2020 US$'000	Acquisitions US$'000	Foreign exchange US$'000	Other movements US$'000	Accrued interest US$'000	Cash flow US$'000	As at 31 October 2021 US$'000
Related to borrowings:							
Interest bearing borrowings	(938,260)	(310,000)	2,944	(24,395)	–	523,963	(745,748)
Capitalized arrangement fees	(38,584)	–	–	(3,825)	–	–	(42,409)
Amortization of arrangement fees	8,771	–	–	15,240	–	–	24,011
Gain on loan modification	(5,937)	–	–	5,227	–	–	(710)
Movement in borrowings	**(974,010)**	**(310,000)**	**2,944**	**(7,753)**	**–**	**523,963**	**(764,856)**
Related to other items:							
Other payables	(18,814)	–	–	(483)	–	–	(19,297)
Cash and cash equivalents	94,933	57,323	432	–	–	(91,627)	61,061
Consolidated net leverage	**(897,891)**	**(252,677)**	**3,376**	**(8,236)**	**–**	**432,336**	**(723,092)**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

23. Borrowings *continued*

(b) Reconciliation of movement in consolidated net leverage *continued*

Other payables amounts relate to unpaid software liabilities of US$10.9 million (2021: US$19.3 million). US$7.2 million is included in current payables and US$3.7 million (2021: US$12.6 million) in non-current payables. These amounts are included in the movement in other payables in the Consolidated Statement of Cash Flows.

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

Net cash outflow for the year ended 31 October 2022 of US$15.8 million (2021: inflow of US$564.9 million) comprised repayments of borrowings, payments of premia on interest rate swaps and lease payments.

	Notes	**Year ended 31 October 2022 US$'000**	Year ended 31 October 2021 US$'000
Cash flows (used in)/from financing activities			
Proceeds from contribution of share premium	30	–	135,338
Net proceeds from IPO	30	–	659,391
Proceeds from bank borrowings	23(b)	–	310,000
Payment of arrangement fees	23(b)	–	(3,825)
Repayment of bank borrowings	23(b)	(3,600)	(523,963)
Payment of interest rate swap premia	29	(4,386)	(8,963)
Lease payments	24	(7,803)	(4,531)
Loan repaid by intermediary parent undertaking		–	1,500
Net cash (outflow)/inflow from financing activities		**(15,789)**	**564,947**

During 2022, the Group repaid US$3.6 million (2021: US$3.6 million) of the B1 loan note. No new drawdowns of debt occurred in 2022.

On 25 November 2020, the Group entered into a new Senior Facility agreement for US$300.0 million and the full amount was drawn down on this date. On 21 May 2021, following the IPO at the Frankfurt Stock Exchange on 19 May 2021, the Group repaid the Second Lien loan note of US$270.0 million and partially repaid US$232.3 million of the SC loan note. US$10.0 million drawn under the multi-currency revolving current facility ("RCF") on 12 October 2021 was repaid on 29 October 2021.

Lease payments for the year ended 31 October 2022 were US$7.8 million (2021: US$4.5 million). Further details are set out in Note 24.

Premia paid on interest rate swap arrangement of US$4.4 million (2021: US$9.0 million) related to arrangements that expired in April 2022. New interest rate swap arrangements were agreed in October 2022 and no payments were made during the year on these instruments. Further details are set out in Note 29(d).

24. Leases

Current year	IT equipment US$'000	Office buildings US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost					
1 November 2021	926	22,688	151	2,253	26,018
Additions in the year	–	14,073	33	653	14,759
Cessations in the year	–	(8,421)	(125)	(549)	(9,095)
Modifications in the year	–	(3,788)	4	5	(3,779)
FX movements	(128)	(2,223)	(11)	(246)	(2,608)
31 October 2022	**798**	**22,329**	**52**	**2,116**	**25,295**
Accumulated depreciation and impairment					
1 November 2021	277	10,225	112	989	11,603
Charge for the year	171	5,619	33	620	6,443
Impairment charge	–	891	–	–	891
Cessations in the year	–	(7,474)	(121)	(549)	(8,144)
Modifications in the year	–	(2,603)	–	–	(2,603)
FX movements	(50)	(859)	(4)	(71)	(984)
31 October 2022	**398**	**5,799**	**20**	**989**	**7,206**
Net book value					
31 October 2022	**400**	**16,530**	**32**	**1,127**	**18,089**
31 October 2021	649	12,463	39	1,264	14,415

Prior year	IT equipment US$'000	Office buildings US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost					
1 November 2020	933	18,983	162	1,675	21,753
Additions in the year	–	4,866	–	1,039	5,905
Acquired through a business combination	–	1,159	–	–	1,159
Cessations in the year	–	(2,269)	(42)	(312)	(2,623)
Modifications in the year	–	(100)	–	(39)	(139)
FX movements	(7)	49	31	(110)	(37)
31 October 2021	**926**	**22,688**	**151**	**2,253**	**26,018**
Accumulated depreciation and Impairment					
1 November 2020	93	7,299	49	635	8,076
Charge for the year	191	5,244	86	729	6,250
Impairment charge	–	235	–	–	235
Cessations in the year	–	(2,269)	(42)	(312)	(2,623)
FX movements	(7)	(284)	19	(63)	(335)
31 October 2021	**277**	**10,225**	**112**	**989**	**11,603**
Carrying value					
31 October 2021	**649**	**12,463**	**39**	**1,264**	**14,415**
31 October 2020	840	11,684	113	1,040	13,677

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

24. Leases *continued*

The majority of the Group's contracted lease value are office buildings. The relevant lease population was ascertained following a review of all major supplier contracts to the Group to identify implied or embedded lease terms. The remaining term of the lease contracts varies between one month and nine years. While extension options are available on some contracts, Management does not consider an exercise of the options reasonably certain and therefore they have not been included in the lease term. Modifications in the current year include the derecognition of a right-of-use asset in office buildings related to sub-let space, and instead the recognition of a Net Investment in sub-lease of US$0.7 million reported in other receivables.

The Group recognized lease liabilities of US$20.7 million (2021: US$16.7 million) and right-of-use assets of US$18.1 million (2021: US$14.4 million) as at 31 October 2022. Lease contracts related to two vacant office buildings include a right-of-use asset impairment provision of US$4.5 million (2021: US$3.6 million), which increased by US$0.9 million (2021: increased by US$0.2 million) on remeasurement during the year as expensed in the Statement of Comprehensive Income in the current year. Management has performed a review of all leased assets at the financial reporting date and is satisfied that no further impairments to right-of-use assets exist as of 31 October 2022. The present value of lease liabilities at the balance sheet date was as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Present value of lease liabilities:		
Current	6,249	6,012
Non-current	14,431	10,708
Total lease liabilities	**20,680**	**16,720**

Lease liabilities are discounted at the incremental borrowing rate at the lease commencement date. In order to calculate the incremental borrowing rate, the interbank offering rates in the country of the respective leased asset for the corresponding duration were taken as the reference rate and a spread of the Group's cost of debt was added as a risk premium. The weighted average discount rate applied during the year was 5.72% (2021: 4.58%). The maturity profile of the Group's lease portfolio at the balance sheet date was as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Maturity analysis (contractual cash flows):		
Less than one year	7,768	6,815
One to five years	13,433	13,416
More than five years	2,731	3,777
Total undiscounted cash flows	**23,932**	**24,008**

The total cash outflow for leases for the year was US$7.8 million (2021: US$4.5 million). The interest expense on liabilities for the year was US$0.8 million (2021: US$0.7 million).

25. Provisions

Current year	Dilapidation provision US$'000	Loss-making operation US$'000	Restructuring provision US$'000	Legal provision US$'000	Total US$'000
Cost					
1 November 2021	1,090	2,754	1,810	236	5,890
Charged during the year	551	–	1,823	–	2,374
Released/reclassified during the year	(429)	(2,514)	(1,467)	(116)	(4,526)
Utilized during the year	(50)	(40)	(2,072)	–	(2,162)
FX movements	(112)	–	(94)	–	(206)
31 October 2022	**1,050**	**200**	**–**	**120**	**1,370**
Split as:					
Current	17	200	–	120	337
Non-current	1,033	–	–	–	1,033
Total provisions	**1,050**	**200**	**–**	**120**	**1,370**

Prior year	Dilapidation provision US$'000	Loss-making operation US$'000	Restructuring provision US$'000	Legal provision US$'000	Total US$'000
Cost					
1 November 2020	768	5,930	2,514	316	9,528
Charged during the year	381	–	4,358	35	4,774
Released during the year	(23)	(2,995)	(304)	(75)	(3,397)
Utilized during the year	(72)	(181)	(4,550)	(42)	(4,845)
Reclassification	–	–	(176)	–	(176)
FX movements	36	–	(32)	2	6
31 October 2021	**1,090**	**2,754**	**1,810**	**236**	**5,890**
Split as:					
Current	66	2,754	1,810	236	4,866
Non-current	1,024	–	–	–	1,024
Total provisions	**1,090**	**2,754**	**1,810**	**236**	**5,890**

Dilapidation provisions relate to leased office buildings with contractual obligations to restore the premises to their original condition on lease expiration. The provision is expected to be fully utilized within 10 years.

A provision for loss-making operations was identified on acquisition of the SUSE Group in March 2019. During the year, US$2.5 million (2021: US$3.2 million) of the provision was released reflecting the net cash cost of fulfilling the contractual obligations of the loss-making operation.

The restructuring provision includes the costs of initiatives to rationalize its operating activities. The Group recognized US$1.8 million (2021: US$4.4 million) which mainly includes employee termination benefits. None (2021: US$1.4 million) of the restructuring charge in the year is recorded within separately reported items (Note 8). US$1.2 million was reclassified to other payables in the period. As at 31 October 2022, the restructuring provision was US$ nil.

Legal provisions of US$0.1 million (2021: US$0.2 million) include Management's best estimate of the likely outflow of economic benefits associated with legal matters.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

26. Retirement benefit obligations

(a) Defined contribution schemes

The Group has a number of defined contribution pension schemes. The principal defined contribution schemes are located in the US, UK and Germany. Pension costs for defined contribution schemes as expensed during the year were US$9.0 million (2021: US$7.8 million) of which US$1.6 million (2021: US$1.2 million) remained outstanding at the balance sheet date and forms part of payroll-related accruals.

(b) Defined benefit schemes

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

(i) Long-term pension assets

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

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
At beginning of year	648	1,039
Interest on long-term pension assets	7	9
Contributions paid	16	20
Transfer to pledged plan assets	(95)	(426)
Fair value loss recognized during the year	(1)	2
Exchange rate movements	(91)	4
At end of year	**484**	**648**

Long-term pension assets are Level 3 assets under the fair value hierarchy. These assets have been valued by applying a discount rate to the future cash flows and considering the fixed interest rate, mortality rates and term of the insurance contract. There have been no transfers between levels for the period ended 31 October 2022 (2021: None).

26. Retirement benefit obligations *continued*

(b) Defined benefit schemes *continued*

(ii) Retirement benefit obligations

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

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Current service cost	455	476
Pension costs in operating expenses	**455**	**476**
Net interest expense on defined benefit scheme	50	39
Total defined pension expense for the year	**505**	**515**

The following amounts have been recognized as movements in the Consolidated Statement of Other Comprehensive Income:

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Re-measurement of retirement benefit obligations:		
Changes in actuarial assumptions	–	700
Changes in financial assumptions	(3,619)	642
Experience losses	(272)	(727)
Total actuarial movement for the year	**(3,891)**	**615**
Fair value loss on plan assets	32	(25)
Net interest expense on defined benefit scheme	–	–
Total defined benefit (credit)/expense for the year	**(3,859)**	**590**

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

	As at 31 October 2022	As at 31 October 2021
Key assumptions:		
Rate of increase in final pensionable salary	2.00% – 4.00%	2.00% – 2.75%
Rate of increase in pension payments	2.00%	1.75%
Discount rate	2.15% – 3.69%	0.35%–1.15%
Inflation	1.25% – 2.00%	1.00%–1.75%
Life expectancy – retiring at age 65 at the end of the reporting year		
– Male	86 years	86 years
– Female	89 years	89 years
Life expectancy – retiring 15 years after the end of the reporting year		
– Male	89 years	88 years
– Female	91 years	90 years

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

26. Retirement benefit obligations *continued*

(b) Defined benefit schemes *continued*

(ii) Retirement benefit obligations *continued*

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

	As at 31 October 2022	As at 31 October 2021
Present value of funded obligations	(8,088)	(14,205)
Fair value of plan assets	5,946	7,653
Defined benefit pension obligation for the year	**(2,142)**	**(6,552)**

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

Current year	**Defined benefit obligation US$'000**	**Pledged plan assets US$'000**	**Net obligation US$'000**
Included in Income Statement:			
1 November 2021	**(14,205)**	**7,653**	**(6,552)**
Transfer from non-plan assets	–	95	95
Current service cost	(455)	–	(455)
Net interest expense	(94)	44	(50)
Benefits paid	1,701	(1,704)	(3)
Employer contributions	–	436	436
Employee contributions	(173)	173	–
Administration expenses	–	(7)	(7)
Sub-total	**(13,226)**	**6,690**	**(6,536)**
Included in Other Comprehensive Income:			
Re-measurement of retirement benefit obligations:			
– Changes in actuarial assumptions	–	–	–
– Changes in financial assumptions	3,619	–	3,619
– Experience losses	272	–	272
Return on plan assets	–	(32)	(32)
Sub-total	**3,891**	**(32)**	**3,859**
Exchange rate movements	1,247	(712)	535
31 October 2022	**(8,088)**	**5,946**	**(2,142)**

26. Retirement benefit obligations *continued*

(b) Defined benefit schemes *continued*

(ii) Retirement benefit obligations *continued*

Prior year	Defined benefit obligation US$'000	Pledged plan assets US$'000	Net obligation US$'000
Included in Income Statement:			
1 November 2020	**(13,916)**	**6,375**	**(7,541)**
Transfer from non-plan assets	–	446	446
Current service cost	(476)	–	(476)
Net interest expense	(56)	17	(39)
Benefits paid	(235)	232	(3)
Employer contributions	–	466	466
Employee contributions	(184)	184	–
Administration expenses	–	(12)	(12)
Sub-total	**(14,867)**	**7,708**	**(7,159)**
Included in Other Comprehensive Income:			
Re-measurement of retirement benefit obligations:			
– Changes in actuarial assumptions	700	–	700
– Changes in financial assumptions	642	–	642
– Experience losses	(727)	–	(727)
Return on plan assets	–	(25)	(25)
Sub-total	**615**	**(25)**	**590**
Exchange rate movements	47	(30)	17
31 October 2021	**(14,205)**	**7,653**	**(6,552)**

The expected contributions for the next annual reporting period are US$0.2 million (2021: US$0.2 million) in respect of the Germany scheme and US$0.3 million (2021: US$0.3 million) in respect of the Swiss scheme.

The major categories of the plan assets are as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Full insurance contract – with the collective foundation	3,641	5,305
Re-insurance contracts – guaranteed interest rates	2,305	2,348
Total defined benefit assets	**5,946**	**7,653**

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

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

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

26. Retirement benefit obligations *continued*

(b) Defined benefit schemes *continued*

(ii) Retirement benefit obligations *continued*

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

		As at 31 October 2022		As at 31 October 2021	
Sensitivity	Change in assumption %	**Decrease in obligation US$'000**	**Increase in obligation US$'000**	Decrease in obligation US$'000	Increase in obligation US$'000
Discount rate for liabilities	0.50%	719	(636)	1,508	(1,311)
Price inflation	0.25%	(95)	100	(255)	269
Salary growth rate	0.50%	(203)	213	(427)	457

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligations by 2.1% as at 31 October 2022 (2021: 2.4%).

27. Share-based payments

The Group incurred a share-based payment expense of US$52.2 million (2021: US$175.2 million) in respect of the share-based payment schemes. An expense of US$1.4 million (2021: US$7.0 million) was incurred in the period in respect of employer taxes on these share-based payment schemes.

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Long-term incentive plans (a)		
– Equity-settled share-based payment plan	50,868	14,691
– Cash-settled share-based payment plan	376	–
Share Grant Award to Supervisory Board (b)	489	238
Management Investment Participation Program (c)	473	3,035
Virtual Share Options Program (d)	–	157,200
Total expense arising from share-based payments	**52,206**	**175,164**
Employer taxes expense on share-based payments	1,442	7,010
Total	**53,648**	**182,174**

27. Share-based payments *continued*

(a) Long-term incentive plans

The Long-term Incentive Plans ("LTIP") comprise predominantly equity-settled, and some limited cash-settled, share-based payment arrangements which allow employees, including the Management Board, to a pro-rata economic participation in the future value increase of the Group. The LTIP comprises the following plans:

- Restricted Stock Units ("RSU")
- Annual Option Award

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Long-term incentive plans		
– Restricted Stock Units		
– Equity-settled (a)(i)	50,125	14,380
– Cash-settled (a)(ii)	376	–
– Annual Option Award (Equity-settled) (a)(iii)	743	311
Total expense arising from Long-Term Incentive Plans	**51,244**	**14,691**

Restricted Stock Units ("RSU")

Following the IPO on 19 May 2021, the Group established a *Transitional RSU Award* and an *Annual RSU Award*. Participants are granted a Conditional Share Award by the Group which comprises a number of RSUs.

The *Transitional RSU Award* represents a one-time transitional bonus and will vest in full two years after the date of grant. The *Annual RSU Award* may be granted to employees on an annual basis and will vest in three equal annual tranches after the date of grant.

100% of RSUs granted are subject to a service condition and follow a graded vesting pattern over the contractual period. The fair value includes a true up at each reporting date to take into account leavers in that period. A 5% annual attrition rate is also applied to account for future leavers, where unvested awards will be forfeited. This percentage is based on observed attrition rates adjusting for the fact actual leaver awards have already been removed.

The RSU Awards are equity-settled apart from in a small number of cases where the Board has approved the awards to be cash-settled due to legal complexities in some countries.

(a)(i) Equity-settled

For equity-settled plans, participants are granted a Conditional Share Award by the Group which comprises a number of RSUs. Each RSU is a promise to transfer one share of SUSE S.A. stock to a participant at the end of the vesting period. Normal voting rights will apply to the ordinary shares received on vesting, along with the right to receive declared dividends. Individuals will also be able to trade these shares, subject to any trading restrictions imposed.

Fair value is determined as the grant date share price. The weighted average fair value of the awards at 31 October 2022 is US$31.16 (€27.41) (31 October 2021: US$38.44 (€31.87)).

The total expense estimated to be recorded over the life of the scheme, including an obligation to good leavers, is US$131.4 million (31 October 2021: US$71.4 million). The amount of RSU awards recognized in equity (within "Other reserves") as at 31 October 2022 was US$64.1 million (31 October 2021: US$14.4 million). The weighted average remaining contractual life to vesting is 457 days. The following movements in RSU units were recorded during the year ended 31 October 2022:

	Year ended 31 October 2022 No. of units	Year ended 31 October 2021 No. of units
Outstanding at start of year	1,941,689	–
Reclassified as cash-settled awards	(39,492)	–
Granted during the year	2,712,179	2,015,808
Vested during the year	(323,687)	–
Canceled during the year	(470,117)	(74,119)
Outstanding at end of year	**3,820,572**	**1,941,689**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

27. Share-based payments *continued*

(a)(ii) Cash-settled

Where the awards are to be cash-settled, participants have been granted a Cash Conditional Share Award which comprises a number of notional shares. Each notional share is a promise to a cash payment equivalent to the market value of one share of SUSE S.A. stock at the end of the vesting period of the award.

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially at the date of grant and at each reporting date up to and including the settlement date, with changes in fair value recognized as an employee expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

The fair value of the liability was US$0.6 million as at 31 October 2022 (31 October 2021: US$ nil). This fair value was based on the share price at the reporting date of €17.90. The weighted average remaining contractual life to vesting is 462 days.

The following movements in RSU units were recorded during the year ended 31 October 2022:

	Year ended 31 October 2022 No. of units	Year ended 31 October 2021 No. of units
Outstanding at start of year	–	–
Reclassified from equity-settled awards	39,492	–
Granted during the year	54,838	–
Vested during the year	(7,154)	–
Canceled during the year	(3,076)	–
Outstanding at end of year	**84,100**	**–**

(a)(iii) Annual Option Award (Equity-settled)

Members of the Management Board and senior employees of SUSE are eligible for the grant of an Annual Option Award, with an exercise price equal to the grant date share price. Annual Option Awards will vest in two equal tranches on the second and third anniversaries of the date of grant. The options will become exercisable on the respective vesting date of each tranche and will expire on the 10th anniversary if not exercised.

100% of the Annual Options granted are subject to a service condition and follow a graded vesting pattern over the contractual period.

The total expense estimated to be recorded over the life of the scheme, including an obligation to good leavers, is US$2.2 million (31 October 2021: US$1.7 million). The amount of the Annual Option Awards recognized in equity (within "Other reserves") as at 31 October 2022 amounted to US$1.1 million (31 October 2021: US$0.3 million).

The following movements in Annual Option Award units were recorded during the year ended 31 October 2022:

	Year ended 31 October 2022 No. of units	**Year ended 31 October 2022 WAEP [1]**	Year ended 31 October 2021 No. of units	Year ended 31 October 2021 WAEP
Outstanding at start of year	201,169	30.00	–	–
Granted during the year	136,842	25.48	201,169	30
Canceled during the year	(48,592)	30.00	–	–
Outstanding at end of year	**289,419**	**27.86**	**201,169**	**30**

1. Weighted average exercise price.

The options outstanding at 31 October 2022 had an exercise price in the range of €25.48 to €30.00 (2021: €30.00) and a weighted average remaining contractual life to vesting of 525 days (2021: 747 days).

27. Share-based payments *continued*

Set out below are the valuation inputs used in estimating the grant date fair value of instruments issued in the year:

Key input assumption		
Grant date	17 March 2022	17 March 2022
Expected term	2 years	3 years
Fair value of options granted	€5.36	€6.56
Share price on date of grant	€25.48	€25.48
Volatility	38.3%	38.3%
Risk-free interest rate	(0.39%)	(0.21%)
Exercise price (per share)	€25.48	€25.48
Expected dividend yield	Nil	Nil

(b) Share Grant Award to members of the Supervisory Board

Members of the Supervisory Board (excluding employees of EQT Partners) were awarded a one-off stock grant of €200,000 of shares in SUSE S.A. at the initial listing price of €30.00. In aggregate, a total grant of €1,200,000 was made of which €262,080 was settled in cash and the residual amount of €937,920 was granted in the form of 31,264 SUSE S.A. shares at the initial listing price of €30.00.

For share-based payment transactions where the terms of the arrangement provide the choice of whether the award is settled in cash or by issuing equity instruments, the Group shall account for that transaction, or components of that transaction, as a cash-settled share-based payment transaction to the extent that the Group has incurred a liability to be settled in cash or as an equity-settled share-based payment transaction to the extent that no such liability has been incurred.

For the cash-settled component, IFRS 2 requires remeasurement at subsequent reporting dates. However, as the portion of the grant settled in cash of €262,080 was determined at the inception of the program and calculated based on the initial listing price it is not impacted or adjusted due to the future valuation of SUSE S.A. shares.

The equity-settled component is measured at the grant date (19 May 2021) and assigned a fair value of €30.00, being the initial listing price.

The vesting period for the grant is three years from the date of appointment (4 May 2021) to the latest date for the AGM to approve the annual accounts for the year ended 31 October 2023 (30 April 2024).

An expense of US$0.5 million was recognized in the current year (2021: US$0.2 million). The total expense estimated to be recorded over the life of the scheme, including an obligation to good leavers, is US$1.5 million (31 October 2021: US$1.5 million). The amount of these awards recognized in equity (within "Other reserves") as at 31 October 2022 amounted to US$0.6 million (31 October 2021: US$0.2 million).

(c) Management Investment Participation Program

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 one participation vehicle that owns 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 Consolidated Financial Statements *continued*

For the year ended 31 October 2022

27. Share-based payments *continued*

(c) Management Investment Participation Program *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 is accelerated and expensed in full at the respective reporting date.

An expense of US$0.5 million was recognized in the current year (2021: US$3.0 million). The total expense estimated to be recorded over the life of the scheme, including an obligation to good leavers, is US$6.9 million (31 October 2021: US$6.9 million). The amount of MIPP award recognized in equity (within "Other reserves") as at 31 October 2022 amounted to US$6.7 million (2021: US$6.2 million).

The following movements in ordinary share units were recorded during the year ended 31 October 2022:

	Year ended 31 October 2022 No. of units	Year ended 31 October 2021 No. of units
At start of year	2,674,356	9,259,390
Additional units granted during year	–	573,890
Units repurchased during year	(546,671)	(7,158,924)
At end of year	**2,127,685**	**2,674,356**

In the year ended 31 October 2022, 546,671 of the ordinary shares of an intermediary parent company attributable to MIPP participants who have left the Group were repurchased.

On 19 May 2021, the shares of SUSE S.A. started trading on the Frankfurt Stock Exchange. The MIPP was considered to be settled for these participants upon the repurchase as of 19 May 2021. There are now three remaining participants in the MIPP, owing a total number of 2,127,685 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 are unchanged and the vesting period end date is 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:

Key input assumption	**31 October 2022**	31 October 2021
Weighted average purchase price of a unit	n/a	US$1.12
Weighted average fair value of a unit at respective grant date	n/a	US$1.78
Volatility	n/a	41.5%
Expected dividend yield	n/a	0%
Vesting end date	n/a	March 2023

27. Share-based payments *continued*

(d) Virtual Share Options Program

The Virtual Share Option Program ("VSOP") scheme closed during the year ending 31 October 2021. The VSOP scheme was a cash-settled scheme in which employees could participate in the future share appreciation rights of the Group's equity. The program terms included service and performance conditions to be satisfied before the Virtual Share Options ("VSOs") vested. Settlement of VSOs occurred only on an exit event or on expiration of the scheme, was expected to be in the form of cash and was in part dependent on the share prices of the Group as valued from an exit event.

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 VSOP 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.

On vesting, the VSOP liability was based on the SUSE S.A. IPO Listing Price of €30.00 which corresponded to the VSOP indexed share price of US$2.87. This resulted in a material expense for the year ended 31 October 2021 of which US$157.2 million is recorded in administrative expenses.

A further US$6.2 million in respect of employer taxes is also recorded in administrative expenses for the year ended 31 October 2021. As the scheme is now closed, there are no entries to expenses in the current year.

US$0.3 million remains unpaid as at 31 October 2022 (2021: US$0.3 million).

28. Contract liabilities

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

A contract liability is an entity's obligation to transfer goods or services to a customer and is recognised in the Statement of Financial Position, when a payment from a customer is invoiced, before a related performance obligation is satisfied. A remaining performance obligation is a promise to transfer goods or services to a customer (with a contract agreed), at a point in the future, but is yet to be invoiced or recognised in the Statement of Financial Position.

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Presentation in Statement of Financial Position:		
Current	351,197	329,611
Non-current	215,034	178,175
Total contract liabilities	**566,231**	**507,786**

Contract liabilities as at 31 October 2022 were US$566.2 million (2021: US$507.8 million) and included an unamortized fair value reserve of US$2.2 million (2021: US$7.3 million) relating to contract liabilities acquired as part of a business combination.

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

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Beginning of year	507,786	402,474
Fair value of contract liabilities acquired	–	29,179
Amounts invoiced during year	715,162	636,028
Amounts recognized during year [1]	(653,023)	(559,539)
Other adjustments	(3,694)	(356)
End of year	**566,231**	**507,786**

1. Amounts recognized during the year includes US$329.6 million (2021: US$243.0 million) which was included in the contract liabilities balance at the beginning of the year.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

28. Contract liabilities *continued*

The remaining unbilled performance obligations were US$126.5 million as at 31 October 2022 (2021: US$92.2 million).

The aging of remaining performance obligations (including contract liabilities) is detailed as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Current	394,538	357,166
Between 2 and 5 years	296,758	242,713
After 5 years	1,410	124
Total	**692,706**	**600,003**

29. Financial risk management

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

Financial assets – current year	**Amortized cost US$'000**	**FVOCI US$'000**	**FVTPL US$'000**	**Total US$'000**
Non-current assets				
Derivative assets	–	4,051	–	4,051
Long-term pension assets	–	–	484	484
Current assets				
Cash and cash equivalents	177,544	–	–	177,544
Trade receivables	132,090	–	–	132,090
Other receivables	17,078	–	–	17,078
As at 31 October 2022	**326,712**	**4,051**	**484**	**331,247**

Financial assets – prior year	Amortized cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Non-current assets				
Derivative assets	–	–	6	6
Long-term pension assets	–	–	648	648
Current assets				
Cash and cash equivalents	61,061	–	–	61,061
Trade receivables	112,033	–	–	112,033
Other receivables	13,660	–	–	13,660
As at 31 October 2021	**186,754**	**–**	**654**	**187,408**

29. Financial risk management *continued*

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

Financial liabilities – current year	**Amortized cost US$'000**	**FVOCI US$'000**	**FVTPL US$'000**	**Total US$'000**
Current liabilities				
Trade payables	15,763	–	–	15,763
Borrowings	3,600	–	–	3,600
Non-current liabilities				
Derivative liabilities	–	–	–	–
Borrowings	695,989	–	–	695,989
As at 31 October 2022	**715,352**	**–**	**–**	**715,352**

Financial liabilities – prior year	Amortized cost US$'000	FVOCI US$'000	FVTPL US$'000	Total US$'000
Current liabilities				
Trade payables	11,703	–	–	11,703
Borrowings	3,600	–	–	3,600
Non-current liabilities				
Derivative liabilities	–	4,337	845	5,182
Borrowings	742,148	–	–	742,148
As at 31 October 2021	**757,451**	**4,337**	**845**	**762,633**

The Group does not hold any financial instruments that are classified as Level 1 assets or liabilities as at 31 October 2022 (2021: 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.

Long-term pension assets are measured at fair value and classified as Level 3 in the fair value measurement hierarchy as they have been determined by applying a discount rate to the future cash flows and considering the fixed interest rate, mortality rates and term of the insurance contract.

Interest-bearing borrowings are initially measured at fair value, net of transaction costs incurred. Subsequent to initial recognition, they are stated at amortized cost using the Effective Interest Method. Interest-bearing borrowings are classified as Level 2 in the fair value measurement hierarchy. Future cash outflows for principal and interest are discounted over the remaining term using market interest rates at the reporting date. The fair value of borrowings amounted to US$676.2 million (2021: US$766.1 million) as at 31 October 2022.

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

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

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

29. Financial risk management *continued*

(a) Credit risk

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

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Trade receivables	132,090	112,033
Cash and cash equivalents	177,544	61,061
Total	**309,634**	**173,094**

(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 ongoing 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 reversal (2021: US$0.3 million reversal) of the loss allowance was recognized in the Consolidated Statement of Comprehensive Income. The Group applies the IFRS 9 *Financial Instruments* simplified approach to measure its expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers. The expected loss rates are based on the actual credit loss experience. These historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors. The Group has identified macroeconomics and country specific risks, to be the most relevant factors and has adjusted the historical loss rates based on expected changes in these factors. The expected credit loss is in line with the prior year.

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

29. Financial risk management *continued*

(a) Credit risk *continued*

(ii) Impairment of cash and cash equivalents

Risk of counterparty default arising on cash and cash equivalents is controlled by banking with high-quality institutions. The Group considers that its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. The Group's total cash and cash equivalents at 31 October 2022 of US$177.5 million (2021: US$61.1 million) were held with financial institutions with the following ratings:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Standard & Poor's A+	–	40,992
Standard & Poor's A	–	184
Standard & Poor's AAA	462	2,186
Standard & Poor's A1	–	49
Standard & Poor's AA-	–	7,405
Moody's A1	58,891	–
Fitch A	164	–
Fitch A+	8	46
Fitch A-	–	5,602
Fitch AA-	779	803
Moody's A2	484	3,060
Moody's Aa1	4,139	–
Moody's Aa2	397	–
Moody's Aa3	110,716	208
Moody's A3	238	71
Moody's Baa1	68	–
Moody's Baa2	92	–
Standard & Poor's Aa3	–	300
Standard & Poor's BB	–	105
Fitch BB+	356	–
Fitch BBB+	750	–
Fitch BBB-	–	50
Total	**177,544**	**61,061**

(b) Market risk

Market risk is the risk that changes in market prices will affect the Group's 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 general macroeconomic uncertainty 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.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. To manage this, the Group entered into three interest rate swaps on the Group's three external loan facilities, in which it exchanges, monthly on the B1 and Sidecar facilities and quarterly on the B2 facility, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The Group has established a hedge ratio of 1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. During the year ended 31 October 2022 the Group amended all of its floating-rate borrowings previously indexed to USD LIBOR to an economically equivalent interest rate referencing SOFR.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

29. Financial risk management *continued*

(b) Market risk *continued*

(ii) Foreign exchange risk

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

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

The following table demonstrates the sensitivity to a change in US dollar and euro exchange rates, with all other variables held constant.

Increase/decrease EUR rate %	Effect on loss before tax US$'000
5% increase	1,751
5% decrease	(1,751)

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

(iii) Capital management risk

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

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

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

The Group's borrowing agreements contain a Consolidated Senior Secured Net Leverage Ratio covenant; which only applies in specific circumstances, in particular if the amount drawn on the Revolving Credit Facility ("RCF") less cash and cash equivalents exceeds US$67.7 million, (being 40% of the total committed RCF). In the event that the US$67.7 million threshold is exceeded, the relevant covenant states that Consolidated Senior Secure Net Leverage (Borrowings and certain other payables less any unsecured debt, of which there is currently none, less cash in proportion to EBITDA as defined by the Senior Facility Agreements) must not exceed 8.09. As at 31 October 2022, the ratio was 1.9 (2021: 2.6).

29. Financial risk management *continued*

(b) Market risk *continued*

(iii) Capital management risk *continued*

No changes were made to the objectives, policies or processes for managing capital during the reporting period. The consolidated debt/equity ratio of the Group at 31 October 2022 is as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Total consolidated net leverage	547,890	723,092
Total equity	2,249,712	2,186,010
Debt/equity %	**24.35%**	**33.08%**

(c) Liquidity risk

Liquidity risk is the risk that the Group might have difficulties in meeting its financial obligations. The Group manages this risk by ensuring that it maintains sufficient levels of committed borrowing facilities and cash and cash equivalents to ensure that it can meet its operational cash flow requirements and any maturing financial liabilities, whilst at all times operating within its financial covenants. The level of operational headroom provided by the Group's committed borrowing facilities is regularly reviewed. Where this process indicates a need for additional finance, this is addressed on a timely basis. The table below summarizes the maturity profile of the Group's financial liabilities as at 31 October 2022 based on contractual undiscounted payments:

Current year	**Borrowings US$'000**	**Lease liabilities US$'000**	**Trade and other payables US$'000**	**Derivative liabilities US$'000**	**Total US$'000**
On demand or within one year	40,145	7,768	15,763	–	**63,676**
Between 1 and 2 years	39,703	5,880	–	–	**45,583**
Between 2 and 5 years	694,192	7,553	–	–	**701,745**
After 5 years	67,531	2,731	–	–	**70,262**
As at 31 October 2022	**841,571**	**23,932**	**15,763**	**–**	**881,266**

Prior year	Borrowings US$'000	Lease liabilities US$'000	Trade and other payables US$'000	Derivative liabilities US$'000	Total US$'000
On demand or within one year	30,954	6,815	11,703	4,429	53,901
Between 1 and 2 years	30,832	5,205	–	–	36,037
Between 2 and 5 years	756,786	8,211	–	–	764,997
After 5 years	70,758	3,777	–	–	74,535
As at 31 October 2021	**889,330**	**24,008**	**11,703**	**4,429**	**929,470**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

29. Financial risk management *continued*

(d) Hedging activities and derivatives

The Group is exposed to certain cash flow risks relating to its ongoing business operations and financing structure. Interest rate risks are managed using derivative instruments. The fair value of derivative assets and liabilities as at 31 October 2022 was as follows:

	As at 31 October 2022		As at 31 October 2021	
	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	–	–	6	–
Embedded derivative liability	–	–	–	845
Derivative designated as hedging instruments:				
Interest rate swaps	4,051	–	–	4,337
Total	**4,051**	**–**	**6**	**5,182**

(i) 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 had a termination date of 30 April 2022 and were designated at fair value through profit and loss. The fair values of these derivatives as at 31 October 2022, included in other financial assets was US$ nil (31 October 2021: US$6 thousand).

(ii) Cash flow hedges

The amounts relating to items designated as hedging instruments as at 31 October 2022 were as follows:

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
At beginning of year	**4,337**	**12,798**
Other comprehensive income:		
Interest rate swap (matured in April 2022):		
– Cash flow hedge reserve	49	502
– Payments reclassified to profit or loss	(4,386)	(8,963)
Interest rate swaps (commenced in October 2022):		
– Cash flow hedge reserve	(4,051)	–
– Payments reclassified to profit or loss	–	–
Total	**(4,051)**	**4,337**

Interest rate swap (matured in April 2022):

Since 2019, 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 its borrowings. Under this agreement, the Group pays a fixed rate of interest of 2.927% and receives interest at a variable rate equal to one-month SOFR on the notional amount. There was an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap matched the critical terms of the fixed rate loan. The Group established a hedge ratio of 87.5% (2021: 87.5%) for the hedging relationship as the underlying risk of the interest rate swap was identical to the hedged risk component.

Premia paid of US$4.4 million (2021: US$9.0 million) have been recycled from the cash flow hedge reserve during the year. The agreement matured in April 2022.

29. Financial risk management *continued*

(d) Hedging activities and derivatives *continued*

Interest rate swaps (commenced in October 2022):

In September 2022, the Group entered into three interest rate swap agreements to hedge the full exposure to variable interest on its three external loan facilities (B1, B2 and Sidecar).

Facility	B1	B2	Sidecar
Currency	USD	EUR	USD
Notional amount of IRS agreement	US$348.3m[1]	€300.0m	US$66.992m
Company pays	Fixed rate of 3.88692%	Fixed rate of 2.713%	Fixed rate of 3.94922%
Company receives	Variable rate equal to one-month SOFR (compounded with 5 business day lookback)	Variable rate equal to three-month EURIBOR	Variable rate equal to one-month SOFR (compounded with 5 business day lookback)
Settlements due	Monthly, commencing November 2022	Quarterly, commencing January 2023	Monthly, commencing November 2022

1. the notional amount of the interest rate swap agreement on the B1 facility reduces by the $0.9m quarterly principal repayment.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the critical terms of the fixed rate loans. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swaps is identical to the hedged risk components. The Group uses the hypothetical derivative method to test effectiveness which compares changes in the fair value of the hedging instrument and hedging item attributable to the hedged risk. Hedge ineffectiveness can arise:

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

The fair value of US$4.1 million in respect of the hedged instrument is deemed to be wholly effective and has been recognized in other comprehensive income. No settlements were made during 2022 in respect of these interest rate swap agreements.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

30. Capital and reserves

(a) Share capital and share premium

At 31 October 2022, the subscribed capital of the Company was US$16,936,045 (2021: US$16,902,712) as represented by 169,360,445 (2021: 169,027,117) shares without nominal value (2021: without nominal value).

At 31 October 2022, the share premium of the Company amounted to US$2,523.0 million (2021: US$2,523.0 million).

The movement in share capital and share premium during the financial year is detailed as follows:

	No. of shares	Share capital US$'000	Share premium US$'000
Current year:			
1 November 2021	169,027,117	16,903	2,523,011
Increases in share capital			
– 16 May 2022	264,531	26	(26)
– 18 October 2022	68,797	7	(7)
31 October 2022	**169,360,445**	**16,936**	**2,522,978**

On 16 May 2022, the share capital of the Company was increased by $26,453 by the creation of 264,531 new shares, resulting in a reduction to share premium.

On 18 October 2022, the share capital of the Company was increased by $6,880 by the creation of 68,797 new shares, resulting in a reduction to share premium.

	No. of shares	Share capital US$'000	Share premium US$'000
Prior year:			
1 November 2020	1,400,000	14	1,604,251
Capital contribution (November 2020)			
– First capital contribution (20 November 2020)	–	–	135,338
– Second capital contribution (25 November 2020)	–	–	38,698
Cancelation of nominal value	–	126	(126)
Increases in share capital			
3 May 2021	148,600,000	14,860	(14,860)
19 May 2021	18,300,000	1,830	(1,830)
11 June 2021	31,264	3	(3)
26 October 2021	695,853	70	29,003
Capital contribution (18 May 2021)	–	–	63,089
Proceeds from Initial Public Offering (19 May 2021)	–	–	669,451
31 October 2021	**169,027,117**	**16,903**	**2,523,011**

30. Capital and reserves *continued*

(a) Share capital and share premium *continued*

Prior year movements:

During November 2020, Marcel LUX III SARL, the immediate parent company, made US$174.0 million 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 20 November 2020. This is included as an inflow in the financing activities section of the Consolidated Statement of Cash Flows;
- A second capital contribution of US$38,698,541 on 25 November 2020. This was a non-cash item and further details are disclosed in Note 14.

On 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$0.10. The nominal value of the shares was canceled, and the share capital of the Company set at US$ 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.

On 18 May 2021, Marcel LUX III SARL, the immediate parent company, made a capital contribution of US$63,088,930 without the issuance of shares to the Company which were unconditional and without rights to receive any repayment or redemption prior to liquidation.

On 19 May 2021, on completion of pricing of the IPO, 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.

On 11 June 2021, the share capital of the Company was increased by US$3,126 by the creation of 31,264 new shares, resulting in a credit to share premium.

On 26 October 2021, the share capital of the Company was increased by US$69,585 by the creation of 695,853 new shares resulting in a credit to share premium.

On 26 October 2021, the share premium of the Company was increased by US$29,003,153 without reserving any statutory preferential subscription rights to the existing shareholders for an aggregation subscription price of US$29,072,738.

(b) Retained losses

Retained losses as at 31 October 2022 amounted to US$400.3 million (2021: US$355.9 million) and included the Group's loss for the period of US$39.5 million and other comprehensive income of US$0.5 million.

(i) IPO transaction costs

The IPO transaction costs, deducted from equity in 2021, have been expensed in the local statutory accounts and tax returns of SUSE SA and other Group entities. As such, the deferred tax asset (US$4.4 million) relating to these has been released this year with the remainder expected to be released in 2023 when the final tax returns for the year ended 31 October 2021 for these entities have been submitted

(c) Other reserve

The other reserve comprises the equity component of equity-settled share-based payment awards. Further details are disclosed in Note 27.

(d) Cash flow 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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

30. Capital and reserves *continued*

(e) 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.

(f) Reserve requirements as a matter of Luxembourg company law

In accordance with relevant law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. The total profit for the year of the Company was US$4.7 million (2021: loss US$20.1 million). At 31 October 2022 the legal reserve was $ nil (2021: $ nil).

31. Employees and key management personnel

(a) Employee expenses

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Wages and salaries	259,949	222,781
Redundancy and termination costs	–	4,358
Social security costs	20,991	17,586
Commission and bonuses	46,654	42,043
Pension costs	9,461	8,259
Share-based payment expenses	52,206	175,164
Total employee expenses for the year	**389,261**	**470,191**

(b) Pension expenses

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Defined benefit schemes	455	476
Defined contribution schemes	9,006	7,783
Total pension costs	**9,461**	**8,259**

(c) Key management personnel

Key management personnel ("Management") are those people having authority and responsibility for planning, directing, and controlling the activities of the Group and comprises the Management Board, Supervisory Board and Executive Leadership Team which has significantly expanded during the period.

There were no advances and loans granted to or commitments/guarantees on behalf of members of Management or members of the Supervisory Board during the current year or prior period.

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

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Wages and salaries	5,525	3,382
Bonuses	6,546	7,551
Pension costs	100	35
Share-based payment expenses	8,569	3,160
Termination benefits	359	–
Social security costs	2,633	1,592
Supervisory Board fees	678	371
Total remuneration for the year	**24,410**	**16,091**

31. Employees and key management personnel *continued*

(d) Number of employees as at 31 October

	Year ended 31 October 2022	Year ended 31 October 2021
Business-critical Linux	559	537
Enterprise Container Management	229	184
Edge	11	14
Chief Customer Office	763	617
Marketing, Product Management and Transformation	173	172
Services	199	149
Customer Care	169	137
Finance, Procurement and Mergers & Acquisitions	102	95
HR and Global Real Estate	68	55
Group IT	91	71
Legal	23	7
Corporate	11	7
Total employees	**2,398**	**2,045**

The average number of employees of the Group for the year was 2,316 (2021: 1,914).

32. Related party transactions

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

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

(i) Ultimate controlling party

The ultimate controlling party of the Group is EQT Fund Management SARL, a limited liability company registered with the Luxembourg Register of Commerce and Companies.

(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.

(iii) Transactions with associate investments

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

(iv) Transactions with key management personnel

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

(v) Transactions with members of the Supervisory Board

The remuneration of the Supervisory Board is set out in Note 31. In addition, in May 2021 members of the Supervisory Board (excluding employees of EQT Partners) were awarded a one-off stock grant of €200,000 of shares in SUSE S.A. at the initial listing price of €30.00, further details are set out in Note 27(b).

(vi) Transactions with shareholders

During the year, the Group purchased 222,222 shares in Acorn Labs Inc. for cash consideration of US$0.5 million. Sheng Liang, a member of the Supervisory Board, is the CEO of Acorn Labs Inc. Further details are set out in Note 18 (b).

(vii) Transactions with other related parties

Pension contributions to Group schemes are disclosed in Note 26.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 October 2022

33. Commitments and contingencies

(i) Director 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 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 obligor 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).

34. Post balance sheet events

The Group has evaluated subsequent events from the balance sheet date through to the date at which these Consolidated Financial Statements were approved. None were identified.

Responsibility statement

We, Melissa Di Donato (Chief Executive Officer) and Andy Myers (Chief Financial Officer), confirm, to the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of SUSE, and the Group Management Report, which has been combined with the Management Report for SUSE S.A., includes a fair review of the development and performance of the business and the position of SUSE, together with a description of the material opportunities and risks associated with the expected development of SUSE.

Melissa Di Donato
Member of the Management Board

Andy Myers
Member of the Management Board

Independent auditor’s report

To the Shareholders of
SUSE S.A.
11-13, Boulevard de la Foire
L-1528 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D’ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SUSE S.A. (“the Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 October 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (“Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (“CSSF”). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of “Réviseur d’Entreprises agréé” for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

a) Why was the matter considered to be one of most significance in our audit of the consolidated financial statements for the year ended 31 October 2022?

The revenue of the Group amounts to USD 653 million for the year ended 31 October 2022, compared to USD 560 million for the year ended 31 October 2021.

The Group derives its revenues primarily from subscription license services it offers to its customers under various software solutions. The revenue is recognized when benefits arising from contractual performance obligations are transferred to a customer for an amount that reflects the consideration the Group expects to receive from a customer contract. The Group applies five steps in recognizing revenue.

Refer to accounting policy 4A and Note 7 of the consolidated financial statements.

Certain revenue arrangements, which include master license agreements, can have multiple elements and there can be judgement identifying each separate performance obligation when sold together in a bundle. This judgement could materially affect the timing and quantum of revenue recognised in each financial year. There is also an inherent fraud risk in that there is particular stakeholders' focus on certain key related revenue metrics such as revenue recognised and annual contract value in addition to there being various employee and key management incentive schemes which depend on financial performance. We assess these risks to be greater in those arrangements with bespoke terms, potentially leading to unidentified contract performance obligations.

b) How the matter was addressed during the audit?

Our procedures over revenue recognition included, but were not limited to:

- Assessing the Group's revenue recognition accounting policy for compliance with IFRS 15 Revenue from Contracts with Customers including addressing steps within the standard such as identification of a contract, identification of contract performance obligations and allocation of transaction value where contracts contain multiple performance obligations;
- Assessing the design and operating effectiveness of the Group's key manual process level controls in relation to revenue recognition including those which the client has identified as an anti-fraud key control;
- Selecting a sample of Master License Agreements over our set thresholds in the defined population and inspecting key documents including the signed contract, purchase orders, commencement of software license terms, sales invoices and payment, and inspecting the related revenue recognition checklist for that contract to identify revenue performance obligations and to ensure transaction price is allocated appropriately;
- Confirming the completeness of contract terms for a sample of Master License Agreements with representatives from the sales and marketing division who are removed from revenue accounting;
- Selecting a specific sample high-risk journal entries related to revenue recognition with atypical recognition patterns to trace to appropriate supporting documentation;
- Obtaining a listing of orders recorded within the last two weeks of the financial period and ensuring that such orders have been recorded in the correct period;
- Assessing the adequacy of the Company's disclosures made in adherence to the requirements of IFRS 15 Revenue from Contracts with customers.

Impairment of goodwill

a) Why was the matter considered to be one of most significance in our audit of the consolidated financial statements as at 31 October 2022?

Goodwill represents USD 2,686.3 million or approximately 71% of the Group's total assets as at 31 October 2022.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash-generating unit ("CGU") or group of CGUs within the Group being the lowest level of independently functioning components capable of generating cashflow. The Management Board performs an annual impairment test of the Cash Generating Units (CGUs) to which the goodwill is allocated to assess whether the recoverable amount is at least equal to it carrying value.

Refer to accounting policy 4F, 4I and Note 15 of the consolidated financial statements.

The Group's assessment of impairment of goodwill is a judgmental process which requires estimates concerning the forecast future cash flows associated with the goodwill and assets held, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use.

b) How the matter was addressed during the audit?

Our procedures over the impairment of goodwill included, but were not limited to:

- Gaining an understanding of the process of preparation of the goodwill impairment test and testing design and implementation of the key controls;
- Assessing the appropriateness of the identification of the cash generating units and allocation of goodwill and cash flows to those CGUs done by the Management Board;
- Assessing the valuation models and key assumptions used by the Management Board;
- Involving our own valuation specialists to test discount rates used by the Management Board;
- Assessing the sensitivity analysis of the recoverable amount to the discount rate, profitability measure and terminal growth rate for the CGUs;
- Considering the adequacy and appropriateness of the disclosures provided on goodwill impairment pursuant to the relevant accounting and financial reporting standards.

Other information

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

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

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

Responsibilities of the Management Board and the Audit Committee for the consolidated financial statements

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

The Management Board is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “Réviseur d’Entreprises agréé” by the Extraordinary General Meeting of the Sole Shareholder on 3 May 2021 for a period of three years.

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

The corporate governance statement is included in the combined management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation Nº 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 October 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation as described in Note 2A.

In our opinion, the consolidated financial statements of SUSE S.A. as at 31 October 2022, identified as 213800C9JTKV8DLW6403-2022-10-31-en.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the consolidated financial statements of SUSE S.A. as at 31 October 2022, identified as 213800C9JTKV8DLW6403-2022-10-31-en.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which are the only authoritative version.

Luxembourg, 18 January 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

Thierry Ravasio
Partner

Balance Sheet

As at 31 October 2022

	Notes	**31 October 2022 US$'000**	31 October 2021 US$'000
Assets			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	3.1	2,150,302	2,150,302
Loans to affiliated undertakings	3.2	232,901	232,901
		2,383,203	**2,383,203**
Current assets			
Debtors			
Amounts owed by affiliated undertakings becoming due and payable within one year		143,794	168,465
Other debtors becoming due and payable within one year		–	335
	4	**143,794**	**168,800**
Cash at bank and in hand		35,280	1,153
Prepayments		160	868
Total assets		**2,562,437**	**2,554,024**
Capital, reserves and liabilities			
Capital and reserves			
Subscribed capital		16,936	16,903
Share premium account		2,522,978	2,523,011
Profit or loss brought forward		(22,304)	(2,156)
Profit or loss for the financial year		4,748	(20,148)
	5	**2,522,358**	**2,517,610**
Creditors			
Trade creditors becoming due and payable within one year		2,667	13,525
Amounts owed to affiliated undertakings becoming due and payable within one year		34,620	22,807
Other creditors			
Tax authorities		2,783	6
Other creditors becoming due and payable within one year		9	76
	6	**40,079**	**36,414**
Total capital, reserves and liabilities		**2,562,437**	**2,554,024**

Profit and Loss Account

For the year ended 31 October 2022

	Notes	**Year ended 31 October 2022 US$'000**	Year ended 31 October 2021 US$'000
Other operating income	7	**141**	**19,311**
Raw materials and consumables and other external expenses			
Other external expenses	8	(6,030)	(44,231)
Income from other investments and loans forming part of the fixed assets			
Derived from affiliated undertakings	10	12,698	5,009
Other interest receivable and similar income			
Other interest and similar income		–	15
Interest payable and similar expenses			
Other interest and similar expenses		(79)	(246)
Tax on Profit/(Loss)	11	–	–
Profit/(Loss) after taxation		**6,730**	**(20,142)**
Other taxes	11	(1,982)	(6)
Profit/(Loss) for the financial year		**4,748**	**(20,148)**

Notes to the Annual Accounts

For the year ended 31 October 2022

1. General

SUSE S.A. (the "Company") was incorporated in Luxembourg on 20 June 2018 subject to Luxembourg law for an unlimited period of time. The Company has its registered office at 11-13, Boulevard de la Foire, 1528 Luxembourg.

The financial year of the Company starts on the first of November of each year and ends on the thirty first of October of the following year.

The Company is managed by a Management Board under the supervision of the Supervisory Board.

On 26 April 2021 the Company, under its former name Marcel Lux IV SARL, announced plans for an Initial Public Offering ("IPO").

In preparation for the IPO, on 3 May 2021 the corporate name of the Company was amended from Marcel Lux IV SARL to SUSE S.A. and the Company was transformed from a Société à responsabilité limitée into a Société anonyme.

Since 19 May 2021, the Company is a Public Interest Entity in the meaning of the article 1(20) of the Luxembourg law of 23 July 2016 on the audit profession and part of its shares are admitted to trading on the regulated market of the Frankfurt Stock Exchange. The Company is regulated by the Commission de Surveillance du Secteur Financier ("CSSF").

The Company's object is to acquire and hold interests, directly or indirectly, in any form whatsoever, in any other Luxembourg or foreign entities, by way of, among others, the subscription or the acquisition of any securities and rights through participation, contribution, underwriting, firm purchase or option, negotiation or in any other way, or of financial debt instruments in any form whatsoever, and to administrate, develop and manage such holding of interests.

The Company may also render every assistance, whether by way of loans, guarantees or otherwise to its subsidiaries or companies in which it has a direct or indirect interest, even not substantial, or any company being a direct or indirect shareholder of the Company or any company belonging to the same group as the Company (the "Connected Companies"). On an ancillary basis of such assistance, the Company may also render administrative and marketing assistance to its Connected Companies. The Company may subordinate its claims in favor of third parties for the obligations of any such Connected Companies.

The Company may also borrow money in any form or obtain any form of credit facility and raise funds, except by way of public offer, though, including, but not limited to, the issue of bonds, notes, promissory notes, certificates and other debt or equity instruments, convertible or not, or the use of financial derivatives or otherwise. The Company may enter into any guarantee, pledge or any other form of security, whether by personal covenant or by mortgage or charge upon all or part of the undertaking, property assets (present or future) or by all or any of such methods, for the performance of any contracts or obligations of the Company and of any of the Connected Companies, or any director, manager or other agent of the Company or any of the Connected Companies, within the limits of any applicable law provision; and use any techniques and instruments to efficiently manage its investments and to protect itself against credit risks, currency exchange exposure, interest rate risk and other risks.

In addition to the foregoing, the Company may perform all legal, commercial, technical and financial transactions and, in general, all transactions which are necessary or useful to fulfil its corporate object as well as all transactions directly or indirectly connected with the areas described above in order to facilitate the accomplishment of its corporate object in all areas described above.

The Company also prepares consolidated financial statements, which are published with the Luxembourg Stock Exchange and the Luxembourg Business Register according to the provisions of the Luxembourg law of 19 December 2002, the Luxembourg law of 11 January 2008 and the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

2. Accounting policies, valuation principles and methods

2.1 Basis of preparation

The annual accounts are prepared in accordance with the law of 19 December 2002 as amended, the law of 11 January 2008, ESEF Regulation and rules and regulations prevailing as well as accounting principles generally accepted in the Grand Duchy of Luxembourg.

The annual accounts have been prepared under the historical cost convention on a going concern basis.

Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, determined and applied by the Management Board.

These annual accounts have been prepared following the layout in the Title II of the law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings, as subsequently modified.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a material impact on the annual accounts in the period in which the assumptions change. The Management Board believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Accounting and valuation policies

The accounting and valuation policies applied by the Company are the following:

2.2.1 Expenses

Expenses of the Company are charged directly to the profit and loss account in the period in which they are incurred.

2.2.2 Financial assets

Historical cost model

Shares in affiliated undertakings and loans to affiliated undertakings are valued at purchase price/nominal value including incidental expenses.

In the case of durable depreciation in value according to the opinion of the Management Board, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Prepayments

This asset item includes expenditure incurred during the financial year but relating to subsequent financial periods.

Notes to the Annual Accounts *continued*

For the year ended 31 October 2022

2. Accounting policies, valuation principles and methods *continued*

2.2 Accounting and valuation policies *continued*

2.2.5 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but there is uncertainty as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but there is uncertainty as to their amount or the date on which they will arise.

2.2.6 Creditors

Creditors are recorded at their repayment value. Where the amount repayable on account is greater than the amount received, the difference is recorded in the profit and loss account when the debt is issued.

2.2.7 Deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

2.2.8 Interest income and expense

Interest income and interest expenses are recognized on an accruals basis.

2.2.9 Foreign currency translation

The Company maintains its books and records in United States dollars. Transactions expressed in currencies other than United States dollars are translated into United States dollars at the exchange rate effective at the date of the transaction.

Long-term assets expressed in currencies other than United States dollars are translated into United States dollars at the exchange rate effective at the date of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank and in hand denominated in currencies other than United States dollars are translated at exchange rates prevailing at the balance sheet date. Exchange gains and losses arising from the translation are recorded in the profit and loss account.

Other assets and liabilities are translated separately, respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account on realization.

2.2.10 Share-based payments

Long-term incentive plans (“LTIP”)

Following the IPO on 19 May 2021, the Company established long-term incentive plans where employees of the Group and the Management Board of SUSE S.A. receive variable remuneration.

These LTIP are arrangements which allow employees and the Management Board a pro-rata economic participation in the future value increase of the Group subject to employment conditions. The LTIP comprises two Restricted Stock Unit (“RSU”) Programs, and an Annual Option Award for Senior Executives (including members of the Management Board).

Subject to the performance of the Group, the Management Board needs authorization from the Supervisory Board to implement a new LTIP arrangement in accordance with the provision of Luxembourg law. Further plans may therefore be released in the coming years.

Restricted Stock Unit (“RSU”) Programs

At the grant date and until the date of vesting, each RSU Program is a commitment to allocate for free one newly issued share of SUSE S.A. to a participant at the end of the vesting period, provided that the participant remains employed by the Group at the end of the respective vesting period. The transitional RSUs have a two-year vesting period. The Annual RSUs vest in three equal annual tranches after the date of grant. At the vesting date, SUSE S.A. will increase its subscribed capital by incorporation of its share premium (Account 115 – Capital contribution without issue shares) and will create new shares at the par value of $0.10. These shares will be distributed to participants for free.

If the employee leaves the Group before the vesting date, the units are forfeited unless the participant is classified as a ‘good leaver’.

2. Accounting policies, valuation principles and methods *continued*

2.2 Accounting and valuation policies *continued*

2.2.10 Share-based payments *continued*

No expense is recognized for these share awards.

Annual Option Award

Members of the Management Board and senior employees of the Group are eligible for the grant of an Annual Option Award, with an exercise price equal to the grant date share price. Annual Option Awards will vest in two equal tranches on the second and third anniversaries of the date of grant. The options will become exercisable on the respective vesting date of each tranche and will expire on the tenth anniversary if not exercised. 100% of the Annual Options granted are subject to a service condition. At the vesting date, the award holders have the right but not the obligation to exercise this option. Should the holder do so, the holder shall pay the exercise price per share. SUSE S.A. will increase its subscribed capital by contribution of cash and will create new shares at the par value of $0.10. The difference between the subscription price and the nominal value of the newly issued shares will be recorded as share premium.

If a member of Management Board or senior employee leaves the Group before the vesting date, the options are forfeited, unless the participant is classified as a 'good leaver'.

No expense is recognized for these share awards.

Stock grant award to members of the Supervisory Board

Some members of the Supervisory Board (excluding employees of EQT Partners) were awarded a one-off grant of €200,000 in 2021. The possible full amount of the fees due to the Supervisory Board Members over the vesting period was determined at the inception of the program and was calculated based on the IPO listing price. These members were able to opt for payment to be settled in cash or in shares in SUSE S.A. at the initial listing price of €30.00.

At the grant date, SUSE S.A. will increase its subscribed capital by incorporation of its share premium (Account 115 – contribution of shares without nominal value) and will create new shares at the par value of $0.10 for the part settled in shares. These shares will be distributed to the relevant Supervisory Board Members for free.

The expense corresponding to the cash paid by the Company for the portion of the grant settled in cash is being recognized over the period in which services are being provided by the Supervisory Board on a straight-line basis. The amount of the cash paid is initially recorded as prepaid expenses and then systematically amortized over the vesting period with the assumption that the service condition would be fulfilled.

The stock grant is subject to a lock-up period, during which the Supervisory Board member cannot sell, transfer, encumber, use as collateral or otherwise dispose of or liquidate the Stock grant. The vesting period is from the date of appointment on 4 May 2021, to 30 April 2024.

If the grant holder were to leave their role during the vesting period, they are required to re-transfer and re-pay the shares on a pro-rata basis.

Notes to the Annual Accounts *continued*

For the year ended 31 October 2022

3. Financial assets

3.1 Shares in affiliated undertakings

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Gross book value – opening balance	**2,150,302**	**1,601,859**
Additions for the year	-	548,443
Gross book value – closing balance	**2,150,302**	**2,150,302**
Net book value – closing balance	2,150,302	2,150,302
Net book value – opening balance	2,150,302	1,601,859

Undertakings in which the Company holds at least 20% of the share capital or is a general Partner are as follows:

Name of undertaking and registered office	**Ownership %**	**Net book value as at 31 October 2022 US$000**	**Net equity as at 31 October 2022* US$000**	**Loss for the year ended 31 October 2022* US$000**
SUSE Group UK Ltd (formerly Marcel UK Topco Ltd), Waterfront Waterside Park, Kingsbury Crescent, Staines TW18 3BA	100%	2,150,302	2,119,505	16,486

* These figures represent the management accounts of the entity, statutory accounts are not yet available.

On 20 November 2020, the Company entered into the Capital Contribution Agreement without issue of shares with SUSE Group UK Ltd (formerly Marcel UK Topco Ltd) for US$134,987,012.

On 25 November 2020, the Company entered into the Capital Contribution Agreement with Rancher Labs Inc for 2,250,000 ordinary shares with a nominal value of US$0.001 and share premium, in exchange for a capital contribution without issuance of shares from Marcel Lux III SARL for US$38,698,541.

On 25 November 2020, the Company entered into the Capital Contribution Agreement without issuance of shares with SUSE Group UK Ltd in exchange for 2,250,000 ordinary shares in Rancher Labs Inc for US$38,698,541. This resulted in an addition to the investment held in SUSE Group UK Ltd.

On 20 May 2021, the Company acquired 102,833,504 shares in SUSE Group UK Ltd with a nominal value of US$0.01 each and share premium for a total purchase price of US$345,683,926.

For the financial year ended 31 October 2021, a balance of US$29,072,738 has been reclassified from Amounts owed by affiliated undertakings becoming due and payable within one year to Shares in affiliated undertakings, representing a cash advance that was transferred to a capital contribution without issuance of shares in SUSE Group UK Ltd on 27 October 2021.

On 22 December 2022 the Company acquired 6 shares in SUSE Group UK Ltd with a nominal value of US$0.01 each and share premium of US$347,478,134 (refer also to Note 17).

3.2 Loans to affiliated undertakings

On 20 May 2021, the Company made a loan of US$232,901,548 to Marcel Lux DebtCo SARL. The loan bears interest at 4% margin +LIBOR with a floor of 0.75%. The original maturity date of the loan is 25 November 2027. This loan has been classified as a financial asset as it is Management's intention to contribute the receivable to SUSE Group UK Ltd in exchange for shares. This occurred on 22 December 2022 (refer also to Note 17).

The interest on this loan has been recognized as Income from other investments and loans forming part of the fixed assets.

4. Debtors

	As at 31 October 2022 US$'000	As at 31 October 2021 US$'000
Amounts owed by affiliated undertakings becoming due and payable within one year	143,794	168,465
Other debtors becoming due and payable within one year	–	335
Total	**143,794**	**168,800**

On 17 May 2021, the Company entered an on-charging agreement in relation to the IPO costs with Marcel Bidco GmbH and SUSE LLC. The total costs recharged to these entities during financial year 2021 was US$16,723,303. These amounts have been settled in full during financial year 2022.

On 18 May 2021, the Company entered into a Capital Contribution Agreement with Marcel Lux III SARL whereby the Company took ownership of a loan of US$63,088,930 against Marcel Bidco GmbH in exchange for the capital contribution.

The remaining balance of US$80,705,091 (2021: US$88,653,432) owed by affiliated undertakings results predominantly from the residual balance of a cash advance following the transfer of IPO funds to SUSE Software Solutions Ireland Ltd. This interest-free, repayable on demand cash advance has been used by SUSE Ireland to make payments on behalf of SUSE S.A.

The Other debtors balance in the prior year is primarily VAT receivable.

On 22 December 2022, the amounts owed by Marcel Bidco Gmbh and SUSE Software Solutions Ireland Ltd were cleared through a contribution of the receivables to SUSE Group UK Ltd in exchange for shares (refer also to Note 17).

Notes to the Annual Accounts *continued*

For the year ended 31 October 2022

5. Capital and reserves

	Subscribed capital US$'000	Share premium account* US$'000	Profit or loss brought forward US$'000	Profit or loss for the financial year US$'000	Total US$'000
As at 1 November 2021	16,903	2,523,011	(2,156)	(20,148)	2,517,610
Allocation of result of the year ended 31 October 2021	-	-	(20,148)	20,148	-
Result for the financial year	-	-	-	4,748	4,748
Conversion of share premium into share capital	33	(33)	-	-	-
As at 31 October 2022	**16,936**	**2,522,978**	**(22,304)**	**4,748**	**2,522,358**

* Share Premium includes Account 115 – capital contributions without issuance of shares

At 31 October 2022, the subscribed capital of the Company was US$16,936,045 (2021: US$16,902,712) as represented by 169,360,445 (2021: 169,027,117) ordinary shares without nominal value.

Legal reserve

Under Luxembourg law, the Company is required to transfer to a legal reserve, a minimum of 5% of its net profits each year until this reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution. No contribution has been made to this reserve as the Company is in a net loss position.

6. Creditors

Amounts due and payable for the accounts shown under 'Creditors' are as follows:

	Within 1 year US$'000	After 1 year and within 5 years US$'000	After more than 5 years US$'000	**Total as at 31 October 2022 US$'000**	Total as at 31 October 2021 US$'000
Trade creditors becoming due and payable within one year	2,667	–	–	2,667	13,525
Amounts owed to affiliated undertakings becoming due and payable within one year	34,620	-	-	34,620	22,807
Other creditors becoming due and payable within one year	2,792	–	–	2,792	82
Total	**40,079**	**–**	**–**	**40,079**	**36,414**

On 11 June 2021 the Company entered into a Management Services Agreement with SUSE Software Solutions UK Ltd for the on-charge of a proportion of costs of the Management Board. For the financial year ended 31 October 2022 US$91,523 has been on-charged to the Company (2021: US$52,020), refer to Notes 8 and 9.

All other amounts owed to affiliated undertakings relate predominantly to payments made on behalf of SUSE S.A. and recharged accordingly. The largest balances, including those related to IPO transaction costs paid by other SUSE Group entities, are: SUSE Software Solutions Ireland Ltd US$28,073,766 (2021: US$15,215,715), SUSE Software Solutions UK Ltd US$2,972,599 (2021: US$2,816,905) and SUSE Software Solutions Germany GmbH US$2,033,949 (2021: US$1,947,568).

Other creditors is predominantly Net Wealth Tax and VAT payable, and also includes the employers tax liabilities on the Supervisory Board fees.

On 22 December 2022 the amounts due to SUSE Software Solutions Ireland Ltd were cleared after netting against amounts owed to the Company reported within Debtors, and the net receivable was contributed to SUSE Group UK Ltd in exchange for shares (refer also to Note 17).

7. Other operating income

The other operating income amounted to US$141,229 (2021: US$19,310,831) and was attributable to the recharge of costs paid on behalf of other Group entities. The significant value in 2021 related to the recharge of certain transaction costs, predominantly related to the IPO.

8. Raw material and consumables and other external expenses

Other external expenses

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
IPO transaction costs	–	40,857
Supervisory Board fees	695	371
Management Board fees	92	52
Share-based payment expense – Supervisory Board	107	53
Taxes related to Supervisory Board remuneration	37	69
Advisory Board fees	–	193
Audit fees	835	1,038
Management fees	–	200
Professional fees	352	469
Administration and accounting fees	705	592
Tax advice fees	113	89
Other expenses	137	207
Bank charges	888	4
Legal fees	1,085	37
Insurance	984	–
Total	**6,030**	**44,231**

9. Management remuneration

The emoluments granted to the members of the management and supervisory bodies in this capacity for the financial year are broken down as follows (refer also to Note 8):

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Management Board		
Fees – refer Note 6	92	52
Supervisory Board		
Fees	695	371
Share-based payment expense	107	53
Total	**894**	**476**

10. Income from other investments and loans forming part of fixed assets

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Interest derived from affiliated undertakings (Note 3.2)	12,698	5,009
Total	**12,698**	**5,009**

11. Taxes

The Company is subject to all taxes relevant to commercial companies in Luxembourg.

Notes to the Annual Accounts *continued*

For the year ended 31 October 2022

12. Share-based payments

Long-term incentive plans ("LTIP")

The total grants awarded under the LTIP are summarized in the table below:

	Restricted Stock Units "RSU"	Annual Option Awards	Total
Outstanding at start of year	1,941,689	201,169	2,142,858
Reclassified as cash-settled awards	(39,492)	-	(39,492)
Granted during the year	2,712,179	136,842	2,849,021
Vested during the year	(323,687)	-	(323,687)
Canceled during the year	(470,117)	(48,592)	(518,709)
Outstanding at end of year	**3,820,572**	**289,419**	**4,109,991**

As at 31 October 2022, there are 3,820,572 (2021: 1,941,689) RSU units outstanding. Should the holder of the RSU unit be employed by the Group at the end of the vesting period, the entity would increase its capital by US$382,057.2. During the year ended 31 October 2022, 323,687 units vested, which resulted in an increase to share capital of 32,368.7. There was an additional increase in share capital to cover vesting to take place in December 2022. During the year 39,492 awards were reclassified as cash-settled after approval by the Board due to legal complexities in some countries, with the obligation to settle in the employing entity of the participants.

As at 31 October 2022, there are 289,419 (2021: 201,169) options outstanding. The options granted in the year have an exercise price of €25.48 (US$25.30 equivalent), and the fair value was determined as €5.36 and €6.56 for the awards that respectively have an expected term of two years and three years following the Black-Scholes-Merton Valuation Model. The options outstanding at 31 October 2022 had an exercise price in the range of €25.48 to €30.00 (2021: €30.00) and a weighted average remaining contractual life to vesting of 525 days (2021: 747 days).

Should the holder of the Annual Option Award be employed by the Group at the end of the vesting period and should the market price of the share be higher than the exercise price, which is €27.86 as a weighted average (US$27.76 equivalent), the entity would increase its capital by up to US$28,941.9 and a share premium of US$8,005,330.

Stock grant award to members of the Supervisory Board

In aggregate, a total grant of €1,200,000 was made of which €262,080 was settled in cash and the residual amount of €937,920 was granted in the form of 31,264 SUSE S.A. shares on 11 June 2021.

The total expense of €262,080 (equivalent to US$320,391) is being recognized over the vesting period in line with the services being provided by the Supervisory Board. For the year ended 31 October 22 an expense of US$106,771 (net of tax) has been recognized (2021: US$53,386).

13. Staff costs

During the financial year ended 31 October 2022 the Company had no employees (2021: nil).

14. Audit fees

KPMG are the auditors of the Company and the Consolidated Group for the financial year ended 31 October 2022.

The total fees expensed by the Company are:

	Year ended 31 October 2022 US$'000	Year ended 31 October 2021 US$'000
Audit fees – current year Company audit	23	18
Audit fees – current year Group audit	756	758
Audit fees – prior year	56	52
Other audit-related fees	–	210
Total	**835**	**1,038**

In the year ended 31 October 2021, there were also US$ 1,801,884 fees paid to KPMG in relation to professional services provided in connection to the IPO (other audit-related fees). These are included in the IPO transaction costs comparative balance in Note 8.

15. Off-balance sheet commitments

On 14 March 2019, the Company, as Pledgor, entered into the Account Pledge Agreement and Receivables Pledge Agreement with Wilmington Trust (London) Ltd, as Pledgee, in connection with the Senior Facilities Agreement, Second Lien Notes Purchase Agreement and the Intercreditor Agreement, where the Pledgor has agreed to grant a pledge over the Security Assets standing to the credit of the Accounts of the Pledgee and over the Receivables to the Pledgee as security for the Secured Obligations in compliance with Senior Facilities Agreement, the Second Lien Notes Purchase Agreement (Marcel Bidco GmbH being the borrower) and in accordance with terms of these Pledge Agreements.

On 21 May 2021, following the IPO at the Frankfurt Stock Exchange on 19 May 2021, the Group repaid the Second Lien loan Note.

On 21 December 2021, an amendment was made to the Senior Facilities Agreement to increase the available revolving facility under the agreement of US$81,000,000 by US$88,300,000 to US$169,300,000. At the date of approval of these Financial Statements, the full amount was available for drawdown.

16. Related party transactions

The remuneration of the members of the Management Board is borne by another entity in the SUSE Group. The Company has a Management Services Agreement with that entity to on-charge a proportion of costs of the Management Board. For the financial year ended 31 October 2022 US$91,523 has been on-charged (2021: US$52,020).

The Management Board has also received share awards during the year totaling 136,842 (2021: 106,768) Annual Option Awards and 45,613 (2021: 35,588) Restricted Stock Units. Refer to Note 12 for detail.

The remuneration of the Supervisory Board amounts to US$801,946 (2021: US$424,353).

Please refer to Notes 4 and 6 for details of all other transactions with related parties.

17. Post balance sheet event

On 22 December 2022, the Company increased its investment in SUSE Group UK Ltd through contribution of the following balances with affiliated undertakings:

- US$232,901,548 loan to Marcel Lux DebtCo SARL
- US$63,088,930 receivable from Marcel Bidco GmbH
- US$51,487,656 net receivable from SUSE Software Solutions Ireland Ltd, representing an original receivable of US$80,534,701 and a payable of US$29,047,045. Currency balances were redenominated to USD at the spot rate on 30 November 2022.

The Company acquired 6 shares in SUSE Group UK Ltd with a nominal value of US$0.01 each and share premium of US$347,478,134.

Responsibility statement

We, Melissa Di Donato (Chief Executive Officer) and Andy Myers (Chief Financial Officer), confirm, to the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of SUSE S.A., and the Management Report for SUSE S.A., which has been combined with the Group Management Report, includes a fair review of the development and performance of the business and the position of SUSE S.A., together with a description of the material opportunities and risks associated with the expected development of SUSE S.A.

Melissa Di Donato
Member of the Management Board

Andy Myers
Member of the Management Board

Independent auditor’s report

To the Shareholders of
SUSE S.A.
11-13, Boulevard de la Foire
L-1528 Luxembourg
Luxembourg

REPORT OF THE RÉVISEUR D’ENTREPRISES AGRÉÉ

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of SUSE S.A. (the "Company"), which comprise the balance sheet as at 31 October 2022, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 October 2022 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (“Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (“CSSF”). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of “Réviseur d'Entreprises agréé” for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the annual report including the management report but does not include the annual accounts and our report of the “Réviseur d'Entreprises agréé” thereon.

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

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

Responsibilities of the Management Board and the Audit Committee for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Management Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

The Management Board is responsible for presenting the annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Our responsibility is to assess whether the annual accounts have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the Extraordinary General Meeting of the Sole Shareholder on 3 May 2021 for a period of three years.

The combined management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the annual accounts of the Company as at 31 October 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

– Annual accounts prepared in a valid xHTML format.

In our opinion, the annual accounts of SUSE S.A. as at 31 October 2022, identified as 213800C9JTKV8DLW6403-2022-10-31-en.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the annual accounts of SUSE S.A. as at 31 October 2022, identified as 213800C9JTKV8DLW6403-2022-10-31-en.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 18 January 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

Thierry Ravasio
Partner

EU Taxonomy, GRI Index and ESG data tables

EU Taxonomy

In the following section, we as a non-financial undertaking present the share of our group turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for the reporting period ending 31st October 2022. These KPI's are associated with Taxonomy-eligible economic activities related to the climate change mitigation and climate change adaptation objectives in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.

Our activities

A Taxonomy-eligible economic activity means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

A Taxonomy-non-eligible economic activity means any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.

A Taxonomy-aligned economic activity means an economic activity that complies with all of the following requirements:

a. the economic activity contributes substantially to one or more of the environmental objectives;
b. it does not significantly harm any of the environmental objectives;
c. it is carried out in compliance with the minimum safeguards; and
d. it complies with technical screening criteria in the delegated acts supplementing the Taxonomy Regulation

The only Taxonomy-eligible economic activity identified as per the Climate Delegate Act is the activity '8.1 Data processing, hosting and related activities'. This activity consists of the storage, manipulation, management, movement, control, display, switching, interchange, transmission, or processing of data through data centres, including edge computing. The economic activity in this category could be associated with NACE code J63.11 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Our process for defining eligibility

In the process of defining which of our activities were Taxonomy eligible, it was noted that some SUSE activities were not explicitly described but could be interpreted as eligible. In this reporting year, we have analysed our activities based on the room for interpretation that in our understanding the Taxonomy allows. As a result we have identified three categories into which our activities fit.

1. Activities that are explicitly eligible.

We have identified the following activities that meet the eligibility criteria set out in the taxonomy description of '8.1 Data processing, hosting and related activities':

i. SUSE ownership of servers held within third party data centre locations, utilised by SUSE, and;
ii. Provision of support and maintenance of SUSE products in a cloud-based infrastructure, whereby the hosting environment is managed and owned by a third party cloud service provider, that has been contracted by SUSE to host SUSE software solutions.

2. Activities that through interpretation could be deemed eligible.

The SUSE Linux Enterprise (SLE) product line supports the modernizing of data centre infrastructure through CPU enhancement. This infrastructure upgrade makes data processing more energy efficient, reducing energy consumption and consequently GHG's associated with this EU Taxonomy activity. We believe that our product is a part of a system that reduces the overall energy consumption of data centres. The energy efficiency of our product is difficult to parse from the overall product as there is no distinct product line associated with efficiency development. Through our interpretation of the taxonomy we believe that this SUSE activity could be eligible to 8.1 Data processing, hosting and related activities, but due to the current absence of data to quantify the exact GHG impact, Turnover and OpEx, we have decided to take a precautionary approach. We are further analyzing this activity to quantify the environmental and KPI impact that could be considered eligible for future reporting disclosures.

3. Activities that are eligible but not material

SUSE have a limited number of EV cars that are assigned to staff. We also support education through school programs and reforestation efforts with charitable donations. Although this spend is classed as OpEx it does not directly relate to our business activities and is deemed to be immaterial. For the purposes of this disclosure, they have been excluded, we will continue to track these activities in the event they become material and warrant inclusion in future disclosures.

SUSE's EU Taxonomy KPI's

$ millions, unless otherwise stated

Activity	Turnover	CapEx	OpEx
8.1 Data Processing and Hosting (eligible to climate change mitigation)	120.4	3.6	0.4
Non-eligible Activities	532.6	7.1	113.5
Total	653.0	10.7	113.9
% Proportion of Eligible Activities	18.4%	33.6%	0.3%

Accounting Policies

Turnover KPI

SUSE's Taxonomy-eligible Turnover as a percentage of total Turnover is 18.4%. This relates to revenue earned from Cloud service providers who host our products on their own data centres.

The numerator and total Turnover were determined according to IFRS, specifically IFRS 15, and matches total Turnover presented in SUSE's Consolidated Income Statements. For more information about how we recognize Turnover and the components of Turnover, see the Notes to the Consolidated Financial Statements, Note 7. In determining the KPI for Turnover, the share of Turnover that is Taxonomy-eligible (numerator) is divided by the total Turnover (denominator) which represents the financial year from 1 November 2021 to 31 October 2022.

CapEx KPI

SUSE's Taxonomy-eligible CapEx as a percentage of total CapEx is 33.6%. This reflects SUSE's investment in ICT data centre equipment that supports the processing of data in data centres.

The CapEx denominator includes additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The numerator is made up of the CapEx spend on ICT equipment for the data centre. In determining the KPI for CapEx, the share of CapEx that is Taxonomy-eligible (numerator) is divided by the total CapEx (denominator) in each case for the financial year from 1 November 2021 to 31 October 2022.

OpEx KPI

SUSE's Taxonomy-eligible OpEx as a percentage of total OpEx is 0.3%, reflecting the OpEx supporting/servicing of ICT assets in data centres. An activity is Taxonomy-eligibility once it meets the description of an economic activity laid down in the Climate Delegated Act. With this in mind, our use of a third party to service our ICT assets is deemed eligible.

The OpEx denominator includes direct non-capitalized costs relating to research and development, building renovation measures, short-term leases, maintenance and repair, and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets. The numerator consists of OpEx relating to the servicing of data centre assets. In determining the KPI for OpEx, the share of OpEx that is Taxonomy-eligible (numerator) is divided by the total OpEx (denominator) in each case for the financial year from 1 November 2021 to 31 October 2022.

GRI Index and ESG data tables

This report has been prepared in reference to GRI Standards, which meets the requirements of the European Non-Financial Reporting Directive (2014/95/EU). To support the topics discussed in the 'Managing responsibly' section, we have included the GRI Index and data tables below. Although, we cover a wide range of topics in the 'Managing responsibly' section, the following were identified as material topics and covered in the GRI Index below.

- Non-discrimination/Diversity & Inclusion.
- Employee Attraction & Retention/Training & Development.
- Privacy & Data security.
- Business Ethics & Compliance/Human rights.
- Open source Community.
- Green IT/Green Products and Solutions.
- GHG Emissions (linked with our key goals on climate action).

GRI content index	
Statement of use	SUSE has reported the information cited in this GRI content index for the period 1 Nov, 2021 – 31 Oct 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location (Page number)
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	About SUSE (page 2), Financial commentary (Page 46), Corporate governance statement (Page 101)
	2-2 Entities included in the organization's sustainability reporting	Financial commentary (Pages 42-56), Identifying and managing ESG material issues (Page 63)
	2-3 Reporting period, frequency and contact point	About this report (Page 1)
	2-4 Restatements of information	ESG Data Tables – Pillar 3 – Environmental matters (Page 257)
	2-5 External assurance	ESG in FY 2022 (Page 60), Managing responsibly – Partnering for impact (Page 62)
	2-6 Activities, value chain and other business relationships	About SUSE (Pages 2-3), 2022 highlights (Pages 4-5)
	2-7 Employees	Employee matters (Pages 69-70), ESG Data tables – Employee matters (Pages 249-255)
	2-9 Governance structure and composition	Report of the Supervisory Board (Pages 96-99), Corporate governance statement (Pages 100-118)

GRI Standard	Disclosure	Location (Page number)
	2-10 Nomination and selection of the highest governance body	Report of the Supervisory Board (Pages 96-99), Corporate governance statement (Pages 100-118)
	2-11 Chair of the highest governance body	Report of the Supervisory Board (Pages 96-99), Corporate governance statement (Pages 100-118)
	2-12 Role of the highest governance body in overseeing the management of impacts	Managing responsibly (Page 62), Report of the Supervisory Board (Pages 96-99), Corporate governance statement (Pages 100-118)
	2-13 Delegation of responsibility for managing impacts	Risk management and principal risks (Pages 82-91)
	2-14 Role of the highest governance body in sustainability reporting	Managing responsibly (Page 62), Identifying and managing ESG material issues (Page 63)
	2-15 Conflicts of interest	Corporate governance statement (Page 113)
	2-16 Communication of critical concerns	Business integrity (Page 78), Risk management and principal risks – Compliance management system (Page 84)
	2-17 Collective knowledge of the highest governance body	Corporate governance statement (pages 106-113)
	2-18 Evaluation of the performance of the highest governance body	Corporate governance statement (Pages 100-118)
	2-19 Remuneration policies	Corporate governance statement (Pages 100-118), Remuneration report (Pages 119-135)
	2-20 Process to determine remuneration	Corporate governance statement (Pages 100-118), Remuneration report (Pages 119-135)
	2-21 Annual total compensation ratio	Remuneration equality and transparency (Pages 67, 70 & 253)
	2-22 Statement on sustainable development strategy	Chief Executive Officer's letter (Pages 16-18)
	2-23 Policy commitments	Purpose, values and culture (Pages 6-9)
	2-24 Embedding policy commitments	Purpose, values and culture (Pages 6-9), Business integrity (Pages 78-81), ESG Data tables – Business integrity (Pages 258-259)

GRI Standard	Disclosure	Location (Page number)
GRI 2: General Disclosures 2021 (continued)	2-25 Processes to remediate negative impacts	Business integrity (Page 78), Risk management and principal risks – Compliance management system (Page 84)
	2-26 Mechanisms for seeking advice and raising concerns	Business integrity (Page 78), Risk management and principal risks – Compliance management system (Page 84)
	2-27 Compliance with laws and regulations	Business integrity (Page 78), ESG Data Tables – Business ethics & compliance (Pages 259)
	2-28 Membership associations	ESG in FY 2022 (Page 60-61)
	2-29 Approach to stakeholder engagement	Operating environment and stakeholders (Pages 19-23)
	2-30 Collective bargaining agreements	Employee matters (Pages 64-68), ESG Data Tables – Remuneration equality and transparency (Page 253)

GRI Standard	Disclosure	Location (Page number)
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Identifying and managing ESG material issues (Page 63)
	3-2 List of material topics	Identifying and managing ESG material issues (Page 63)
Procurement practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable procurement (Pages 80-81)
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	ESG Data Tables – Sustainable procurement (Pages 261)
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Business integrity (Pages 78-81)

GRI Standard	Disclosure	Location (Page number)
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Business integrity (Pages 78-81)
	205-2 Communication and training about anti-corruption policies and procedures	ESG Data Tables – Business integrity and success (Pages 258-259)
	205-3 Confirmed incidents of corruption and actions taken	ESG Data Tables – Business integrity and success (Pages 258-259)
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment matters (Pages 74-77)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	302-2 Energy consumption outside of the organization	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	302-3 Energy intensity	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	302-4 Reduction of energy consumption	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment matters (Pages 74-77)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	305-2 Energy indirect (Scope 2) GHG emissions	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	305-3 Other indirect (Scope 3) GHG emissions	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	305-4 GHG emissions intensity	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)
	305-5 Reduction of GHG emissions	ESG Data Tables – Pillar 3 – Environmental matters (Pages 256-257)

GRI Standard	Disclosure	Location (Page number)
Supplier environmental assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable procurement (Pages 80-81)
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Sustainable procurement (Pages 80-81), ESG Data Tables – Sustainable procurement (Page 261)
	308-2 Negative environmental impacts in the supply chain and actions taken	Sustainable procurement (Pages 80-81), ESG Data Tables – Sustainable procurement (Page 261)
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Matters (Pages 64-70)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee attraction and retention (Page 70), ESG Data tables – Employee attraction and retention (Pages 253-255)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Remuneration equality and transparency (Page 67), ESG Data tables – Remuneration equality and transparency (Page 253)
	401-3 Parental leave	ESG Data tables – Remuneration equality and transparency (Page 253)
Occupational health and safety		

GRI Standard	Disclosure	Location (Page number)
GRI 3: Material Topics 2021	3-3 Management of material topics	Health and safety (Pages 66, 69-70)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and safety (Pages 66, 69-70)
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and safety (Pages 66, 69-70)
	403-5 Worker training on occupational health and safety	ESG Data Tables – Health & Safety (Pages 251-252)
	403-9 Work-related injuries	ESG Data Tables – Health & Safety (Pages 251-252)
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	Training and development (Pages 67 & 70)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	ESG Data Tables – Business integrity and success (Pages 258)
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and development (Pages 67 & 70)
	404-3 Percentage of employees receiving regular performance and career development reviews	ESG Data Tables – Training and development (Pages 252-253)
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Diversity and inclusion (Pages 64-65 & 69)
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity and inclusion (Pages 64-65 & 69)

GRI Standard	Disclosure	Location (Page number)
	405-2 Ratio of basic salary and remuneration of women to men	ESG Data Tables – Remuneration equality and transparency (Page 253)
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	Non-discrimination (Pages 65 & 69)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	ESG Data Tables – non-discrimination (Page 251)
Local communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social matters (Pages 71-72)
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social matters (Pages 71-73)
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable procurement (Page 80)
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Sustainable procurement (Pages 80-81), ESG Data Tables – Sustainable procurement (Page 261)
	414-2 Negative social impacts in the supply chain and actions taken	ESG Data Tables – Sustainable procurement (Page 261)
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Data privacy and information security (Page 80)
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data privacy and information security (Pages 80-81), ESG Data Tables – Privacy & Data security (Pages 259-261)

Data tables for 4 ESG sub-sections

Pillar 1 – Employee matters

Diversity and inclusion

Total employees by business unit

Rancher refers to Rancher Government Solutions (RGS) employees

	Number of employees in FY22	
SUSE	2,331	97.2%
Rancher	67	2.8%
Total	2,398	100%

Employees by gender

FY	**FY22**		FY21	
Gender	**Number of employees**	**Percentage of employees (%)**	Number of employees	Percentage of employees (%)
Female	**542**	**22.6%**	449	22.0%
Male	**1,855**	**77.4%**	1,589	77.7%
Undisclosed	**1**	**0.0%**	7	0.3%
Total	**2,398**	**100%**	2,045	100%

Employees by employment type, by gender

Gender Employment type Number of employees Percentage of employees (%)

		FY22		FY21	
Gender	Employment type	**Number of employees**	**Percentage of employees (%)**	Number of employees	Percentage of employees (%)
Male	Part-Time	**48**	**2.0%**	44	2.2%
	full-time	**1,807**	**75.4%**	1,546	75.6%
Female	Part-Time	**30**	**1.3%**	21	1.0%
	full-time	**512**	**21.4%**	427	20.9%
Undisclosed	Part-Time	**1**	**0.0%**	1	0.0%
	full-time	**0**	**0.0%**	6	0.3%
Total		**2,398**	**100%**	2,045	100%

Employees by employment contract, by gender

Gender Contract type Number of employees Percentage of employees (%)

		FY22		FY21	
Gender	Employment contract	**Number of employees**	**Percentage of employees (%)**	Number of employees	Percentage of employees (%)
Male	Regular	**1,844**	**76.9%**	1,573	76.9%
	Temporary	**11**	**0.5%**	17	0.8%
Female	Regular	**528**	**22.0%**	436	21.3%
	Temporary	**14**	**0.6%**	12	0.6%
Undisclosed	Regular	**0**	**0.0%**	5	0.2%
	Temporary	**1**	**0.0%**	2	0.1%
Total		**2,398**	**100%**	2,045	100%

Employees by employment contract, by age group

Age Group Contract type Number of employees Percentage of employees (%)

	Number of employees	Percentage of employees (%)	Number of employees	Percentage of employees (%)	
Age Group	Regular	Regular %	Temp	Temp %	
Under 30 years old	268	11.2%	17	0.7%	
30-50 years old	1,476	61.6%	4	0.2%	
Over 50 years old	611	25.5%	0	0.0%	
Undisclosed	17	0.7%	5	0.2%	
Total	**2,372**	**98.9%**	**26**	**1.1%**	**2,398**

Employees by employment contract, by region

Employment contract Region Number of employees Percentage of employees (%)

		FY22		FY21	
Region	Employment contract	**Number of employees**	**Percentage of employees (%)**	Number of employees	Percentage of employees (%)
Asia Pacific	Regular	**160**	**6.7%**	142	6.9%
	Temporary	**1**	**0.0%**	1	0.1%
Europe, Middle East, and Africa (EMEA)	Regular	**1,208**	**50.4%**	1,040	50.9%
	Temporary	**17**	**0.7%**	26	1.3%
China	Regular	**204**	**8.5%**	189	9.2%
	Temporary	**0**	**0.0%**	1	0.1%
Latin America (LATAM)	Regular	**67**	**2.8%**	51	2.5%
	Temporary	**8**	**0.3%**	2	0.1%
North America	Regular	**733**	**30.6%**	592	28.9%
	Temporary	**0**	**0.0%**	1	0.1%
Total		**2,398**	**100%**	2,045	100%

Women leaders

% of women leaders (female employees In director level role of above):

64 of our 264 Director level or above positions are filled by females = 24.2%

Non-discrimination

Total number of incidents of discrimination:	0

Health & Safety

Work-related fatalities

	Employment contract	Employment type	Work-related fatalities	Rate of fatalities
FY22	**All**	**All**	**0**	**0%**
FY21	All	All	0	0%

Explanation

This is measured and recorded in the quarterly Health and Safety report to the Supervisory Board. As of 31 Oct 2022, there have been no work related fatalities.

Total work-related injuries

Total work-related injuries	0

Types of work-related injuries

	Type of work-related injury	Percentage of occurrence (%)
FY22	**Falls, slips, trips**	**0**
FY21	Falls, slips, trips	0

Explanation

This is measured and recorded in the board meeting report. As of 31 Oct 2022, there have been no injuries reported and therefore 'types of injury' is not relevant.

Worker training on occupational health and safety

	Employment contract	Employment type	Average hours of training	Number of employees
FY22	**All**	**All**	**1**	**2,331**
FY21	All	All	1	1,700

Description

The FY22 we provided COVID, Environment, Health and Safety and a DSE assessment and trainings. The COVID training (duration: 10 minutes) educates employees on new health and hygiene related protocols when working onsite. The mandatory Environment, Health and Safety training (duration: around 20 minutes) reviews laws, efforts, and workplace behaviors that protect the health and safety of our employees, the environment, and the public around the workplace. The DSE assessment (duration: 30 minutes) is designed to support and facilitate safer working conditions whilst working at home. Following the assessment, we send furniture and office equipment to employees (including chairs and desks) as needed.

* RGS employees did not record training data

Crisis24 Application	
FY22 Number of total users	**875**
FY21 Number of total users	500

Total number of employees

	FY22	FY21
Total number of employees	**2,398**	2,045
Total number of employees working from home	**1,767**	1,900

Explanation for FY22:
After COVID, the majority is of the work force is home based (1,767). The breakdown is:

Client Based	1
Hybrid	343
Office Based	287

Covid-19 Information

	FY22	FY21
Number of confirmed Covid-19 cases in the Company	N/A (no longer capturing)	43
Number of work from home employees that were helped with furniture/equipment	756	1,200
Value of the provided furniture/equipment to employees working from home (USD)	268,000	262,000

Training and development

Employees who received a regular performance and career development reviews

	FY22 (year-end)		FY21 (mid-year)	
By gender	**Number of employees**	**Percentage of employees (%)**	Number of employees	Percentage of employees (%)
Male	**1,727**	**77.4%**	1,183	79.1%
Female	**501**	**22.5%**	283	18.9%
Undisclosed	**3**	**0.1%**	29	1.9%
Total	**2,231**	**100%**	1,495	100%

	FY22 (year-end)		FY21 (mid-year)	
By category	**Number of employees**	**Percentage of employees (%)**	Number of employees	Percentage of employees (%)
Director and above	**252**	**11.3%**	143	9.6%
Non-Director people leader	**211**	**9.5%**	98	6.6%
Non-Director individual contributor	**1,768**	**79.2%**	1,254	83.9%
Total	**2,231**	**100%**	1,495	100%

Explanation for FY22

The performance data comes from our Year End Review Conversation – which covers Performance and Development. The overall total number of employees eligible for review at Year End was 2,231. The total number of SUSE employees eligible for review at Year End was 2,165. The total number of Rancher employees eligible for review at Year End was 66. This includes active employees and excludes some geographies temporary employees with benefits and anyone with a future termination event.

The below data only includes SUSE employees eligible for review at Year End.

Overall % Completion is 1,896/2,165 = 87%, and the same principle applies for the other breakdowns such as gender and level.

In addition to this process we also request annually for employees to complete their Career Profile in Workday. This is a voluntary activity but acts as a stimulus for the career conversation. 724 employees completed this activity meaning that we now have 1,782 career profiles completed in Workday. This activity helps to drive our overall company goal to ensure that in this financial year 20% or more of our employees have career moves (lateral and promotions). We achieved 18.8% (SUSE employees) as of 31 Oct 2022, with more career moves expected in November following annual salary reviews.

Remuneration equality and transparency

Total compensation and benefits

FY22 Total compensation and benefits (USD)	389,261,000
FY21 Total compensation and benefits (USD)	470,190,000

Explanation

- Excluding share-based payment awards, the year-on-year change in total compensation and benefits is a 14.2% increase resulting from an increase in headcount and progressing our employees' salaries.
- Part time employees have access to the same benefits as Full time employees, however temporary employees will not have access to benefits, leave or stock ownership unless legally required.
- We follow every country's statutory requirement for parental leave.
- Collective bargaining agreements with unions are only made in countries where legally required.
- Definition used for 'Significant locations of operation' – Countries where there are 100 or more employees.
- Significant location of operations – USA, Germany, China, Czech Republic, UK.

	FY22	FY21
Female / Male Compa-Ratio	Female Compa-Ratio is 97.3% of the Male Compa-Ratio in SUSE's top five countries. (-2.54% from FY21)	Female Compa-Ratio is 99.84% of the Male Compa-Ratio.

Employee attraction and retention

New employee hires

	FY22	FY21
Total number of employee hires	**737**	800
New employee hire rate (% of total employees)	**30.7%**	39.0%

New employee hires, by age group

Age group	FY22 Number of new employee hires	FY22 Percentage of new employee hires (%)	FY21 Number of new employee hires	FY21 Percentage of new employee hires (%)
Under the age of 30	**176**	**23.9%**	204	25.5%
Between the ages of 30 and 50	**429**	**58.2%**	489	61.1%
Over the age of 50	**123**	**16.7%**	100	12.5%
Undefined	**9**	**1.2%**	7	0.9%
Calculated total	**737**	**100%**	800	100%

New employee hires, by gender

Gender	FY22 Number of new employee hires	FY22 Percentage of new employee hires (%)	FY21 Number of new employee hires	FY21 Percentage of new employee hires (%)
Female	**183**	**24.8%**	219	27.4%
Male	**532**	**72.2%**	575	71.9%
Undisclosed	**22**	**3.0%**	6	0.8%
Calculated total	**737**	**100%**	800	100%

New employee hires, by region

Region	FY22 Number of new employee hires	FY22 Percentage of new employee hires (%)	FY21 Number of new employee hires	FY21 Percentage of new employee hires (%)
Asia Pacific	**72**	**9.8%**	82	10.2%
Europe, Middle East, and Africa (EMEA)	**315**	**42.7%**	276	34.5%
China	**47**	**6.4%**	100	12.5%
Latin America (LATAM)	**32**	**4.3%**	25	3.1%
North America	**271**	**36.8%**	317	39.6%
Calculated total	**737**	**100%**	800	100%

Employee turnover

	FY22	FY21
Employee turnover number	**432**	405
Employee turnover rate in percentage	**18.7%**	21.2%

Explanation

FY22 All Employee Turnover

All Employee Terms over 12 months: 432
Average Employee HC over 12 months: 2,316
432/2,316 = 18.7%

Employee turnover rate by type

	FY22	FY21
Voluntary employee turnover rate	**16.2%**	15.6%
Involuntary employee turnover rate	**2.5%**	5.6%

Employee Volunteering

	FY22	FY21
Total number of employee voluntary hours	**2,480**	1,224
Average number of voluntary hours per employee	**1.1**	0.6

Explanation for FY22
All permanent employees are eligible for 2 x paid volunteering days in 2022. This calculation is based on days taken in FY22 (1 Nov 21 to 31 Oct 22).

Calculation:	
Total number of employee volunteer days/Average Employee HC over 12 months (1 Nov 2021 – 31 Oct 2022) for SUSE employees	
2,480/2,255.2 =	1.1

* RGS employees did not record Employee Volunteering data

Pillar 2 – Social matters

openSUSE

	FY22	FY21
Number of nonSUSE contributors to openSUSE Tumbleweed	**444**	139
Percentage of nonSUSE contributors to openSUSE Tumbleweed	**61%**	69.8%
Rancher downloads	**46M**	
NeuVector downloads	**1.5M**	

Explanation
The above data is generated by analyzing the authors of submit requests to openSUSE Tumbleweed, the rolling community release of openSUSE in the time between 1 Nov 2021 and 31 Oct 2022. The NeuVector downloads is accumulated as of 31 Oct 2022.

Number of accounts in the openSUSE build service: 86,569

openSUSE community engagement

	FY22	FY21
Number of the events organized	**3**	3
Average number of SUSE participants per event	**147**	81
Average number of Non-SUSE participants per event	**128**	366

Explanation for FY22
3 Larger Events in addition to biweekly community meetings:

- openSUSE Conference (global) – 265 registered and much higher attendees
- openSUSE Asia Summit (global) – 76 registered and much higher attendees
- openSUSE Summit OSCAL (Albania) – 100 attendees

Two out of the three events were hybrid conferences. This meant there was a physical and virtual aspect to the conference. The openSUSE. Asia Summit was fully a virtual event. With events returning to a physical location, a lower than usual attendance (before covid) was expected. The events were within expectation of the amount of people we expected to attend based on some people's apprehension to attend a physical event, which is why we offered a dual physical/virtual event for the two events in Europe.

Pillar 3 – Environmental matters

Green ops – Emissions

Calendar Year	Total direct (Scope 1) GHG emissions (t CO_2e)	Emissions from Electricity – Location based (t CO_2e)	Emissions from Electricity – Market based (t CO_2e)	Emissions from District cooling – Location based (t CO_2e)	Emissions from District cooling – Market based (t CO_2e)	Energy indirect GHG Emissions – Scope 2 location based (t CO_2e)	Energy indirect GHG Emissions – Scope 2 market based (t CO_2e)	GHG emissions – Scope 1 and 2 location based (t CO_2e)	GHG emissions – Scope 1 and 2 market based (t CO_2e)	GHG emission intensity (t CO_2e / square meter of office area)	Total other indirect (Scope 3) GHG emissions (t CO_2e)
2021	**162.5**	**1,794.0**	**2,516.4**	**139.7**	**139.7**	**1,933.7**	**2,656.0**	**2,096.1**	**2,818.5**	**0.13**	**32,751.8**
2020	173.8	3,458.0	4,485.0	63.4	63.4	3,522.0	4,549.0	3,695.0	4,722.0	0.25	17,261.0

CY 21 Scope 3 Category	Emissions (t CO_2e)	% of total
Purchased goods and services	19,863.0	61%
Capital goods	2,797.0	9%
Fuel and energy-related activities	571.7	2%
Waste generated in operations	11.0	0%
Business travel	6,032.6	18%
Employee commuting	3,476.5	11%
Grand Total	**32,751.8**	**100%**

Explanation
The reporting period is calendar year 2021 for the calculated fields. Due to the nature of SUSE's operation, only three greenhouse gases are considered to be released in significant quantifies for tracking; CO_2, CH4, and N2O.

Emission calculation

- For the purposes of setting inventory organizational boundaries, SUSE has adopted the Operational Control approach.
- SUSE's GHG Inventory follows the guidelines set forth in the Greenhouse Gas Protocol (GHG Protocol),which was developed by the World Business Council for Sustainable Development (WBCSD) in collaboration with the World Resources Institute (WRI).
- Scope 1: Direct Sources – are emissions from sources that are owned or controlled by SUSE directly. Activity data and emissions include on-site stationary combustion of fossil fuel burning equipment (e.g., heating boilers) or process-based emissions (e.g. back-up electricity generators). Also included, are emissions from Company-owned or leased vehicles, for whose fuel purchase SUSE is responsible.

- Scope 2: Indirect Sources – are emissions associated with the consumption of purchased or acquired electricity. Activity data and emissions include the purchase of electric power, steam, heating & cooling from the local utility.
- Scope 3: Indirect Sources – all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 data was estimated for the purpose of materiality assessment using the Quantis Tool, linking input data on company activities and expenditures to a combination of economic input output and process life cycle inventory data.

GHG emission intensity:
= (Scope 1 + Scope 2 (MB))(metric ton of carbon dioxide equivalent)/office area (square meter)

Green ops – Energy

Calendar Year	2021	2020
Energy consumed from Natural gas (kWh)	**704,330.9**	716,345.0
Energy consumed from Diesel (kWh)	**133,330.0**	109,530.0
Non-renewable district cooling (kWh)	**63,129.7**	28,800.0
Energy intensity (kWh / office area)	**308.4**	518.1
Total energy consumed within the organization (kWh)	**6,179,139.7**	9,807,849.3
Total electricity purchased that is renewable (kWh)	**35,500.0**	3,811.0
Percentage of renewable electricity (%)	**0.67**	0.04
Purchased non-renewable electricity (kWh)	**5,242,849.3**	8,949,363.0
Total purchased electricity (kWh)	**5,278,349.3**	8,953,174.0

Energy consumption at sites with data centres: 5,038,789.5 kWh (81.5 % of total consumption)

Explanation
The reporting period is calendar year 2021 for the calculated fields.

Total energy consumed within the organization:
= the sum of all Scope 1 & 2 consumption (natural gas, diesel, electricity, district cooling)

Energy intensity:
= energy consumption (kWh)/ office area (square meter)

As part of our FY22 reporting cycle, we adjusted our calendar year 2020 emissions and energy consumption inventory to account for significant changes and issued an internal GHG Emissions Recalculation policy. These changes were made due to more accurate measuring of site locations and more accurate natural gas consumption methods. We updated the calendar year 2020 emissions and energy consumption to report the correct progress.

Business integrity and success

Complete policy trainings status

Training	Number of SUSE employees who completed the training	Completion rate as of 31 Oct 2022
Environment, Health & Safety	1,577	67.6%
Interview Compliance and Fair Hiring	276	68.0%
Preventing Discrimination and Harassment (all)	2,092	89.7%
SUSE Code of Business Ethics (SUSE COBE)	1,965	84.3%
Unconscious Bias	1,977	84.8%
Anti-Bribery and Anti-Corruption Policy (ABC Policy)	2,001	85.8%
Personal Data Protection and Governance (GDPR)	1,588	68.1%
Workplace Diversity, Inclusion and Sensitivity	2,115	90.7%

Explanation
The policy trainings were rolled out to 100% of the 2,331 SUSE employees (except training for management level) – 406 employees

*RGS employees did not record Employee Training data

Incidents of corruption

	FY22	FY21
Total number of confirmed incidents of corruption	**0**	0
Number of public legal cases regarding corruption brought against the organization or its employees during the reporting period	**0**	0
Total amount of monetary losses as a result of legal proceedings (USD)	**0**	0
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	**0**	0
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	**0**	0

Internal communication anti-corruption policies and procedures to employees		
	FY22	FY21
Total number of employees that the organization's anti-corruption policies and procedures have been communicated to	**2,398**	2,045
Percentage of employees that the organization's anti-corruption policies and procedures have been communicated to	**100%**	100%

External communication of anti-corruption policies and procedures	
Type of business partners:	
Suppliers receive a Supplier Code of Conduct which includes requirements around anti-corruption	
Total number of suppliers that the organization's anti-corruption policies and procedures have been communicated to:	84
Percentage of suppliers that the organization's anti-corruption policies and procedures have been communicated to:	7%
Asia Pacific	8
Europe, Middle East, and Africa (EMEA)	45
China	7
Latin America (LATAM)	1
North America	23
Total	84

We did not record the data for communicating the anti-corruption policies and procedures to the suppliers in FY21.

Non-compliance with social laws and regulations	
Total monetary value of significant fines:	0 USD
Total number of non-monetary sanctions:	0

Explanation

All business partners have been notified via the public facing website of www.suse.com. The policies relating to Anti-Bribery & Anti-Corruption as well as the Company's Code of Business Ethics and the Supplier Code of Business Ethics, are available in the public domain via the suse.com website. Anti-corruption is a legal requirement and compliance ensure the business remains above aboard not only in eyes of the law but also with respect to its ethical and moral obligations and position.

Privacy & Data security

SUSE has appointed an external Data Protection Officer DPO and has registered this DPO with its supervisory authority, the Bayerisches Landesamt für Datenschutzaufsicht. Contact from data subjects with relation to privacy matters is handled through a managed/dedicated email address – privacy@ suse.com. Data Subject Access Requests for access and/or deletion are handled using SUSE's OneTrust (the number one most widely used platform to operationalize privacy, security and data governance) based workflow to ensure such requests are properly and diligently completed and documented accordingly.

SUSE has appointed VP of Information Security as a Global Chief Information Security Officer (CISO) with the responsibility for the whole organization security. CISO is accountable to the Cyber Security Oversight Committee – final governance body chaired by SUSE executive leadership.

In addition, in accordance with the industry best practices for the secure software development lifecycle, dedicated solution security team is embedded into the core Engineering & Innovation organization, to be the integral part of the development process.

Substantiated complaints concerning breaches of customer privacy and losses of customer data

	Number of substantiated complaints received concerning breaches of customer privacy	
	FY22	FY21
Complaints received from outside parties and substantiated by the organization	**0**	0
Complaints from regulatory bodies	**0**	0

Total amount of monetary losses as a result of legal proceedings related to privacy (USD)

	FY22	FY21
Total amount of monetary losses as a result of legal proceedings associated with consumer privacy (USD)	**0**	0
Total amount of monetary losses as a result of legal proceedings associated with customer privacy (USD)	**0**	0
Total amount of monetary losses as a result of legal proceedings associated with data security and privacy (USD)	**0**	0
Total amount of monetary losses as a result of legal proceedings associated with user privacy (USD)	**0**	0

Data breaches
In FY22 there was no data breach where personal, SUSE or customer data were affected

	FY22	FY21
Number of data breaches	**0**	1
Percentage of data breaches involving confidential information	**0**	100%
Percentage of data breaches involving customers' confidential business information (CBI) or personally identifiable information (PII)	**0**	100%
Percentage of data breaches involving customers' protected health information (PHI)	**0**	0%
Percentage of data breaches involving personally identifiable information (PII)	**0**	100%
Number of account holders affected	**0**	500
Number of customers affected	**0**	420
Number of customers affected by data breaches involving customers' PHI	**0**	0
Number of customers affected by data breaches involving only customers' PII	**0**	420
Number of students affected	**0**	0
Number of users affected	**0**	500

Description of corrective actions implemented in response to data breaches

In case of data breaches, all affected customers will be notified by Chief Financial Officer (CFO) and the case will be reported to authorities. A Technical Incident Response team will establish to identify the root cause and remediate it – in collaboration with the affected public Cloud Provider.

Sustainable procurement

Procurement supports the business in obtaining the best value offer for SUSE from a range of different suppliers. SUSE have policies regarding Suppliers Code of Business Ethics which asks suppliers to confirm they have appropriate policies in place that at least match the local laws. It enables SUSE to make informed choices about how and who to undertake business with.

Procurement, in conjunction with legal team and the business stakeholder, are responsible for the initial due diligence of the supplier base and making sure they have signed up to date contracts before providing services to SUSE. Procurement are responsible for the commercial activities with the supplier and Legal look after the legal terms within any agreements. The Privacy & Data security team will ensure that data where it is stored by a supplier is safely and securely looked after. The Business stakeholder will look after the day to day activities with the supplier.

Suppliers and goods and services supplied

	FY22	FY21
Number of goods and services suppliers	**1,194**	1,179
Worth of goods and services purchased (USD)	**95,401,376**	76,100,000

Number of suppliers by region

	FY22		FY21	
Region	**Number of suppliers**	**Percentage of suppliers (%)**	Number of suppliers	Percentage of suppliers (%)
Asia Pacific	**116**	**9.7%**	118	10.0%
Europe, Middle East, and Africa (EMEA)	**704**	**59.0%**	658	55.8%
China	**76**	**6.4%**	74	6.3%
Latin America (LATAM)	**8**	**0.7%**	3	0.3%
North America	**290**	**24.3%**	326	27.7%
Total	**1,194**	**100%**	1,179	100%

New supplier screened using environmental and social criteria

Number of new suppliers screened	84	
Percentage of new suppliers screened	100%	

We have started engaging with new suppliers since Q2, FY22. New clauses have been added to our PO Terms and Conditions and our standard contract templates covering ESG policies.

In addition, SUSE also reached out to its 69 largest suppliers, to confirm agreement of its revamped Supplier COBE (including Sustainable Procurement Policy) and requested additional ESG & sustainable procurement policies & credentials for strengthening the visibility of its supply chain.

- 44 of 69 suppliers have responded (63.8%)
- 31 suppliers shared additional ESG credentials/policies (44.9%)

Glossary

Glossary of Alternative Performance Measures

This document contains certain alternative performance measures (collectively, "APMs") as defined below that are not required by, or presented in accordance with, IFRS, Luxembourg GAAP or any other generally accepted accounting principles. Certain of these measures are derived from the IFRS accounts of the Company and others are derived from management reporting or the accounting or controlling systems of the Group.

SUSE presents APMs because they are used by management in monitoring, evaluating and managing its business, and management believes these measures provide an enhanced understanding of SUSE's underlying results and related trends. The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of SUSE's operating results as reported under IFRS or Luxembourg GAAP. SUSE has defined each of its APMs as follows:

Annual Contract Value or ACV	represents the first 12 months value of a contract. If total contract duration is less than 12 months, 100% of invoicing is included in ACV.
Annual Recurring Revenue or ARR	represents the sum of the monthly contractual value for subscriptions and recurring elements of contracts in a given one month period, multiplied by 12. ARR is calculated three months in arrears, given backdated royalties relating to IHV and Cloud Service Providers, and hence reflects the customer base as of three months prior.
Adjusted Cash EBITDA	represents Adjusted EBITDA plus changes in contract liabilities (also referred to as deferred revenue) in the related period and excludes the impact of contract liabilities haircut (also referred to as deferred revenue haircut).
Adjusted Cash EBITDA Margin	expressed as a percentage, this APM represents Adjusted Cash EBITDA divided by Adjusted Revenue.
Adjusted Gross Profit	represents Adjusted Revenue less cost of sales adjusted for non-recurring items.
Adjusted Gross Profit Margin	expressed as a percentage, this APM represents Adjusted Gross Profit divided by Adjusted Revenue.
Adjusted Earnings per share	represents Adjusted Profit after Tax divided by the weighted average number of ordinary shares in issue during the period.
Adjusted EBITDA (AEBITDA)	represents earnings before net finance costs, share of loss on associate and tax, adjusted for depreciation and amortization of intangible assets, share-based payments, contract liabilities haircut, separately reported items, specific non-recurring items and net unrealized foreign exchange (gains)/losses.
Adjusted EBITDA Margin	expressed as a percentage, this APM represents Adjusted EBITDA divided by Adjusted Revenue.
Adjusted Effective Tax	represents the IFRS effective tax rate adjusted for the tax effect of adjusting items (those items adjusted for to arrive at Adjusted Profit before Tax).
Adjusted Profit before Tax	represents Adjusted EBITDA, less depreciation and amortization (excluding intangible amortization for customer relationships, intellectual property and non-compete agreements) less net finance costs.
Adjusted Profit After Tax	represents Adjusted Profit before Tax less notional average taxes.
Adjusted Revenue	represents Revenue as reported in the statutory accounts of the Group, adjusted for contract liability fair value adjustment (also referred to as deferred revenue haircut).

Adjusted unlevered Free Cash Flow or Adjusted uFCF	represents Adjusted Cash EBITDA less tangible capital expenditure related cash outflow, working capital movements (including commissions paid net of amortization of contract-related assets and excluding non-recurring items), cash taxes paid and leases paid.
Cash Conversion	expressed as a percentage, this APM represents Adjusted uFCF divided by Adjusted EBITDA.
Contractual Liabilities and Remaining Performance Obligations or "RPO"	a Contract Liability is an entity's obligation to transfer goods or services to a customer and is recognized in the Statement of Financial Position, when a payment from a customer is invoiced, before a related performance obligation is satisfied. A remaining performance obligation is a promise to transfer goods or services to a customer (with a contract agreed), at a point in the future, but is yet to be invoiced or recognized in the Statement of Financial Position.
Leverage	expressed as a multiple, Leverage is Net Debt divided by Adjusted Cash EBITDA.
Net Debt	represents the sum of current and non-current interest bearing borrowings (excluding unamortized capitalized arrangement fees, gains or losses on loan modifications), current and non-current lease liabilities, less cash and cash equivalents.
Net Retention Rate or NRR	expressed as a percentage, NRR indicates the proportion of ARR that has been retained over the prior 12-month period, which is inclusive of up-sell, cross-sell, down-sell, churn and pricing. It excludes ARR from net new logo End user customers. The NRR is calculated three months in arrears, aligned to the calculation of ARR.
Notional Tax	represents total income tax charge/credit for the year less the taxation charge/credit associated with adjusting items (those items adjusted for to arrive at Adjusted Profit before Tax).

Corporate Glossary

AI	Artificial intelligence.
Cloud Computing / Cloud	The on-demand delivery of IT resources – applications, storage, databases, networking and more – over the Internet, providing anytime/anywhere access to servers, files, images, documents and application services from any device with an internet browser.
Cloud Native	A programming approach of building and running applications to take advantage of the distributed computing offered by the cloud delivery model.
Containers	Form of virtualization that bundles the complete runtime environment for an application into one package, making them lightweight, portable and platform independent.
CSR	Corporate social responsibility.
DevOps	Software development and IT operations.
Edge Computing/ Edge	A decentralization of computation and storage nodes in between the sensors and cloud/core data center, as well as a market segment in which the Company operates.
Enterprise Container Management	Automates the deployment and management of containers and helps to deploy the same application across different environments without needing to redesign it.

Enterprise Linux	Linux operating system packaged with software tools and services designed for corporate, academic or business use.
Enterprise Operating Systems	Refers to an operating system packaged with software tools and services for corporate, academic or business use as well as one of the market segments in which the company operates.
GTM	Go to market, representing SUSE's approach to selling to customers through multiple channels.
HPC	High-performance computing.
Hybrid Cloud	Describes the integration of public and private cloud, based on orchestration of platforms and software.
Hyperscaler	Large company offering infrastructure, platform and hosted cloud services allowing customer organizations to increase computing resources as required.
IHV	Independent hardware vendor, where SUSE's solutions are pre-loaded onto servers.
IoT	Internet of things.
ISV	Independent software vendor.
Kubernetes Management	Container orchestration platform that helps manage distributed, containerized applications at massive scale.
Linux	Freely distributable, cross-platform operating system that can be installed on PCs, laptops, netbooks, mobile and tablet devices, servers, and supercomputers.
ML	Machine learning.
MSP	Managed service provider.
Multi-cloud	Model of cloud computing using two or more public or private clouds, or a combination.
Open Source	Software for which the original source code is made freely available and may be redistributed and modified.
Paid Linux	Linux operating system, typically includes software subscription with proprietary add-on tools, packages and services plus certifications.
Public Cloud	Off-premises cloud computing infrastructure for the general public provided by the internet.

SUSE financial calendar

16 March 2023	Release of Q1 results
23 March 2023	Annual General Meeting
6 July 2023	Release of Q2 results and H1 financial report
21 September 2023	Release of Q3 results
18 January 2024	Release of Q4 and FY23 results
18 January 2024	Publication of FY23 annual report

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