Financial highlights

Annual contract value / Growth
$490.6M
+26%

Adjusted revenue / Growth
$575.9M
+15%

Adjusted EBITDA / Growth / Margin
$212.1M
+22% / 37%

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

Who is SUSE?

Everything in our world is connected. By connecting the right people, the right ideas and the right dots, we move forward. A single thought can lead to incredible innovation, and when we work together, incredible change happens. It’s what we at SUSE refer to as “the Power of Open.”

This is how SUSE was built. SUSE customers, partners, employees and open source communities (the SUSE Diamond), sharing the belief that any problem can be solved together. That the whole is greater than the sum of its parts. So in a world where everyone wants to be the best at everything, here’s the one thing we want to be number one at: happy customers. We are here for those who seek clear answers to complicated questions; for those who need agility and stability in one solution. And we’ve already been solving customers’ problems for nearly 30 years.

Every day, we live our purpose to be open in our roots, open in our approach. We liberate customers to innovate. At SUSE, we have stood the test of time through an obsession with continually adding value to the customer experience. We help our customers achieve the highest pinnacles of their innovation – turning them into innovation heroes.

We do this by empowering our people to do their best, most creative and purposeful work with SUSE. A key foundation for our continued and accelerating success is the environment that everyone at SUSE has co-created and will continue to advance. Innovation is in our DNA, and it’s what makes us special.

#InnovateEverywhere

What SUSE offers

SUSE is one of the world’s largest open source companies. Thousands of customers globally trust SUSE with their most mission-critical needs. Our customers represent 60% of the Fortune 500, and 85% of all SAP HANA deployments run on SUSE Linux Enterprise Server.

At SUSE, we were one of the first to recognize the power of open source, pioneering the harnessing of open source software innovation for the enterprise. We were also the first company to bring Linux to enterprise customers.

Our solutions already power everything from autonomous driving to CAT scan and mammogram machines. Our open source software is embedded inside of air traffic control systems, weather forecasting technologies, trains and even satellites. To turn more customers into innovation heroes we have continued to transform our business over the last 12 months.

SUSE offers clear differentiation that is meaningful to our customers:

First is through our open approach. Unlike our competitors we provide truly open and interoperable solutions, giving our customers the flexibility to leverage best-in-class solutions and technology.

Next, we are focused on mission-critical workloads. Our solutions support some of the world’s toughest workloads from on-premises, to the cloud and to the Edge.

Our third area of differentiation is our cloud-native solution sets. SUSE’s solutions are optimized for modern use cases, such as management and optimization of both multi- and hybrid-cloud environments.

Finally, we strongly believe that SUSE offers the best support for large-scale enterprises.

Read more about our Strategy on page 22
Read more about our Customers on page 30
The SUSE Linux Enterprise family provides a stable, secure and well-supported Linux operating system for mission-critical workloads such as SAP S/4HANA and other solutions.

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

1. **Business-Critical Linux**

2. **Enterprise Container Management**

3. **Edge**

SUSE Rancher solutions enable our customers to standardize cloud-native workload operations across all devices and landscapes, including with end-to-end security meeting the highest standards thanks to SUSE’s NeuVector technology. By offering the most widely used container management platform, SUSE Rancher is well positioned to remain the most widely used Enterprise Container Management platform in the market, growing in the high double-digits.

Our new 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.
2021 highlights

In 2021 we:

**Became a publicly listed company on the Frankfurt Stock Exchange**
Giving us a new platform to accelerate our growth through acquisitions, enhance our core offerings and better harness emerging technologies.

*See CEO Letter on page 12*

**Made game-changing acquisitions to lead in Hybrid Cloud**
Acquired Rancher Group (Rancher) in November 2020, which revolutionized our Enterprise Container Management offering. We launched Rancher Desktop in June and the latest version of SUSE Rancher in September. In October we acquired NeuVector to strengthen container security.

*See Strategy on page 22
See Product and Innovation on page 26*

**Defined our ESG vision and broke new ground**
A new ESG vision is ensuring SUSE makes the most of our new public listing responsibility. Throughout and beyond the Covid-19 pandemic we harnessed our open source values to support employees and communities in need.

*See Managing responsibly on page 58*

**Delivered innovation to products and introduced new open source projects**
Major updates across all three product families including SLE 15 SP3, SUSE Rancher 2.6 and SUSE Edge as well as accelerated speed of innovation through beta releases of open source projects including hyperconverged infrastructure solution Harvester, Rancher Desktop and Epinio.

*See Product and Innovation on page 26*

**Accelerating SUSE’s growth**
SUSE has strong FY21 momentum, building on 10 years of uninterrupted growth

We have a solid financial profile with a unique combination of fast-growing recurring revenues at scale as well as attractive adjusted profitability and cash generation. With our recent IPO on the Frankfurt Stock Exchange, we have never been more ready to accelerate our growth by innovating everywhere with our customers, partners, employees and communities.
### Key financials

<table>
<thead>
<tr>
<th></th>
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<th>^{\text{Growth}}</th>
<th>^{\text{Margin}}</th>
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<tbody>
<tr>
<td><strong>ACV</strong></td>
<td>$490.6M</td>
<td>+26%</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>$212.1M</td>
<td>+22%</td>
<td>37%</td>
</tr>
<tr>
<td><strong>ACV in Core</strong></td>
<td>$406.1M</td>
<td>+18%</td>
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<tr>
<td><strong>Adjusted Cash EBITDA Margin</strong></td>
<td>48% vs 36% prior year</td>
<td></td>
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<tr>
<td><strong>Adjusted unlevered free cash flow</strong></td>
<td>$200.2M</td>
<td>+54%</td>
<td>94%</td>
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<tr>
<td><strong>Adjusted Revenue</strong></td>
<td>$575.9M</td>
<td>+15%</td>
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<td><strong>ACV in Emerging</strong></td>
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<td><strong>Adj. Cash EBITDA</strong></td>
<td>$278.2M</td>
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<td><strong>Leverage</strong></td>
<td>2.6X vs 5.0X prior year</td>
<td></td>
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<tr>
<td><strong>Acquisitions</strong></td>
<td>2: Rancher Group and NeuVector</td>
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### Thriving in our ecosystem

<p>| | | |</p>
<table>
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</thead>
<tbody>
<tr>
<td><strong>Global partners</strong></td>
<td>10,000+</td>
<td></td>
</tr>
<tr>
<td><strong>Active Rancher users</strong></td>
<td>53,000+</td>
<td></td>
</tr>
<tr>
<td><strong>Women in leadership positions</strong></td>
<td>20.5%</td>
<td></td>
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<tr>
<td><strong>Value of deals with ACV in excess of $1M</strong></td>
<td>$96.9M</td>
<td>in more than 30 countries</td>
</tr>
<tr>
<td><strong>Global Employees</strong></td>
<td>2,000+</td>
<td></td>
</tr>
</tbody>
</table>
Purpose, values and culture

Our visionary people

Our accountable leaders

Our community-inspired culture

Powered by our values

Our purpose

We are open in our roots, open in our approach: we empower our customers to innovate everywhere
At SUSE, our purpose is simple, yet profoundly powerful: We are open in our roots, open in our approach. We empower our customers to innovate everywhere.

This makes it easy for us to know when we are fulfilling our purpose at SUSE. It’s every time we help a customer become an innovation hero.

By harnessing the Power of Open we are able to offer our customers possibilities with no limits – from the data center, to the cloud, to the Edge and beyond. And when we say beyond, we mean it. In FY21, SUSE worked with customer Hypergiant to deploy in the most hostile environment of all, putting Kubernetes clusters to work in orbit on satellites for the first time. At SUSE, we really do empower customers to innovate everywhere.

Read more about how SUSE is innovating in our Customers section on page 30

To achieve our purpose, we stay true to our ambitious vision: powering open source innovation everywhere. At SUSE we are on a continuing strategic mission to make this vision a reality and enable a better future for the world. By daring to be different, SUSE can deliver more meaningful solutions for our customers, employees, partners and communities (the SUSE Diamond). We do this by harnessing the power of open collaboration to fuel long-term value creation for our stakeholders.

Read more about how SUSE is innovating in our Managing responsibly section on page 58

Our vision
Powering open source innovation everywhere

1. Our unique and vibrant culture
SUSE’s culture is deeply rooted in the ethos of the open source community, valuing collaboration, openness, inclusivity and ensuring we have fun along the way. We are intensely focused on the success of our customers and our partners. Our team is always striving to solve all the business challenges of tomorrow, today.

2. Our commitment to open innovation
A key SUSE differentiator is our commitment to open source and open innovation. We contribute, participate and drive meaningful innovation with various open source communities. Innovation that we democratize and make available to the world without any barrier to entry, all driven by a strong, inclusive business model that values diverse opinions. 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 open source because it means access to cutting-edge innovations, flexibility to move at the pace they need, and choice to shape their success the way they want. And they choose SUSE because we are the most open, and we have their best interests at heart. Our culture doesn’t just enable us to optimize workflows, it helps SUSE create optimal solutions that are hugely powerful, yet extremely reliable, helping our customers and collaborators address global challenges such as enhancing cyber security, protecting human rights and tackling climate change.

3. Our passion for driving impact and doing good in the world
At SUSE we believe open source, and being open, breaks down barriers. It extends across geographies, gender and political affiliations. We are an inclusive organization, ensuring all our people feel supported so they can do their best work. Our employees can join networks like our Women in Tech network, our Pride at SUSE network and our sustainability at SUSE network, called GoGreen. We also believe in giving back to our community. Every employee has the opportunity to provide financial donations on SUSE’s behalf to charities all around the world through our philanthropic giving program, SUSECares. 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 one tree in Madagascar for every employee at SUSE. We chose Madagascar because it is home to our company mascot.
At SUSE we don’t just dream, we do; we don’t just talk, we act; we don’t just promise, we prove. This is SUSE and it’s what makes us unique. It’s also why we continue to earn the long-term trust of our stakeholders in the SUSE Diamond. Our leadership team is laser-focused on creating a culture inspired by openness and diversity, where we collaborate without boundaries, and we 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.

At SUSE, we are utterly obsessed with delivering on our commitments to our stakeholders, doing what we say and saying what we do. It’s an obsession built on a long legacy of open source-led innovation, giving us a uniquely strong standing among the open source 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 deliver 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. We dare ourselves and each other to be different in every single way, every single day.

Our Code of Business Ethics (COBE) sets out the standards of conduct expected, without exception, of everyone who works for SUSE in any of its 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 concerning the following:

• Diversity, Inclusion and Equal Opportunities Policy.
• Supplier Code of Business Ethics.
• Anti-bribery and Corruption Policy.
• Whistleblowing Policy.
• Anti-slavery and Human rights statement.
• Charitable Donations and Political Activities.
• Conflicts of Interest.
Everything we do at SUSE is driven fully by the Power of Open. This is built into our values, which were defined more clearly in 2019 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.

Known as LOVE – “Living Our Values Everyday” – it is the ethos that drives the entire SUSE team. Our values are our North Star, and they will serve as our guide as we enter the next stages of growth. They include:

**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.

**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 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 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.

These values actively support the Company’s priorities, encouraging consistent behaviors across the Company. They have also helped us create a strong ESG vision for SUSE to always ensure we manage SUSE responsibly with maximum input from the SUSE Diamond.

Read more in Managing responsibly on page 58
Open & Collaborative
“Amid a challenging macro environment, FY21 turned out to be a remarkable year for SUSE. We made two acquisitions and went public on the Frankfurt Stock Exchange – all while delivering strong financial results, giving back to the community and adding immeasurable value to our customers. None of this would have been possible without the trust and partnership of our stakeholders.”

Melissa Di Donato
Chief Executive Officer
Dear shareholders,

FY21 has been a pivotal year for SUSE. Amid a challenging macro environment, FY21 turned out to be one of the most remarkable 12 months in SUSE’s 29-year history. We made solid progress and celebrated new milestones, all while staying true to our purpose of empowering our customers to innovate everywhere with open source.

To name a few highlights:

In November 2020, we consolidated our position in the Enterprise Container Management industry with our acquisition of Rancher Group – a leader in Kubernetes management. Rancher is also one of the industry’s most widely adopted solutions for managing any Kubernetes distribution across all environments. With this strategic addition to the SUSE solution stack, we are advancing our vision of powering open source innovation everywhere.

In April 2021, we extended our expertise into the U.S. federal sector and made our mark in this highly regulated industry with the launch of our new business, SUSE Rancher Government Solutions.

In May 2021, we listed on the Frankfurt Stock Exchange – becoming the largest enterprise software IPO in Europe of 2021. With this milestone, we reaffirmed SUSE’s credibility and increased the visibility of our company as an important mission-critical technology partner for enterprises. We also broadened our access to additional funding which will accelerate our growth and enable greater employee engagement and retention, strengthening our unique and vibrant culture.

In October 2021, we capped the year with our acquisition of NeuVector, a leader in full lifecycle container security. NeuVector will enable customers to excel in end-to-end container security, delivering on an outstanding value proposition as a stand-alone offering, or as part of our SUSE Rancher solutions.

**High growth, high margins**

SUSE delivers exceptional performance as it achieves strong growth and high cash generation. Guided by our values, in FY21 we experienced an increase in revenue aided by a 26% rise in ACV (compared to the 12 months ended October 2020). We recorded over 36% year-on-year growth in Cloud ACV. We also saw a 27% increase in End user customer deals worth $1 million or more.

During the last year, our adjusted revenue at SUSE was $575.9 million, representing growth of 15% (on a pro-forma basis including Rancher in both years) and our adjusted EBITDA margin was 37%.

Our growth is powered by the increasing preference for digitalization among our customers, who rely on us for their mission-critical workloads and their ability to innovate everywhere.

Our success is grounded in our innovative product portfolio and strong execution capabilities, coupled with a sizable market and accelerated growth through our M&A strategy. I am confident SUSE will continue to expand well beyond the boundaries of today’s addressable market, reaching even more customers around the world.
In FY22, we will continue to focus on expanding our Business-critical Linux, Enterprise Container Management and Edge technology offerings. As SUSE assesses new opportunities in all three markets, we see huge potential to confidently and competently execute our growth strategy.

**Open source for good**

The SUSE team sits at the very heart of our success. It is my conviction that our success as a business is intrinsically linked to our ability to meet some of the world's most pressing needs. It is a privilege to lead a team that is empowered by open source and guided by our strong open source ethos.

At the onset of the pandemic, we offered free operating systems and container management technologies to organizations that were producing medical devices to fight the virus. Inspired by this movement, Microsoft decided to join us in this good work.

We also worked with organizations of all shapes and sizes to tackle the threat of the virus and to better understand the disease.

The Wellcome Sanger Institute, for example, works with SUSE to track the spread of Covid-19 and help understand the emergence of variants. Likewise, alongside some of the largest laboratories in the world, companies like Ruvos have chosen to work with us to track testing data across the USA.

In addition, we partnered with academic institutions such as Haifa University – home to over 18,000 students across the globe – to ensure that not a single hour of lectures was missed during the pandemic.

Climate change, too, has been on all our minds in the last 12 months.
Hypergiant, for example, is working with us to create the reusable satellite fleet of the future – tackling the growing concern around space junk.

Similarly, ZAMG is partnering with us to model weather patterns and earthquake activity, using data science to better understand the effects of climate change.

The UK-based Science and Technology Facilities Council’s JASMIN supercomputer, in collaboration with SUSE, is being used to model inner city temperature changes in a bid to help plan the sustainable cities of the future.

We have continually demonstrated value to our customers, partners, employees and open source communities – the “SUSE Diamond” – to address the wider needs of the world. This included being flexible with payment terms for customers who have been adversely affected by the pandemic, providing free software and training to help our customers fast track their digital transformation, and equipping our employees with unprecedented support and flexibility as they made the smooth transition to remote working.

SUSE has been and will continue to be a pillar of enduring support and collaboration with and for our Diamond.

Innovating sustainably

To broaden SUSE’s positive impact on society and the environment, we are committed to seeking better and more efficient solutions that will lead to sustainable outcomes for our customers and stakeholders.

Our new ESG (Environmental, Social and Governance) vision is a pledge of our continued commitment to our customers, partners, employees and communities.

Please read more in the section: Managing responsibly on page 58

Finally, I am enormously pleased that we have continued to give back to the community and deliver strong outcomes for our customers.

None of our progress would have been possible if not for the trust and partnership with all our stakeholders, including you. Thank you for your continued support.

As we look ahead to our fourth decade, I have never been more confident about our trajectory and the positive outcomes we will continue to deliver together for our customers, partners, employees, communities and the wider global community.

Melissa Di Donato
Chief Executive Officer
Macroeconomic conditions
Growth in the world economy has differed regionally during 2021 as a result of new Covid-19 surges and supply chain issues. There has been strong growth in markets such as the United States, which has benefited from strong fiscal stimulus. In China, growth has been moderated by more restrictive economic policies, and that is expected to continue in the near term.

In Germany, the largest market in Europe, the ongoing impact of the Covid-19 crisis constrained growth in 2021. Covid-19 had relatively less impact in the broader European area in 2021, where GDP is expected to slow in 2022 compared with 2021. However, the outlook in Europe, and globally, remains uncertain with new variants of Covid-19 continuing to disrupt supply chains and many types of economic activity.

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 projected to total $4.5 trillion in 2022, an increase of 5.5% from 2021, according to Gartner. Spending on enterprise software grew by 13.6% in 2021, driven by increased remote working during the pandemic, and it is projected to grow by a smaller 11.5% in 2022. 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.
- Increase of control, visibility and reliability of IT infrastructure as digitalization drives more IT capacity and explosive growth in data.

Open source as a foundation for innovation
Open source technologies underpin nearly all types of IT infrastructure and IT solutions as they are built upon the power of many, through community and user-led development. A range of key new and established technologies, like cloud computing, run predominantly on open source software. Open source is key for various uses — from container solutions and Edge to AI, machine learning and supercomputing. Open source based Android, for example, is dominating the mobile operating system market.

We see three strong, structural trends globally which are expanding the market for open source solutions, and our long-term strategy directly positions SUSE to take advantage of each. These are:

- Digitalization driving explosive growth in workloads and data.
- Enterprises moving fast to hybrid and multi-cloud architectures.
- Growth of mobile applications and IoT driving Edge computing, which is accelerating demand for Linux and containers.

Operating environment and stakeholders
Opportunities abound for our open source innovation
All these trends are accelerating demand for Linux and containers

<table>
<thead>
<tr>
<th>Global trend</th>
<th>Explosive growth in workloads and data</th>
<th>Enterprises moving to hybrid and multi-cloud architectures</th>
<th>Growth in Edge computing</th>
</tr>
</thead>
<tbody>
<tr>
<td>What it is</td>
<td>The surge in data processing required by digitization and business-critical workloads continues to fuel growth in Linux as the preferred operating system for running workloads both on-premises as well as in the public cloud. The Business-critical Linux market is forecast to grow at 12% CAGR through 2024 (source: BCG).</td>
<td>Companies are rapidly adopting cloud-native technologies such as Kubernetes, and container management technologies to simplify the deployment and management of applications across hybrid and multi-cloud infrastructure. SUSE’s SAM for container management is expected to grow at a CAGR of approx. 52%, reaching approx. $4.4B in 2024 (source: BCG).</td>
<td>Edge computing takes place outside the cloud and on-premises data centers and covers a wide range of applications running in cars, in healthcare equipment, in factories, retail stores and others. The Edge market is rapidly emerging with an estimated CAGR of 27% through 2024 (source: BCG).</td>
</tr>
<tr>
<td>How we are responding</td>
<td>Our SUSE Linux Enterprise is the industry’s only adaptable operating system, making it ideal for running a wide variety of workloads including High-Performance Computing, enterprise applications such as SAP, as well as latest AI/ML solutions. We will continue to innovate and enhance our strong position as the operating system of choice for mission-critical solutions, while at the same time expand our go-to-market capabilities.</td>
<td>Our continued investment in container management technology positions us well for fast growth in the market. Our SUSE Rancher container management platform is a leader in the industry, and we continue to innovate and differentiate our offering with open source projects like Harvester, a comprehensive open source hyper-converged infrastructure (HCI) solution that accelerates digital transformation. Our acquisition of NeuVector will further strengthen our differentiation in container management and security to create new opportunities for growth.</td>
<td>SUSE is well positioned for rapid growth in this market, given Edge workloads’ heavy reliance on Edge-optimized operating systems and management of containerized workloads at massive scale. Leveraging our strengths in both Linux and Enterprise Container Management, we will continue to deliver innovative and unique Edge solutions while expanding our routes to market through partnerships with original equipment manufacturers (OEM), global system integrators (GSI) and independent software vendors (ISV).</td>
</tr>
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</table>
**Our key stakeholders**

The strength of our business is, in many ways, a reflection of the power of our relationships. We engage with all of our stakeholders to understand their needs and concerns, and we use this information in making strategic choices and developing open source solutions.

At SUSE, we aim to create value for all our key stakeholder groups, over both the short and long term. We consider our key stakeholder groups to be our SUSE Diamond ecosystem: customers, partners, open source communities and employees, as well as our investors.

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

### Stakeholder group and why they are critical

**Customers**

How our customers deploy technology will make a tangible difference to how they transform their business. We design our solutions that add value and enable our customers to innovate everywhere.

**How 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 obsessed with improving the customer experience and are always focused on highly satisfied customers by enabling them to grow their business.

We value our customers’ feedback as it helps us assess how well we are doing and where opportunities for improvement lie. In our annual customer survey, we were proud that we saw a growth in our NPS rating from 2020 and both SUSE and Rancher products were awarded a high satisfaction rating.

Our SUSE teams received excellent comments and reliability and high performance were selected as top brand attributes.

**Partners**

Our partners are often the crucial link between SUSE and our broad customer community. By fostering key partnerships, SUSE can provide more value for customers, while expanding our customer footprint. Our partners are also one of our biggest assets to communicate SUSE’s value through co-marketing.

Partners include Amazon, Google and Microsoft. Our partner ecosystem includes independent hardware vendors (IHV) such as HPE as well as independent software vendors (ISV) such as SAP and Cloudera.

We also have managed service providers (MSP) such as Atos who run our software to help customers on our behalf.

**What they tell us**

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

**How we respond**

To support our partners, 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 opportunity. This is all with a clear objective of fostering a virtuous feedback loop of innovation for collaborative success.

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**Read more about our approach to addressing customer needs and challenges on page 30.**

Open source 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 informs not only our code but SUSE’s 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 accomplished and aspiring cloud-native and open source practitioners to quickly and efficiently develop practical cloud-native and open source knowledge and 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, and hands-on practice and experimentation.

This is all supported by regular and targeted webinars for open source communities, as well as our annual conference SUSECON. 2021 was the second year we ran SUSECON remotely, further expanding digital inclusion.

Read more about digital inclusion at SUSE on page 58 in our Managing responsibly section.

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 within and are the face of SUSE for our customer base.

What they tell us

Our employees value the unique and vibrant inclusive culture that we all co-create here at SUSE. They value our team spirit 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 diversity 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 58 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, open source solutions — and the high barriers to entry in this space.

How we respond

We manage the business with a view to delivering long-term sustainable value creation through delivering on our high growth and high margin potential. We communicate regularly with our shareholders to explain the 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 which is reflected in our future planning.
Business model

How open source powers innovation

<table>
<thead>
<tr>
<th>Inputs</th>
<th>People capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,000+ ambitious, engaged employees in more than 30 countries</td>
</tr>
<tr>
<td>Relationship capital</td>
<td>Financial capital</td>
</tr>
<tr>
<td>Customers, partners, open source communities</td>
<td>High AEBITDA profits and cash generation</td>
</tr>
</tbody>
</table>

SUSE leverages code and software that comes from the upstream community, which its engineers further develop and refine to make more efficient and ready for deployment to enterprise customers.

This open source ethos creates a virtuous circle. SUSE leverages valuable contributions from the community which, in turn, allows it to build better, more stable, and more resilient products that benefit both SUSE’s customers and the open source community.

Innovation at SUSE

SUSE’s current offerings, all grounded in our open source heritage, 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.

Further details on page 26
The Power of Open

**Open source communities**
SUSE works closely with open source communities to drive, build and refine the technologies

**Customers and partners**
How our customers and partners deploy technology will make a tangible difference to how they transform their business

**Software & services subscriptions**
Our products and services meet customer and partner requirements

**SUSE developer community**
We bring together accomplished and aspiring cloud-native and open source practitioners

**SUSE product development**
Our products are across three categories: Business-critical Linux, Enterprise Container Management and Edge

---

**Outputs**

**People capital**
*Employee retention*
93%

**Relationship capital**
*Net retention rate*
110.4%

**Financial capital**
*Adjusted Cash EBITDA Margin*
48%
Strategy

Our strategy
At SUSE, we are on a mission to be the most innovative, trusted leader in providing open source solutions and technologies. To ensure SUSE’s future is even brighter, we have charted a strategic path to become the global leader in open source software infrastructure. Our long-term strategy, strengthened by our core differentiators, will help us capitalize on ongoing digital transformation, supporting substantial growth. For more information on SUSE’s differentiators, see What SUSE offers on page 2.

Pillar 1
Organic growth acceleration
We will grow our core enterprise-grade Linux solutions and emerging technologies by focusing on five growth levers:
- Commercial excellence
- Underserved markets
- Accelerators
- Cross-selling
- New solutions including Edge initiatives

Progress in 2021: We achieved significant growth in underserved markets, and the Rancher growth story continued with extremely successful cross-selling. We also set up dedicated teams to support the launch of our Edge offering and improve our pricing approach to better meet customer needs.

Outlook: Our near-term focus is on continuing to grow in Business-critical Linux and Enterprise Container Management, plus capturing market share in Edge and winning in other ecosystems with the goal to extend our excellent support towards new customers and partners as they pursue digital transformation.

Pillar 2
Platform for inorganic expansion
In pursuing strategic acquisitions:
We seek to expand our existing product suite and add additional functionalities to increase the strength of our current offerings. We also seek acquisitions that are in line with our culture. If an acquired product is not open source, we would aim to turn it into an open source project and product.

Progress in 2021: SUSE has 15 to 20 acquisition targets under review at any one time. The Rancher Group and NeuVector acquisitions were two successful acquisitions in FY21. As a result of the Rancher acquisition, we saw emerging growth increase in multi-year deals. Rancher’s people have provided contributions to overall culture.

Outlook: In the near term, we are particularly focused on security solutions for applications deployed at the Edge or in cloud-native environments. We are seeking tuck-in or bolt-on acquisitions which can be quickly integrated with SUSE’s existing business.

Delivery on our strategy is enabled by
Our people
Our highly skilled workforce collaborates to innovate and ensures we are able to help our customers succeed.
Details on page 7

Our core differentiators
We are unique in the market place for a number of reasons. One key differentiator is our open approach. Unlike our competitors we provide truly open and interoperable solutions, giving our customers the flexibility to leverage best-in-class solutions and technology.
Details on page 2
Delivering on our strategy: How we do it

Ensuring we capitalize on the explosive growth in digitalization, hybrid and multi-cloud architectures, and Edge computing requires us to manage and measure the right things.

The below highlight growth levers SUSE uses to stay on course to deliver on our long-term strategy and growth objectives.

For more information on addressable markets and key market trends, see Operating environment and stakeholders on page 16.

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**Commercial excellence**

**What this is and why it is relevant:**
Our global customer organization delivers impressive reach throughout the customer journey with a unique combination of our highly motivated and effective enterprise and digital sales force, and extensive partner network.

For more information see Products and innovation on page 26.

**Underserved markets**

**What this is and why it is relevant:**
We invest in markets which present opportunities for growth, including increased penetration in the federal market in North America and capitalizing on continued growth opportunities across APJ and LatAm.

For more information, see Financial commentary on page 40.

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**Accelerators**

**What this is and why it is relevant:**
The cloud route to market provides opportunities to sell SUSE solutions via our extensive partner base. Our new business units like SUSE Rancher Government Services allow us to serve highly regulated markets. This greatly accelerates how SUSE does business and is poised to win in these new and emerging spaces.

For more information, see Financial commentary on page 40.

**Cross-selling**

**What this is and why it is relevant:**
Following our acquisition of Rancher, we have seen substantial opportunities to leverage SUSE’s go-to-market channels and reach within existing customer base. We anticipate the same following our NeuVector acquisition.

For more information, see Risk management on page 75.

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**New solutions including Edge initiatives**

**What this is and why it is relevant:**
Unveiling new solutions shows our innovation at work and we see massive opportunities and growth in the Edge market in particular. We continue to deliver secure and reliable solutions through new products and industry-first certifications.

For more information, see Products and innovation on page 26.

**Strategic acquisitions**

**What this is and why it is relevant:**
We seek to expand our existing product suite and add additional functionalities to increase the strength of our current offerings, extending the depth and breadth of the SUSE suite of products.

For more information, see Risk management on page 75.
Passionate About Customers
SUSE is a leader in enterprise-grade open source solutions for hybrid cloud IT, cloud native transformation and IT operations at the Edge. At SUSE, we are open in our approach and believe every business is on a journey of digital transformation, and that transformation can be enhanced and accelerated by open 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 will be those that capitalize on open and interoperable solutions that let them harness innovation, no matter where it occurs. We drive open source innovation and at the same time ensure peace of mind by providing reliability and sustainability of technology which empowers our customers to innovate everywhere.

SUSE’s current offerings, all grounded in our open source heritage, are key components of the modern cloud workloads of enterprises. These offerings and consulting services support our three product families:

1. Business-Critical Linux
2. Enterprise Container Management
3. Edge
Business-critical Linux is a mature and growing market, with SUSE continuing to be a central player. Addressing this market is 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 devices and any landscape. By offering the most widely used container management platform, SUSE 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 and nascent state, the Edge market provides SUSE with tremendous opportunities for expansion in the future. In FY2021, SUSE introduced the new Edge Product Family, which is built on the best of Linux and containers, allowing SUSE 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 to address customer transformation challenges

At the heart of SUSE’s strategy is our commitment to delivering open, interoperable products and solutions. SUSE products are not only open source, they are also truly open. This means SUSE software will always interoperate with leading products in the industry, even products from competitors. This approach is rooted in our belief that customers innovate best when they have the 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 and, as a result, does not offer an all-or-nothing value proposition. Instead, customers have complete freedom, choice, and flexibility to define and easily adapt the IT strategy that best fits their needs.

We value our customers’ feedback and in our annual customer survey, we saw a growth in our NPS rating from 2020 and both SUSE and Rancher products were awarded a high satisfaction rating. Our SUSE teams received excellent comments and reliability and high performance were selected as top brand attributes. In 2021, SUSE remained laser focused on creating a consistent enterprise compute platform from core 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.

The major updates across all three product families included:

**SUSE Linux Enterprise Server 15 Service Pack 3 (SLES 15 SP3)**

Customers can now benefit from the latest infrastructure innovations from Intel, AMD, Arm, IBM Z and Power, as well as from enhanced database support and performance. Customers can also now meet the strictest security and data protection requirements with security technical implementation guide (STIG) compliance and cryptographic support. All those new capabilities are also available in the latest SUSE Linux Enterprise Server for SAP Applications, benefiting our customers running SAP. Together with this release, we have introduced SUSE Linux Enterprise Base Container Images (SLE BCI), a truly open, flexible and secure solution for developers and integrators to modernize applications without the lock-in imposed by alternative offerings. In addition, SLE BCI provides hardening and security certification for applications serving regulated markets. SLES 15 SP3 also introduced full compatibility between openSUSE, our community Linux distribution which is very popular among users and developers, and SUSE Linux Enterprise. That means workloads can now seamlessly move from development and testing environments running on openSUSE to enterprise production environments running on SUSE Linux Enterprise, without a need to change their applications or infrastructure. This will further increase the adoption of SLES.
SUSE Rancher 2.6
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. Version 2.6 is the first major release since Rancher was acquired by SUSE in November 2020. SUSE Rancher 2.6 features major updates across the platform that help enterprise customers better manage their growing Kubernetes environments. Enhancements include a redesigned platform experience offering a dramatically simplified user interface, improved logic-based workflows, full lifecycle management of hosted Kubernetes clusters in Microsoft AKS and Google GKE alongside existing Amazon EKS capabilities, plus new security, risk and compliance features.

SUSE Linux Enterprise (SLE) Micro 5.1
Designed as a lightweight and secure operating system for containerized and virtualized workloads, SLE Micro 5.1 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 to expand SUSE’s reach into target industry segments, such as telecommunications and manufacturing. SLE Micro also makes it easy for organizations of all sizes to adopt Kubernetes because it is designed to work well with K3s, SUSE Rancher (RKE2) or third-party Kubernetes distributions.

SUSE Edge
An open, lightweight, software infrastructure solution for building, deploying and managing Edge applications. SUSE Edge 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 also includes SUSE Rancher for managing cloud-native containerized workloads and SUSE Manager for managing non-containerized workloads.

SUSE Manager 4.2
A best-in-class Linux management solution designed for enterprise DevOps and IT operations teams, supporting multiple Linux distributions and multiple architectures (x86, IBM Power Systems and Z Systems).

Driving innovation with the open source community
The combined resources of SUSE and Rancher have greatly accelerated the company’s speed of innovation. In 2021, SUSE announced beta releases of the following open source projects:

**Harvester**
An open source hyperconverged infrastructure (HCI) solution that accelerates digital transformation by allowing enterprises to consolidate, simplify and modernize existing IT operations. When combined with SUSE 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**
The simplest way to run Kubernetes and Docker workloads for more than 20M developers running in Windows, Linux, or Mac environments.

**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.

**Opni**
Observability data is part of every Kubernetes environment, but due to complexity few use it effectively to gather insights about the potential for downtime. Opni provides easy to use log and metric anomaly detection for Kubernetes by leveraging cutting edge AIOps (based on AI and Machine Learning) best practices to cluster operations. This results in better visibility of the Kubernetes environments, leading to better performance and availability.
Kubewarden:
Security concerns remain a prominent barrier for Kubernetes adoption with enterprises. Kubewarden is designed to help remove those obstacles. Kubewarden allows operations and governance teams to codify the rules of what can and cannot be run in their environments. Policies are distributed and workloads and policies can be distributed and secured in the same way — ultimately removing bottlenecks organizations face and reducing the time DevOps teams need to spend reviewing policies. Kubewarden will be an ideal complement to the full lifecycle container security delivered by NeuVector which was recently acquired by SUSE.

85%
of IT leaders agree that open source enables innovation at the Edge
Source: Insight Avenue

Improving security through innovation
The exponentially growing number of internet-of-things (IoT) and Edge computing devices has increased risk to networks and required countries to raise their compliance requirements for infrastructure providers, particularly those involved in services essential to their economies, governments, and health and safety of citizens. SUSE Linux Enterprise Server (SLES) has now obtained EAL 4+ level certification, allowing it to comply with the most demanding security requirements for mission-critical infrastructure. In addition, SUSE’s Common Criteria EAL 4+ software supply chain certification includes secure production, delivery of updates, and protection of critical digital assets. This enables the highest security standards for Edge and IoT devices for critical infrastructure providers such as telecommunications companies and others innovating at the Edge. SUSE is currently the only provider of a recent general-purpose Linux operating system with a secure software supply chain that is certified Common Criteria EAL 4+.

In October 2021, SUSE announced the acquisition of NeuVector, a leader in full lifecycle container security that delivers end-to-end security, from DevOps pipeline vulnerability protection to automated security and compliance in production. NeuVector significantly enhances the enterprise-grade security capabilities in the SUSE Rancher container management platform.

Going forward, NeuVector will be positioned as a core pillar of a new cloud-native, open source security effort based on best practices, guidance and reference architectures within the movement toward zero trust security adoption. We are embarking on an effort to open source NeuVector, which will bring state of the art container security capabilities to the Kubernetes ecosystem. Our goal with an open source version of NeuVector is to drive adoption and become the premier choice to secure Kubernetes clusters, whether they are on-premises, in the cloud, or in Edge environments. Keeping our promise of open interoperability, NeuVector technology 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 in innovative enhancements to SUSE Linux Enterprise Server for SAP Applications, an SAP Endorsed App. The 2021 release helps reduce service outages with new high availability capabilities that are easy to set up, automate best practices set-up for specific server and public cloud environments, and improves system monitoring to help IT staff identify and fix problems before they affect business operations. The SUSE-initiated Trento Project is uniquely designed to provide a single console to discover SAP systems, warn of invalid configurations, and visualize and proactively manage system and SAP application status. Trento is currently being evaluated by selected customers, and SUSE plans to release it more broadly in the coming months.
Driving Scale and Innovation in African Banking

The challenge
Absa’s focus on pushing the boundaries of digital banking has enabled them to pioneer the banking landscape of the future.

Absa’s rapid growth meant that its previous infrastructure had become difficult to manage, and costs had started to climb. Although its existing infrastructure had served the business well, it had limitations.

Consequently, the Absa team decided to diversify and started exploring the market for solutions that would free them from the complexities and scaling issues that come with mega-cluster methodologies.

The solution: Enterprise Container Management

Why SUSE?
SUSE Rancher emerged as the obvious solution — from a cost, usability and, most importantly, an innovation point of view.

Absa knew it must become more agile and that its technology infrastructure needed to scale to hasten development velocity. With a desire to get new services to market quickly, the technology team realized scaling its legacy, mono-cluster architecture would get more expensive as projects proliferated. The best way to scale cost effectively would be to create a multi-cluster, microservices-based environment running in SUSE Rancher.

SUSE Rancher’s innovative licencing model allowed Absa’s Cloud team to have as many clusters as they needed and to scale them rapidly without amassing additional costs, freeing the team to innovate. The efficiencies and reduction in costs that Absa realized were significant and occurred quickly.

- 75% reduction in overhead costs in SUSE Rancher compared to other vendors
- Management time reduced by 80%
- 80% improvement in stability
- Multi-cluster, multi-cloud capabilities not available elsewhere
- Fully resilient, self-healing platform that can tolerate multiple infrastructure failures

Customers: Absa

Products
- SUSE Rancher
- K3s Lightweight Kubernetes
“At Absa, we strive to develop services that make a real difference to the lives of our customers and the African banking industry as a whole. Being able to innovate at speed and scale is critical for us.”

Zak Anderson
Absa
Pioneering the evolution of manufacturing with Kubernetes

The challenge
Continental has always been a forward-thinking organization. Naturally, digital transformation and modernization are major preoccupations. In manufacturing, however, the practical implications of modernizing legacy infrastructure, and all the software that runs within it, cannot be underestimated. Continental ran a virtualized infrastructure for many years, which suited the team well. But, over time, management and maintenance became problematic, leading Continental to Kubernetes and SUSE Rancher.

The solution: Enterprise Container Management

Why SUSE?
Managing Continental’s Kubernetes-based infrastructure platform in SUSE Rancher has created a future-proofed architecture, which has removed complexity and significantly reduced management overheads. The new containerized architecture allows applications to be run in separate clusters, with development, test and production environments in place. By adopting a platform approach to infrastructure management, Continental has created a scalable, agile framework where collaboration and co-operation can reign. This would have been impossible before.

Product
- SUSE Rancher

- 80% reduction in migration time when comparing methodologies
- 80% reduction in upgrade time; from days to hours
- Cost reductions — removing on-site server applications to the data center/cloud
- Central, global management platform for 45 regions and hundreds of developers
“Transforming large manufacturing organizations like Continental is a huge technical and philosophical challenge. The emphasis is on finding the most intuitive and efficient way to modernize while maintaining competitive advantage. Kubernetes and SUSE Rancher will help us achieve this.”

Roland Paxián
Continental
Advancing the tactical edge with K3s and SUSE RGS

The challenge
In dangerous conditions, the ability to access behavioral and situational data in real time and on the fly often means the difference between life and death. As a premier digital integrator for the U.S. Department of Defense, Booz Allen Hamilton delivers technology solutions that give military personnel the information edge in the field. Capitalizing on open source solutions like K3s, Booz Allen’s SmartEdge solution allows personnel to make real-time, data-driven decisions which dramatically improve operational outcomes and increase the probability of mission success.

The solution: Edge

Products
- SUSE Edge
- SUSE Rancher Government Services (RGS)
- K3s Lightweight Kubernetes

Why SUSE?
Working in collaboration with SUSE Rancher Government Services (SUSE RGS) the Booz Allen team is underpinning its SmartEdge platform with K3s, the fully certified CNCF (Cloud Native Computing Foundation) Kubernetes solution. Created by SUSE Rancher, and donated to the open source community, K3s is a super-lightweight Kubernetes distribution, designed for production workloads in unattended, resource-constrained, remote environments. Early consolidation of information, enabled by SmartEdge, allows entire units to strategize on the fly. Outcomes have been transformed as a result.
- 80% reduction in time-to-insight; from hours to seconds
- Ability to run containerized infrastructure on any device in any environment
- Removal of the gap between data capture and insight delivery
“With Edge computing and processing at the point of data collection, we will give military personnel access to real-time, data-driven insights so they can act at the speed of the mission. SmartEdge makes this possible at scale with an extensible platform utilizing open architecture principles and open source technologies.”

Ki Lee
Booz Allen Hamilton
Customers: Indian Oil Corporation Limited

SUSE Linux Enterprise delivers significant cost savings for IOCL

The challenge
Indian Oil Corporation Limited (IOCL) is one of the largest producers of petrochemical products in India, operating over 32,000 fuel stations across India. Having relied on SAP ERP to support its key activities for many years, the company saw an opportunity to reduce costs and improve the performance of key business activities — from financial planning to supply chain management — by migrating its ERP solution to the SAP HANA real-time data platform.

The solution: Business-Critical Linux

Products
- SUSE Linux Enterprise Server (SLES) for SAP Applications
- SUSE Manager

Why SUSE?
SLES for SAP Applications is much easier to use than IOCL’s previous system, and SUSE Manager makes monitoring its SAP environment quick and simple. As a result, the team has slashed the time it takes to bring new hires up to speed from 12 months to just six months. With SLES for SAP Applications keeping the team’s mission-critical applications running smoothly, securely, cost-effectively and in compliance with industry standards, IOCL can focus on what it does best: designing the affordable energy solutions of the future.

- 30% cut in operating system costs
- 50% less time required to train new hires
- 30% reduction in administration costs
“With SLES for SAP Applications, we’ve seen a 30% reduction in our operating system costs, and we’ve also been able to cut our infrastructure maintenance costs by a further 30%. What’s more, by moving from a multi-OS environment to a SUSE-only landscape, we’ve saved 30% on administration costs.”

V.N.K Reddy
IOCL
Respectful & Inclusive
Financial commentary

Strong performance

Group Performance
SUSE has been trading for 29 years. The Consolidated Financial Statements are shown on pages 122 to 196 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 2021 is $559.5m (2020: $447.4m) representing 25% growth and gross profit is $516.3m (2020: $421.0m). Gross profit margin is broadly consistent, being 92.3% compared to 94.1% in the prior year.

Separately reported items
Items reported separately due to their significance and non-operating nature are $26.9m for the year ended 31 October 2021 (2020: $25.5m) and comprise transaction costs of $25.5m (FY20: $6.0m), restructuring costs of $1.4m (FY20: $2.0m) and a reduction in tax indemnity asset of $nil (FY20: $17.4m). The increase in costs in the year is attributable to higher transaction costs due to the Initial Public Offering. There were no movements to the tax indemnity asset in the current year which made up a substantial amount of the prior year cost. Further details are set out in Note 8 to the Consolidated Financial Statements.

Amortization and depreciation
Amortization and depreciation of $153.0m for the year ended 31 October 2021 (2020: $134.9m) includes $142.0m of amortization of intangible assets, $6.5m of depreciation on Right of use assets and $4.5m of depreciation on items of property, plant and equipment. The increase in amortization and depreciation in comparison to the prior year is attributable 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 decreased from $10.5m in the prior year to $6.5m in the current year primarily due to the maturity of software leases recognised as part of the Transitional Services Agreements with Micro Focus when it sold the SUSE business to EQT in 2019. Further details are set out in Notes 15, 16 and 24 to the Consolidated Financial Statements.

Operating loss
The operating loss for the year ended 31 October 2021 is $200.9m (2020: $8.7m) with $182.2m of the increased loss being due to share-based payment costs. The IPO in May 2021 triggered an exit event which required the settlement of a historical option plan and the acceleration of vesting in another plan. Additionally new long-term incentive plans were created after listing.
**Net finance costs**

Net finance costs of $58.9m for the year ended 31 October 2021 (2020: $61.3m) includes $46.8m of interest on the Group’s external loan facilities, $4.5m of amortization of capitalized transaction costs and $9.0m of premiums in respect of the interest rate swap arrangement which were offset by foreign exchange gains in respect of the external loan facilities and the fair value gains on derivatives. Further details are set out in Note 11 to the Consolidated Financial Statements.

**Taxation**

Taxation for the period is a credit of $54.3m (2020: $20.8m credit) in respect of the loss before tax of $261.9m, which represents an effective tax rate of 20.7%. The key items which reduce the rate below the reconciling tax rate of 26.5% are permanent differences relating to interest restrictions, irrecoverable withholding tax, taxable gains arising on the Rancher integration, deferred tax assets not recognized and prior year adjustments. Further details are set out in Note 12 to the Consolidated Financial Statements.

**Loss for the year**

The loss for the year of $207.6m (2000: $51.6m) has increased for the reasons set out above.

**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 and the subsequent acquisitions of Rancher Federal Inc and Rancher Laboratories Inc. (Rancher Group). 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, underlying profitability and cash flow generation. The Board believes these APM’s provide a clearer view of the underlying trading of the business and its progress. The reconciliation of the key APM’s 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. Certain of these measures are derived from the IFRS accounts of SUSE, and others derived from the management reporting.

The APMs are presented based on pro-forma numbers including Rancher as if owned for the whole of both years. NeuVector pro-forma results are excluded for most APMs, as it was acquired at the end of the financial year. NeuVector is included within Net Debt, Leverage and Contractual Liabilities and Remaining Performance Obligations.

Key APM highlights are:

Adjusted Revenue $575.9 million vs. $499.1 million in the prior year, growth of 15%

Adjusted EBITDA $212.1 million vs $173.6 million in the prior year, growth of 22%
The Alternative Performance Measures for SUSE are:

<table>
<thead>
<tr>
<th>APM (Note 1)</th>
<th>Year ended 31 October 2021 US $M's</th>
<th>Year ended 31 October 2020 US $M's</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Contract Value (ACV)</td>
<td>490.6</td>
<td>390.7</td>
<td>26%</td>
</tr>
<tr>
<td>Adjusted Revenue</td>
<td>575.9</td>
<td>499.1</td>
<td>15%</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR) – SUSE (Note 2)</td>
<td>498.9</td>
<td>449.8</td>
<td>11%</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR) – Rancher (Note 2)</td>
<td>61.1</td>
<td>30.5</td>
<td>100%</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR) – SUSE &amp; Rancher (Note 2)</td>
<td>560.0</td>
<td>480.3</td>
<td>17%</td>
</tr>
<tr>
<td>Net Retention Rate (NRR) – SUSE (Note 2)</td>
<td>107.8%</td>
<td>108.3%</td>
<td>0%</td>
</tr>
<tr>
<td>Net Retention Rate (NRR) – Rancher (Note 2)</td>
<td>144.5%</td>
<td>128.9%</td>
<td>12%</td>
</tr>
<tr>
<td>Net Retention Rate (NRR) – SUSE &amp; Rancher (Note 2)</td>
<td>110.4%</td>
<td>109.0%</td>
<td>1%</td>
</tr>
<tr>
<td>Adjusted Gross Profit</td>
<td>534.9</td>
<td>468.5</td>
<td>14%</td>
</tr>
<tr>
<td>Adjusted Gross Profit Margin</td>
<td>93%</td>
<td>94%</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>212.1</td>
<td>173.6</td>
<td>22%</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin</td>
<td>37%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Adjusted Cash EBITDA</td>
<td>278.2</td>
<td>179.3</td>
<td>55%</td>
</tr>
<tr>
<td>Adjusted Cash EBITDA Margin</td>
<td>48%</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Adjusted Profit after Tax</td>
<td>85.1</td>
<td>61.6</td>
<td>38%</td>
</tr>
<tr>
<td>Adjusted Unlevered Free Cash Flow (Adjusted UFCF)</td>
<td>200.2</td>
<td>130.1</td>
<td>54%</td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>94%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Net Debt</td>
<td>720.5</td>
<td>895.5</td>
<td>20%</td>
</tr>
<tr>
<td>Leverage</td>
<td>2.6x</td>
<td>5.0x</td>
<td>48%</td>
</tr>
<tr>
<td>Contractual Liabilities and Remaining Performance Obligations (RPO)</td>
<td>600.0</td>
<td>429.7</td>
<td>40%</td>
</tr>
</tbody>
</table>

Note 1 – for a full definition of all APMs, please refer to the Glossary.

Note 2 – ARR & NRR are measured three months in arrears, as of 31 July 2021 and 31 July 2020. SUSE ARR reflects SUSE Core solutions and all Services, excluding Rancher.
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, as 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 FY21 was $490.6 million, vs. $390.7 million in the prior year, representing 26% growth. Foreign exchange rate fluctuations have a small impact. When measured on a constant currency basis, ACV grew by 23%.

The high growth is attributable to SUSE’s success from the Rancher acquisition, growing Emerging solutions, growth in End users (both direct customers and through the Cloud) evidenced across all geographies.

ACV by Core & Emerging
SUSE measures ACV between growth in Core solutions from the paid Linux market, and Emerging solutions from Kubernetes based technologies.

ACV grew by +26%, Core ACV by +18% and Emerging by +85%, both well ahead of market growth rates. Within Core the strong performance was driven by the delivery of expected renewals and upselling 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 FY21 in the EMEA geography. Renewals follow a profile of returning renewals which can vary each year, both in value and geographical location. For FY21, the renewals represented a high growth on the prior year, and the major renewals were in North America and Greater China.

The Emerging growth was driven by the success of Rancher, with ACV primarily from End user customers (from upsell and renewal to existing customers, cross-sell into SUSE customers and net new logo customers). SUSE is also starting to report ACV generated from the Embedded, CSP and IHV routes to market, which are new routes to market for the Rancher business.

ACV growth – Core & Emerging

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $M’s</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>406.1</td>
<td>345.0</td>
<td>26%</td>
</tr>
<tr>
<td>Core</td>
<td></td>
<td></td>
<td>18%</td>
</tr>
<tr>
<td>Emerging</td>
<td></td>
<td></td>
<td>85%</td>
</tr>
</tbody>
</table>

__Core__ ___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 for the End user RTM is 29%, and for IHV 9%. The increase in End user is from the success of Rancher, where the majority of ACV is with End user customers, strong growth from CSP hyperscalers, an increase in the number of Managed Service Provider (MSP) partners, and from SLES End user renewals.

The End user Route to Market also benefits from the growth in Emerging and Rancher Government Services, the strong renewals across both Core and Emerging solutions and CSP growth.

The IHV ACV growth has been a more modest performance of 9% growth. Growth has been strong within embedded customers, though declined within the IHV route to market due to hardware shortages, and the shift to selling through other routes to market.

**ACV by geography**

SUSE is diversified over five geographies (GEOs) of North America, EMEA, Asia Pacific and Japan, Latin America and Greater China. In 2021 EMEA represents the largest share of ACV at 43%, North America 40% and the remaining 17% across the smaller geographies. This has remained broadly consistent year on year.

All geographies grew in FY21, from 20% in EMEA to 61% in Latin America, with the larger GEO’s of North America and EMEA contributing the most ACV due to their relative size. Key growth factors per GEO are as follows:

- **North America** – +28% growth. This is across all solutions, and North America benefits from Rancher, where the historic customer base has been more established, including Rancher Government Services, and North America was the largest GEO for retrospective consumption contracts in FY21.
- **EMEA** – +20% growth. Largely from upsell/new ACV through the CSP route to market and Core renewals, including a number of key Rancher deals.
- **Asia Pacific & Japan** – +42% growth. Had diversified growth in all routes to market, primarily within Core business, benefiting from an investment in leadership and the sales team.
- **Latin America** – +61% growth. Growth following investment in management, with good growth across all routes to market.
- **Greater China** – growth is limited to +22%, due to challenging market conditions. Greater China’s growth was supported by two large deals, one of which was a retrospective consumption contract. Growth was suppressed due to the IHV route to market.

### ACV growth – Route to market

<table>
<thead>
<tr>
<th>% Year-on-year movement</th>
<th>Total 25%</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $M’s</td>
<td>End user 29%</td>
<td>413.8</td>
<td>320.0</td>
</tr>
<tr>
<td></td>
<td>IHV 9%</td>
<td>76.6</td>
<td>70.7</td>
</tr>
</tbody>
</table>

### ACV growth – Geography

<table>
<thead>
<tr>
<th>% Year-on-year movement</th>
<th>Total 26%</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>194.1</td>
<td>151.1</td>
<td></td>
</tr>
<tr>
<td>Europe, Middle East and Africa</td>
<td>210.0</td>
<td>176.0</td>
<td></td>
</tr>
<tr>
<td>Asia Pacific and Japan</td>
<td>37.5</td>
<td>26.5</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>13.2</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Greater China</td>
<td>36.2</td>
<td>28.8</td>
<td></td>
</tr>
</tbody>
</table>
Adjusted Revenue

Adjusted Revenue measures revenue excluding the deferred revenue fair value adjustment (also referred to as the deferred revenue haircut), resulting from acquisition accounting, to represent the performance of SUSE based on the invoiced bookings.

Total Adjusted Revenue for FY21 was $575.9 million, vs. $499.1 million in the prior year representing 15% growth. Exchange rate fluctuations have a small impact. When measured on a constant currency basis, revenue grew by 14%. Reconciliation of IFRS Revenue to Adjusted Revenue is as follows:

<table>
<thead>
<tr>
<th>US $M's</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue – IFRS</td>
<td>559.5</td>
<td>447.4</td>
<td>25%</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue haircut amortized</td>
<td>12.7</td>
<td>18.6</td>
<td>(32%)</td>
</tr>
<tr>
<td>Pro-forma Rancher</td>
<td>3.7</td>
<td>33.1</td>
<td>(89%)</td>
</tr>
<tr>
<td>Adjusted Revenue</td>
<td>575.9</td>
<td>499.1</td>
<td>15%</td>
</tr>
</tbody>
</table>

The deferred revenue haircut, which is the fair value adjustment to deferred revenues on acquisition, has declined by 32%, in alignment with the amortization recognition profile.

The pro-forma Adjusted Revenue for Rancher was significantly lower for FY21, as it represents one month of November 2020, as opposed to FY20 which represents twelve months.

Adjusted Revenue by Core & Emerging

SUSE Core Adjusted Revenue in FY21 was $506.6 million vs. $457.8 million in the prior year, a growth of 11%. The growth was largely from the End users through the CSP route to market, and renewals. The following contributed to the growth in Core Adjusted Revenue:

- CSP Core growth is consistent with continued migration of workloads to CSPs, especially to the large hyperscalers, but equally to MSPs on a percentage growth basis. The CSP revenue growth is consistent with the corresponding ACV growth.
- SUSE Core Renewals ACV has been growing year on year as well as securing multi-year contracts. This is reflected in the revenue growth.
- SUSE Core Services, a smaller part of the revenue.
- Growth in Rancher Government Services and attached revenue from renewals contributes to growth.

SUSE Emerging Adjusted Revenue was $69.3 million in FY21 vs. $41.3 million in the prior year, a growth of 68%. This is due to SUSE Rancher growth in ACV, and continued expansion of presence in North America and EMEA. In addition, revenue is starting to be generated in CSP & IHV markets, as SUSE gains traction in these routes to market. Prior to being acquired by SUSE, Rancher did not serve or target these routes to market.

Adjusted Revenue growth – Core & Emerging

<table>
<thead>
<tr>
<th>US $M's</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>506.6 69.3</td>
</tr>
<tr>
<td>2020</td>
<td>457.8 41.3</td>
</tr>
</tbody>
</table>

Core Emerging
Annual Recurring Revenue & Net Retention Rate

Annual recurring revenue measures the value of active subscriptions at a point of time, for one month, 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 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.

SUSE currently measures SUSE and SUSE Rancher separately as they were independent businesses, and on a combined basis. In the future the measures will become merged, reflecting the combining of the customer base. ARR & NRR are measured three months in arrears, for one month as of 31 July 2021 and 31 July 2020, and annualized for 12 months. The measures are calculated three months in arrears, given backdated royalties relating to IHV and Cloud are invoiced in arrears.

<table>
<thead>
<tr>
<th>ARR &amp; NRR</th>
<th>ARR as at 31 July 2021</th>
<th>ARR as at 31 July 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported 31 October 2021</td>
<td>Reported 31 October 2020</td>
<td>US $M’s</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR) – SUSE</td>
<td>498.9</td>
<td>449.8</td>
<td>11%</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR) – Rancher</td>
<td>61.1</td>
<td>30.5</td>
<td>100%</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR) – SUSE &amp; Rancher</td>
<td>560.0</td>
<td>480.3</td>
<td>17%</td>
</tr>
<tr>
<td>Net Retention Rate (NRR) – SUSE</td>
<td>107.8%</td>
<td>108.3%</td>
<td>0%</td>
</tr>
<tr>
<td>Net Retention Rate (NRR) – Rancher</td>
<td>144.5%</td>
<td>128.9%</td>
<td>12%</td>
</tr>
<tr>
<td>Net Retention Rate (NRR) – SUSE &amp; Rancher</td>
<td>110.4%</td>
<td>109.0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

On a combined basis ARR increased from $480.3 million to $560.0 million representing 17% growth. The growth drivers are from both the SUSE ARR Core & Services solutions, and the acquired Rancher solutions.

SUSE ARR as of July 2021 (reported as at 31 October 2021) was $498.9 million, a growth of 11%. The growth is divided between CSPs, with customers purchasing through the CSP route to market, and cross-selling and up-selling to the existing customer base.

Rancher ARR as of July 2021 (reported at 31 October 2021) was $61.1 million, a growth of 100%. The ARR growth was a combination of net new logo customers to the Rancher solutions, and cross-selling and up-selling to the existing customer base.

On a combined basis NRR remained broadly consistent with the prior year at 110.4% vs. 109.0%. This reflects SUSE NRR being consistent, and growth in the Rancher NRR as the Rancher business grows with the expansion of its existing customer base.

SUSE NRR has remained broadly consistent with the prior year at 107.8% vs. 108.3% and reflects continued growth from the existing customer base who remain loyal to SUSE.

Rancher NRR has increased from 128.9% to 144.5% representing 12% growth in line with the expansion of the Rancher customer base.
Adjusted EBITDA

Adjusted EBITDA represents earnings before net finance costs, loss of associate (as 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. It is adjusted for share-based payments, fair value adjustments to deferred revenue, statutory 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 to the transaction date rate. SUSE management report Adjusted EBITDA to reflect the operational performance of SUSE.

Total Adjusted EBITDA for FY21 is $212.1 million & 37% margin, vs. $173.6 million & 35% margin in the prior year, representing a 22% growth, and 2% margin improvement. The increase in Adjusted EBITDA is due to the revenue growth. Whilst SUSE has invested in headcount across the business, it has been a little slower than expected due to current market conditions. SUSE has benefited from cost synergies following the Rancher acquisition, and travel and physical marketing events cost savings due to the Covid-19 pandemic. This has resulted in an improved margin for FY21 at 37%.

A further positive impact on margin, is that commission costs have increased year on year, but due to the costs being deferred under IFRS 15, the increase is reduced. In addition, the realized exchange rate adjustment has reduced costs in FY21, vs. a cost increase in FY20.

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

### IFRS operating loss to AEBITDA

<table>
<thead>
<tr>
<th>US $M's</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss – IFRS (Note 1)</td>
<td>(200.9)</td>
<td>(8.7)</td>
<td>2209%</td>
</tr>
<tr>
<td><strong>Adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>153.0</td>
<td>135.0</td>
<td>13%</td>
</tr>
<tr>
<td>Separately reported items</td>
<td>26.9</td>
<td>25.5</td>
<td>5%</td>
</tr>
<tr>
<td>Deferred revenue haircut amortized</td>
<td>12.7</td>
<td>18.6</td>
<td>(32%)</td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>23.9</td>
<td>21.4</td>
<td>12%</td>
</tr>
<tr>
<td>Share-based payments – charge</td>
<td>175.2</td>
<td>11.8</td>
<td>1385%</td>
</tr>
<tr>
<td>Share-based payments – ER taxes</td>
<td>7.0</td>
<td>–</td>
<td>n.m</td>
</tr>
<tr>
<td>Foreign exchange – unrealized</td>
<td>16.1</td>
<td>(13.5)</td>
<td>n.m</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA – Non Pro-Forma</strong></td>
<td>213.9</td>
<td>190.1</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Pro-Forma Rancher</strong></td>
<td>(1.8)</td>
<td>(16.5)</td>
<td>(89%)</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA – Pro-Forma</strong></td>
<td>212.1</td>
<td>173.6</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA Margin</strong></td>
<td>37%</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>

Note 1: n.m represents not meaningful to comment.

Depreciation and amortization for FY21 is $153.0 million, vs. $135.0 million in the prior year, representing a 13% increase. 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 decreased from $10.5 million in FY20 to $6.5 million in FY21 primarily due to the maturity of software leases recognized as part of the transitional services agreement with Micro Focus when it sold the SUSE business to EQT in 2019.
Separately reported items for FY21 are $26.9 million, vs. $25.5 million in the prior year, representing a 5% increase. Separately reported items for FY21 comprise transaction costs of $25.5 million (FY20: $6.0 million), restructuring costs of $1.4 million (FY20: $2.0 million) and a reduction in tax indemnity asset of $nil (FY20: $17.4 million). The increase in the year is attributed to higher transaction costs following the IPO. There are no movements to the tax indemnity asset in the current period which made up a substantial amount of the prior year movement.

Deferred revenue haircut amortized for FY21 is $12.7 million, vs. $18.6 million in the prior year, representing a 32% 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. An additional haircut of $3.5 million was introduced in FY21 with the acquisition of Rancher, $2.9 million of which was released in FY21.

Non-recurring items for FY21 are $23.9 million, vs. $21.4 million in the prior year, representing a 12% increase, and relate to:

<table>
<thead>
<tr>
<th>US $M's</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd Party Consulting Fees</td>
<td>1.3</td>
<td>4.9</td>
<td>(73%)</td>
</tr>
<tr>
<td>Bonus</td>
<td>10.4</td>
<td>3.0</td>
<td>247%</td>
</tr>
<tr>
<td>IT Costs</td>
<td>3.3</td>
<td>11.0</td>
<td>(70%)</td>
</tr>
<tr>
<td>Transaction Costs</td>
<td>0.3</td>
<td>0.4</td>
<td>(25%)</td>
</tr>
<tr>
<td>Transformation Costs</td>
<td>0.5</td>
<td>0.1</td>
<td>400%</td>
</tr>
<tr>
<td>Rancher Integration Costs</td>
<td>8.1</td>
<td>1.8</td>
<td>350%</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.2</td>
<td>(100%)</td>
</tr>
<tr>
<td>Total</td>
<td>23.9</td>
<td>21.4</td>
<td>12%</td>
</tr>
</tbody>
</table>

3rd Party Consulting Fees for FY21 are $1.3 million, vs. $4.9 million in the prior year representing a (73%) decline. The reduction in costs due to completion of implementation projects.

Bonus for FY21 are $10.4 million, vs. $3.0 million in the prior year representing a 247% increase. The increase in costs is a result of the introduction of a retention program for Rancher employees and IPO-related incentives. This is excluded from AEBITDA as they do not reflect bonuses aligned to annual Group performance.

IT Costs for FY21 are $3.3 million, vs. $11.0 million in the prior year representing a (70%) decline. As noted above the reduction in costs is due to the completion of major implementation programs.

Transformation costs for FY21 are $0.5 million, vs. $0.1 million in the prior year. This relates to costs for roles that have become obsolete.

The share-based payments charge for FY21 is $175.2 million, vs. $11.8 million in the prior year. This is due to the vesting in full of the Virtual Stock Option Program (VSOP) on the listing of the Company and the partial vesting of the Management Investment Participation Program (MIPP) scheme during the year triggered by the same event. Following the IPO in May 2021, new Long-Term Incentive Schemes were established. The increased share-based payment charge resulted in a corresponding increase in the employer tax charge from $0 million in FY20 to $7.0 million in FY21.

Foreign exchange – in FY21 there was a unrealized loss of $16.1 million vs. an unrealized gain of ($13.5 million) in the prior year. This is due to movements in exchange rates, primarily Euro, in the year in comparison to the prior year.

Pro-Forma Rancher for FY21 is small at ($1.8) million, vs ($16.5) million in the prior year. This is 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 & Adjusted Operating expenses

Adjusted Gross Profit for FY21 is $534.9 million and 93% margin, vs. $468.5 million and 94% margin in the prior year. Adjusted operating expenses for FY21 are $322.8 million vs. $294.9 million in the prior year, an increase of 9%.

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj Revenue</td>
<td>575.9</td>
<td>499.1</td>
<td>15%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>41.0</td>
<td>30.6</td>
<td>34%</td>
</tr>
<tr>
<td>Adjusted Gross profit</td>
<td>534.9</td>
<td>468.5</td>
<td>14%</td>
</tr>
<tr>
<td>% Margin</td>
<td>93%</td>
<td>94%</td>
<td></td>
</tr>
<tr>
<td>Sales, Marketing &amp; Operations</td>
<td>152.1</td>
<td>144.9</td>
<td>5%</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>94.6</td>
<td>82.9</td>
<td>14%</td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>76.1</td>
<td>67.1</td>
<td>13%</td>
</tr>
<tr>
<td>Total Adjusted operating expenses</td>
<td>322.8</td>
<td>294.9</td>
<td>9%</td>
</tr>
</tbody>
</table>

Adjusted Gross Profit

Adjusted Gross Profit margin for FY21 of 93% was slightly down from last year as the cost of sales increased due to third-party costs relating to the new government business Rancher Government Solutions (RGS) won in North America, and investments to increase delivery capacity, with investment in Customer Care & Services headcount.

Sales, Marketing & Operations

Sales, Marketing & Operations costs for FY21 are $152.1 million vs. $144.9 million in the prior year, representing a modest 5% increase, as variable pay from commissions are deferred under IFRS 15. The increase in Sales, Marketing and Operations costs, excluding IFRS 15, is 10%. This is mostly due to marketing revenue generating programs spend and headcount growth across sales teams. Increases in commission costs attached to ACV are largely offset by IFRS 15 cost deferrals, and FY21 saw reductions in travel costs due to Covid-19.

Research & Development

Research and Development costs for FY21 are $94.6 million vs. $82.9 million in the prior year, an increase of 14%. This represents SUSE’s continued investments in R&D, including SUSE Rancher development and pressure on cost base due to rising market salary levels. This increase is after realizing cost synergies from the acquisition of Rancher.

The Group is committed to research and development in terms of 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 and Administrative (G&A) costs for FY21 are $76.1 million vs. $67.1 million in the prior year, an increase of 13%. G&A costs for FY21 are at a higher run rate than FY20, due to the prior year being largely based on services from Micro Focus under transitional services agreements. SUSE has invested in IT, third party costs and headcount. Further, during FY21 SUSE incurred costs of increased staffing to meet demands of its public company status, consulting costs for strategic projects, offset by realized foreign exchange rate movements lowering costs.
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 contract liabilities 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 FY21 is $278.2 million & 48% margin, vs. $179.3 million & 36% margin in the prior year, representing a significant improvement of 55% growth, and 12% margin improvement:

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj EBITDA</td>
<td>212.1</td>
<td>173.6</td>
<td>22%</td>
</tr>
<tr>
<td>Change in deferred revenue</td>
<td>66.1</td>
<td>5.7</td>
<td></td>
</tr>
<tr>
<td>Adj Cash EBITDA</td>
<td>278.2</td>
<td>179.3</td>
<td>55%</td>
</tr>
<tr>
<td>% Margin</td>
<td>48%</td>
<td>36%</td>
<td></td>
</tr>
</tbody>
</table>

IFRS Deferred Revenue to Adjusted Deferred Revenue

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement in contract liabilities: IFRS</td>
<td>76.1</td>
<td>12.6</td>
<td>504%</td>
</tr>
<tr>
<td>Pro-Forma Rancher</td>
<td>2.7</td>
<td>11.7</td>
<td>(77%)</td>
</tr>
<tr>
<td>Deferred revenue haircut amortized</td>
<td>(12.7)</td>
<td>(18.6)</td>
<td>(32%)</td>
</tr>
<tr>
<td>Movement in contract liabilities – Pro-Forma</td>
<td>66.1</td>
<td>5.7</td>
<td>1060%</td>
</tr>
</tbody>
</table>

The change in the adjusted deferred revenue for FY21 is $66.1 million resulting in Cash AEBITDA of $278.2 million. This is a significantly higher adjusted deferred revenue movement than the prior year, where the adjusted deferred revenue movement was $5.7 million, representing a $60.4 million increase. The positive adjusted deferred revenue movement has been driven by strong ACV growth in FY21 and continued success at selling multi-year contracts, paid in advance, during the year. SUSE has also been successful in securing multi-year and larger contracts for Rancher solutions.

Adjusted Profit After Tax

Adjusted Profit after Tax represents Adjusted EBITDA less all depreciation and amortization for purchased software and development costs, 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 36%. This is higher than the statutory rate of 26.5% as a result of prior year adjustments, which increase the rate by 5% and other permanent differences including irrecoverable withholding tax and unrecognized deferred tax.
The adjusted earnings per share are based on the weighted average number of shares during the year, representing $1.3 per share.

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj EBITDA</td>
<td>212.1</td>
<td>173.6</td>
<td>22%</td>
</tr>
<tr>
<td>Depreciation – Property, plant and equipment</td>
<td>4.5</td>
<td>4.5</td>
<td>0%</td>
</tr>
<tr>
<td>Depreciation – Right of use assets</td>
<td>6.5</td>
<td>10.5</td>
<td>(38%)</td>
</tr>
<tr>
<td>Amortization – Purchased Software</td>
<td>8.1</td>
<td>5.9</td>
<td>37%</td>
</tr>
<tr>
<td>Amortization – Development Costs</td>
<td>1.2</td>
<td>0.8</td>
<td>50%</td>
</tr>
<tr>
<td>Net Finance Costs</td>
<td>58.9</td>
<td>61.3</td>
<td>(4%)</td>
</tr>
<tr>
<td>Adj Profit before Tax</td>
<td>132.9</td>
<td>90.6</td>
<td>47%</td>
</tr>
<tr>
<td>Notional Tax</td>
<td>47.8</td>
<td>29.0</td>
<td>65%</td>
</tr>
<tr>
<td>Adj Profit After Tax</td>
<td>85.1</td>
<td>61.6</td>
<td>38%</td>
</tr>
<tr>
<td>Adj Profit After Tax %</td>
<td>15%</td>
<td>12%</td>
<td>20%</td>
</tr>
<tr>
<td>Weighted Average number of shares</td>
<td>63.2</td>
<td>n.m</td>
<td>n.m</td>
</tr>
<tr>
<td>Adjusted Earnings Per Share (Note 1)</td>
<td>1.3</td>
<td>n.m</td>
<td>n.m</td>
</tr>
</tbody>
</table>

Note 1, Adjusted Earnings per Share was $1.3 per share in FY21.

The Adjusted Earnings Per Share for the prior year was not calculated, as the number of shares were not comparable, as prior to the listed company status.

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

**Reconciliation of IFRS Tax to Notional Tax**

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS tax</td>
<td>54.3</td>
<td>20.8</td>
<td>161%</td>
</tr>
<tr>
<td>Tax on EBITDA adjustments</td>
<td>(102.1)</td>
<td>(49.8)</td>
<td>105%</td>
</tr>
<tr>
<td>Notional Tax</td>
<td>(47.8)</td>
<td>(29.0)</td>
<td>65%</td>
</tr>
</tbody>
</table>
Adjusted Unlevered Free Cash Flow and Cash Conversion

Adjusted Unlevered Free Cash Flow (uFCF) is defined as Adjusted Cash EBITDA less capital expenditure related cash outflow, working capital movements, cash taxes and reversal of non-cash accounting adjustments relating to IFRS 15 and IFRS 16. Cash Conversion represents Adjusted uFCF divided by Adjusted EBITDA. Both metrics measure cash generated from business operations, indicating SUSE’s ability to generate cash.

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Cash EBITDA</td>
<td>278.2</td>
<td>179.3</td>
<td>55%</td>
</tr>
<tr>
<td>Gross Capital Expenditure</td>
<td>(4.8)</td>
<td>(2.2)</td>
<td>118%</td>
</tr>
<tr>
<td>Change in core working capital</td>
<td>(20.0)</td>
<td>1.5</td>
<td>n.m.</td>
</tr>
<tr>
<td>IFRS 15</td>
<td>(36.8)</td>
<td>(22.4)</td>
<td>64%</td>
</tr>
<tr>
<td>IFRS 16</td>
<td>(6.6)</td>
<td>(10.4)</td>
<td>(37%)</td>
</tr>
<tr>
<td>Cash Taxes</td>
<td>(8.0)</td>
<td>(6.3)</td>
<td>27%</td>
</tr>
<tr>
<td>Rancher Pro-Forma uFCF</td>
<td>(1.8)</td>
<td>(9.4)</td>
<td>(81%)</td>
</tr>
<tr>
<td>Adjusted uFCF</td>
<td>200.2</td>
<td>130.1</td>
<td>54%</td>
</tr>
</tbody>
</table>

The Adjusted Unlevered Free Cash Flow (uFCF) has significantly increased for FY21, from $130.1 million to $200.2 million, representing a 54% increase. Cash conversion for FY21 is 94%. The key drivers were the increased profitability and higher positive movement in deferred revenue.

For FY21, in addition to the strong Adjusted Cash EBITDA performance, there is a decrease in working capital, due to the increase in ACV bookings over the prior year. The adjustment for IFRS 15 has increased, related to increased commission costs, in turn leading to higher cost deferrals.

Reconciliation of Adjusted Cash EBITDA:

<table>
<thead>
<tr>
<th>US $M’s</th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating (loss)/profit before depreciation and amortization</td>
<td>(47.9)</td>
<td>126.3</td>
<td>n.m.</td>
</tr>
<tr>
<td>Separately reported items</td>
<td>26.9</td>
<td>25.5</td>
<td>5%</td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>23.9</td>
<td>21.4</td>
<td>12%</td>
</tr>
<tr>
<td>Share-based payments – charge</td>
<td>175.2</td>
<td>11.8</td>
<td>1385%</td>
</tr>
<tr>
<td>Share-based payments – ER taxes</td>
<td>7.0</td>
<td>0.0</td>
<td>100%</td>
</tr>
<tr>
<td>Deferred revenue haircut amortized</td>
<td>12.7</td>
<td>18.6</td>
<td>(32%)</td>
</tr>
<tr>
<td>Foreign Exchange – unrealized</td>
<td>16.1</td>
<td>(13.5)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Adjusted EBITDA non Pro-Forma</td>
<td>213.9</td>
<td>190.1</td>
<td>13%</td>
</tr>
<tr>
<td>Rancher Pro-Forma Adjustment</td>
<td>(1.8)</td>
<td>(16.5)</td>
<td>(89%)</td>
</tr>
<tr>
<td>Adjusted EBITDA (SUSE &amp; Rancher Pro-Forma)</td>
<td>212.1</td>
<td>173.6</td>
<td>22%</td>
</tr>
<tr>
<td>Movement in contract liabilities</td>
<td>66.1</td>
<td>5.7</td>
<td>1060%</td>
</tr>
<tr>
<td>Adjusted Cash EBITDA (SUSE &amp; Rancher Pro-Forma)</td>
<td>278.2</td>
<td>179.3</td>
<td>55%</td>
</tr>
</tbody>
</table>
Net Debt

Net Debt measures the sum of non-current financial liabilities, non-current lease liabilities, current financial liabilities and current lease liabilities less cash and cash equivalents as of 31st October 2021.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 October 2021</th>
<th>As at 31 October 2020</th>
<th>% Year-on-year Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>720.5</td>
<td>895.5</td>
<td>20%</td>
</tr>
<tr>
<td>Adjusted Cash EBITDA</td>
<td>278.2</td>
<td>179.3</td>
<td>55%</td>
</tr>
<tr>
<td>Leverage</td>
<td>2.6x</td>
<td>5.0x</td>
<td>48%</td>
</tr>
</tbody>
</table>

Total Net Debt for FY21 was $720.5 million, lowering Net Debt by 20% versus the prior year. The net debt reduction is due to cash proceeds from the IPO used to pay down debt ($502M), thereby reducing borrowings plus cash generated from the business, and offset by debt raised for the Rancher acquisition ($300m) plus a cash payment to complete the NeuVector acquisition ($101m). The Net Debt & Leverage includes Cash from NeuVector.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 October 2021</th>
<th>As at 31 October 2020</th>
<th>% Year-on-Year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>764.9</td>
<td>974.0</td>
<td>21%</td>
</tr>
<tr>
<td>Cash</td>
<td>(61.1)</td>
<td>(94.9)</td>
<td>(36%)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>16.7</td>
<td>16.4</td>
<td>2%</td>
</tr>
<tr>
<td>Net Debt</td>
<td>720.5</td>
<td>895.5</td>
<td>20%</td>
</tr>
</tbody>
</table>

Contractual Liabilities & Remaining Performance Obligations (RPO)

Contractual Liabilities & Remaining Performance Obligations, represents revenue that has been invoiced but not recognised plus amounts for contracted commitments that have yet to be invoiced. This view is combined, to add the contracted commitments to the deferred revenue balances.

Contractual liabilities and remaining performance obligations as at the end of FY21 were $600 million vs. $429.7 million in the prior year, a growth of 40%. Contractual liabilities increased by 26%, aligned to ACV growth. The remaining performance obligations increased by 239% due to two large future contracts securing future revenues. The contractual liabilities balance includes NeuVector.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 October 2021</th>
<th>Year ended 31 October 2020</th>
<th>% Year-on-Year movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual Liabilities – Current</td>
<td>329.6</td>
<td>246.5</td>
<td>34%</td>
</tr>
<tr>
<td>Contractual Liabilities – Non Current</td>
<td>178.2</td>
<td>156.0</td>
<td>14%</td>
</tr>
<tr>
<td>Total Contractual Liabilities</td>
<td>507.8</td>
<td>402.5</td>
<td>26%</td>
</tr>
<tr>
<td>Remaining Performance Obligations</td>
<td>92.2</td>
<td>27.2</td>
<td>239%</td>
</tr>
<tr>
<td>Total</td>
<td>600.0</td>
<td>429.7</td>
<td>40%</td>
</tr>
</tbody>
</table>

Outlook

SUSE is pleased to report that FY21 has been a year of strong financial performance. Whilst there remain macro economic risks, in 2022 SUSE will continue to focus on its differentiated strategy to deliver continued growth in revenues, with high profit margins and good cash conversion. We look forward to making further progress in the year ahead.
STATUTORY RESULTS OF OPERATIONS AND FINANCIAL POSITION OF SUSE S.A.

For the statutory annual accounts of SUSE S.A., please refer to page 204.

Results of operations
The Company’s income amounted to US$19.3 million (2020: US$0.3 million) and was attributable to providing services to other SUSE Group entities based on service level agreements. The significant increase in revenue in 2021 related to the $19.1 million recharge of certain transaction costs, predominantly related to the IPO.

Other external expenses increased significantly from US$0.8 million in 2020 to US$44.2 million in 2021 due to the transaction costs of the IPO, and other costs related to the Company being listed. The transaction costs are all recognised in expenses in the individual accounts of SUSE S.A. in accordance with Luxembourg accounting principles.

In 2021 interest receivable of US$5.0 million was due to a loan to an affiliated undertaking arising in the year (2020: US$nil). The loan of US$232.9 million was made on 20 May 2021 to Marcel Lux DebtCo SARL and bears interest at 4% margin +LIBOR of 0.75%. The maturity date of the loan is 25 November 2027. Interest payable represents foreign exchange losses.

The loss for 2021 amounted to US$20.1 million (2020: loss of US$0.5 million).

Financial position
Total assets increased from US$1,602.7 million as of 31 October 2020, to US$2,554.0 million as of 31 October 2021.

Fixed assets primarily comprise shares in affiliated undertakings which increased from US$1,601.9 million as of 31 October 2020, to US$2,121.2 million as of 31 October 2021, with the Company increasing its investment in Marcel UK Topco Ltd. The Company also recognised loans to affiliated undertakings in the year of US$232.9 million (2020: US$ nil).

Current assets increased from US$0.7 million as of 31 October 2020, to US$197.9 million as of 31 October 2021. This was driven by an increase of US$196.9 million in the amounts owed by affiliated undertakings mainly due to the transfer of funds received from the IPO to other Group entities.

The Company’s capital and reserves increased from US$1,602.1 million as of 31 October 2020, to US$2,517.6 million as of 31 October 2021, due to capital contributions received in the year including US$669.5 million from the IPO.

Current liabilities have increased from US$0.6 million as of 31 October 2020, to US$36.4 million as of 31 October 2021 due to outstanding transaction costs still to be invoiced, and amounts due to affiliated undertakings for payments they have made on behalf of the Company.

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

Initial Public Offering

On 17 May 2021, SUSE listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange and trading in SUSE’s shares commenced on 19 May 2021.

With the final offer price of €30 per share, SUSE issued 18.3 million shares for net proceeds of €540,765,000 and became the largest enterprise software IPO in Europe of 2021. In addition, 14.2 million existing shares were placed from the holdings of Marcel LUX III SARL.

The total market capitalization of SUSE at the time of placement came to €5 billion.

Ahead of the IPO, investor interest in SUSE was very high. During the IPO, SUSE was supported by BofA Securities and Morgan Stanley as Joint Global Coordinators and Joint Bookrunners with Deutsche Bank, Goldman Sachs, JP Morgan and Jefferies as Joint Bookrunners. As part of the IPO process, SUSE management engaged extensively with potential investors from around the world, holding well over 100 virtual meetings.

Price development of the shares

Trading in SUSE’s shares commenced on 19 May 2021 at an issue price of €30. The share price held steady in initial trading and was up 1.5% after one week.

Overall, the share price grew strongly for the remainder of the year, outperforming the TecDax, SDax and Stoxx600 indices, as shown in the graph below. On the last day of trading for SUSE’s financial year 2021 SUSE’s share price was €37.33. This represented an increase of just over 24% from the issue price at IPO.

Measured as share price performance from IPO date, SUSE was one of the best performing IPOs in Europe at the time of its financial year end on 31 October 2021. Following initial trades after the IPO, liquidity in SUSE shares remains relatively low, due to the limited free float and continued holding of other shareholders.
**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 31 October 2021, SUSE’s share capital is $16,902,711.70 represented by 169,027,117 shares without any nominal value all subscribed and fully paid up.

As of 31 October 2021, Marcel LUX III SARL, on behalf of EQT VIII fund, held 76.49% of the shares in SUSE and 23.51% of the shares in SUSE were publicly traded.

**Shareholder holding**

- **Marcel Lux III**: 76.49%
- **Free float**: 23.51%

**Analyst coverage**

As at 31 October 2021, the following international banks report on SUSE’s shares:

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

**Communication with the capital markets**

SUSE is aiming for open and effective dialogue with the capital markets. SUSE is looking 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.

Following the IPO blackout period and the Q2 results close period, SUSE has followed a full capital market engagement program. This has included publication of detailed financial statements after each quarter and these have been accompanied by an analyst conference on the day of publication of the results, which investors are also invited to attend.

Senior management have 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 sell-side analysts that cover SUSE.

SUSE has created an investor relations website and holds webcasts for investors and analysts following the publication of its financial results at each quarter. A Head of Investor Relations has been appointed and SUSE will further expand its investor relations work in 2022 as part of a best practice approach.

---

**Shareholder holding**

- **Marcel Lux III**: 76.49%
- **Free float**: 23.51%
**SUSE share data**

<table>
<thead>
<tr>
<th>ISIN:</th>
<th>LU2333210958</th>
</tr>
</thead>
<tbody>
<tr>
<td>WKN:</td>
<td>840400</td>
</tr>
<tr>
<td>Symbol:</td>
<td>SUSE</td>
</tr>
<tr>
<td>Stock market listing:</td>
<td>Frankfurt Stock Exchange</td>
</tr>
<tr>
<td>Stock market segment:</td>
<td>Regulated Market (Prime Standard)</td>
</tr>
</tbody>
</table>
| Index memberships: | SDAX and TecDAX from 20 September 2021  
                     Joined FTSE All World index from 17 December 2021 (after end of FY21) |
| Number of shares: | 169,027,117    |
| Share capital:  | $16,902,711.70  |
| Class of shares: | Ordinary shares in dematerialized form |
| Free float:     | 23.51%           |
| Loss per share (FY21) in $: | $3.3          |
| Highest price in Xetra trading in EUR: | €40.59       |
| Lowest price in Xetra trading in EUR: | €25.56        |
| Closing price in Xetra trading (29 October 2021) in EUR: | €37.33       |
| Average daily turnover (Xetra trading): | €2.29 million per day in October |
Environment, Society and Governance
As a business focused on harnessing the power of open source to help our customers innovate everywhere, our Environmental, Social and Governance (ESG) strategy is central to our business and our sustainable growth. Through it we seek to create shared value for our SUSE Diamond and to our investors.

SUSE is a transparent and purpose-driven organization, innovating to provide solutions whilst making positive contributions to society. A strong commitment to ESG has been part of our success and we have already made significant progress in many areas. However, we know there is more work to be done in this area, and since becoming publicly listed in May 2021 we have continued to make rapid developments on our ESG journey.

In 2021, we strengthened our approach to ESG and continued integrating sustainability into our daily processes. We have also reviewed our ESG vision and strategy, based on feedback from stakeholders during our materiality assessment exercise. Furthermore, we have aligned our ESG approach with industry reporting standards such as the Global Reporting Initiative (GRI), also inspired by the United Nations Sustainable Development Goals (UNSDGs). We now have a firm foundation in place to embed ESG management and contribute to a more sustainable future for all.

Our ESG vision
Our vision is to drive real impact around societal and environmental topics of importance to our stakeholders. In order to execute our vision, we are focused on a combination of strong leadership, employee engagement and strategic partnerships.

Leadership commitment
Our ESG function reports directly to the CEO of SUSE, and the ESG vision and strategy are supported by our group-level goals. We have appointed an ESG Board Champion, Dr. Ariane Reinhart, to provide Board-level sponsorship and oversight of key ESG initiatives. We are also introducing ESG targets to the Management Board’s compensation in FY22, and embedding ESG KPIs across business functions.

Employee engagement
The second element driving our vision is employee engagement. Our four employee networks (GoGreen, Women in Technology, Pride @ SUSE, Open Source Community Citizens) are critical to engaging employees at all levels in everything we do. This employee engagement further embeds ESG ethos into the organization and drives adoption and awareness to the causes we support. Employees get one day per year to volunteer, and we champion those who volunteer in their communities through awards and recognition programmes.

Case study: Hypergiant
Hypergiant is creating the reusable satellite fleets of the future with SUSE Rancher, tackling the growing concern around space junk and single-use hardware

Highlights
- By putting novel compute technologies, like K3s, on orbiting satellites Hypergiant ensures their longevity and ongoing usability. With K3s, satellite management and maintenance can be done from Earth. This completely removes the need to send engineers into orbit and reduces reliance on new device launches. SUSE is helping Hypergiant create a long-term future for space hardware.
- A world first: Kubernetes clusters in space for the first time.

https://www.suse.com/success/hypergiant/
**Partnering for impact**

We engage with several external organizations who share our ethos and are focused on driving sustainability. One such example is the Eden Reforestation Project. Eden is a global non-profit initiative that we partnered with to plant the SUSE Forest in Madagascar (land of our beloved chameleon). This partnership will continue for years to come as we work with them to support reforestation in Madagascar and combat climate change.

**Charting a course for a sustainable business**

Looking ahead, we will further harness innovation whilst continuing to be a powerful force for good, tackling global challenges such as climate change, human rights, data privacy, and inequality.

To help us achieve our ESG vision, we have established an overarching ESG framework to guide our activities within three ESG pillars: employee matters, social matters, and environment matters. In addition to these pillars, our framework includes activities around business integrity and success. We have mapped our ESG approach and results on these four areas in the next section.
Identifying and managing material issues

As part of developing our ESG framework, in 2021 we conducted an expanded 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.
- Suppliers.

Responses were analyzed and prioritized according to relevance and impact. This process generated a shortlist of seven key topics which have material impact to SUSE and are a priority to our stakeholders.

As a responsible employer, people are at the core of our business, as such, ‘Diversity & Inclusion’ and ‘Employee Attraction & Retention’ topics are key to

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**Case study: Zentralanstalt für Meteorologie und Geodynamik (ZAMG)**

Working with SUSE, ZAMG models weather patterns and monitors earthquake activity, using data science to better understand the effects of climate change

**Highlights:**

- ZAMG provides crucial services ranging from weather forecasting to climate modelling and earthquake monitoring, working with partners like the European Space Agency to better understand the effects of climate change.
- To increase the granularity of its sophisticated forecasting models, ZAMG deployed a new HPI SGI supercomputer with 7,000 cores, running SUSE Linux Enterprise (SLE) High Performance Computing.
- SUSE ensures ZAMG always provides up-to-date weather information to citizens and government authorities.

our sustainable growth. As a reliable service provider our focus on ‘Privacy & Data security’, ‘Business Ethics & Compliance’ and ‘Green Products & Services’ topics will enable us to continue to be an innovative and ethical company. As good corporate citizens, the ‘Open source community’ and ‘GHG Emissions’ topics will help us achieve our community and environmental commitments.

- 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).

Other topics were identified during the exercise, and while non-material, we have included some in our ESG strategy and disclosed metrics.

**Reporting transparently on ESG topics**

We are committed to regularly share 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 policies and ESG-related information.

**Aligning with globally accepted frameworks**

This report has been prepared in accordance with the GRI Standards – Core option, which meets the requirements of the European Non-Financial Reporting Directive (2014/95/EU).

In addition to these global standards, the United Nations Sustainability Goals (SDGs) have also inspired our ESG strategy and approach. Here are some of the key SDGs our business activities have contributed towards in 2021.

**SDG 5 Gender Equality:**

One of the key metrics that we monitor is gender diversity in leadership, and we plan to promote this through our mentorship programmes, employee networks like Women in Tech, and improving female to male Compa-Ratios.

**SDG 8 Decent Work and Economic Growth:**

We promote learning and training activities not just for our employees but also through partnerships to sponsor learning for the wider community.

**SDG 13 Climate Action:**

We believe in taking urgent action to combat climate change and this is reflected in our commitment to science-based targets and by linking leadership remuneration to climate action milestones.

**SDG 16 Peace, Justice and Strong Institutions:**

We have introduced initiatives to strengthen business integrity & compliance with our policies on code of business ethics, anti-bribery, anti-corruption, and data protection.

In the future, we will continue to align with the EU’s directives for our corporate sustainability reporting.
Our areas of focus
We will continue to strengthen our ESG activities and governance. In the past few years, we have added more compliance and business integrity-related activities to our plans. We launched core policies such as Code of Business Ethics, Supplier Code of Business Ethics, and Diversity & Inclusion. We also aim to introduce more value-creation initiatives through our open source business model. We already have ambitious goals in place with regards to diversity, emission reduction and open source community engagement. In 2022, we plan to build on our achievements to date and to further standardize and improve how we measure and report our progress in relation to sustainability. The tables in the following sections map our progress against our three areas of focus. Succeeding against these three pillars is supported by a commitment to business integrity, keeping us compliant and ethical in how we conduct business. This includes stronger policies and commitments to sustainable procurement, privacy and data security.

### Employee matters
We continue to focus on diversity & inclusion, recruitment and employee retention. As such, we have increased our efforts on employee engagement, training, health and safety.

We have increased our female leaders by +1.5% in 2021 and launched a new Early Career Mentorship Program for young women interested in technology.

### Social matters
Our engineering approach is based on open source, and therefore a core part of our business model and value proposition to our customers. We aim to increase open source community engagement and support digital inclusion more broadly.

In 2021, we launched the Open Source Community Citizens employee network, a network dedicated to uniting employees who are passionate about promoting the open source principles.

### Environment matters
We are committed to climate action, and playing our part in reducing GHG emissions. As part of this commitment, we will be setting science-based targets and producing a roadmap to achieve these targets in FY22.

In the meantime, we have continued reducing direct emissions by moving our offices to renewable energy providers and limiting travel. Our reforestation project in Madagascar also fits our climate action agenda.

<table>
<thead>
<tr>
<th>Goal</th>
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<tbody>
<tr>
<td>At least 30% women in leadership by 2026</td>
<td>Increase open source adoption (targets being set in FY22)</td>
<td>Science-based emissions target (being set in FY22)</td>
</tr>
</tbody>
</table>
Our compliance policies, governance framework and integrated risk management processes help us govern effectively as we grow our business. We are committed to effective and transparent governance to ensure integrity in the way we do business.

**Governance oversight**

Our Management Board, made up of our CEO and CFO, is responsible for managing the day to day operations of SUSE, acting in the interests of the group, and addressing ESG challenges and opportunities to create sustainable growth. The Management Board determines our strategic direction and ensures our ESG strategy is aligned and implemented appropriately. The Management Board is responsible for ensuring compliance with all legal provisions as well as internal regulations. It is also responsible for delivering on our risk management strategy. As part of a dual management system, our Supervisory Board advises and oversees the Management Board and its strategy for long-term value creation. Our Supervisory Board meets at least four times a year.

**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. The Code of Business Ethics is available to all employees via our Policy Hub and includes specific policies, including:

- Diversity, Inclusion and Equal Opportunities Policy.
- Supplier Code of Business Ethics.
- Anti-bribery and Corruption Policy.
- Whistleblowing Policy.
- Anti-slavery and Human rights statement.
- Charitable Donations and Political Activities.
- Conflicts of Interest.
Case study: Cardano Group

Open source is supporting the creation of the sustainable finance industry of the future.

Cardano, a leading pension provider, has partnered with SUSE Rancher to create energy savings of 75%.

Highlights

- Energy and environmental efficiencies occur as a result of platform flexibility.
- By virtue of running SUSE Rancher Cardano can power down certain services overnight, spinning them up again in minutes the next morning. As a result, the team have been able to reduce costs by over 75%.
- Energy and environmental efficiencies occur as a result of platform flexibility.
- Better system stability.
- Customer base growing and innovation hastening.

https://www.suse.com/success/Cardano-Group/

“Our actions, words and behaviors matter. SUSE’s Code of Business Ethics defines our guiding principles and ensures that every decision we make is rooted in integrity, trust and compliance.”

Melissa Di Donato
Chief Executive Officer

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 Pause, Reflect, Ask and Report to ensure matters that raise any concerns on bribery or corruption are considered carefully and escalated to a line manager or, if required, the Chief Legal Officer.

Privacy and data security

The security and privacy of our customers is of the utmost importance to us. One of the ways in which their security and privacy may be threatened is through cyber attacks. We consider cyber attacks to be our most material risk and we have included more detail on the nature of the threat and how we are mitigating it on p.79 of the Risk management and principal risk section.

“Energy and environmental efficiencies occur as a result of platform flexibility. By virtue of running SUSE Rancher Cardano can power down certain services overnight, spinning them up again in minutes the next morning. As a result, the team have been able to reduce costs by over 75%. Energy and environmental efficiencies occur as a result of platform flexibility. Better system stability. Customer base growing and innovation hastening.”

https://www.suse.com/success/Cardano-Group/
**Sustainable procurement**

The security and resilience of our supply chain is vital to the success of our business. Our procurement processes are informed by our Supplier Code of Business Ethics which asks suppliers to confirm they have appropriate policies in place that comply with local laws. We are planning to introduce more sustainable procurement guidelines and extending the current checks to our supplier’s social, health, and environmental impact.

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**Business integrity and success**

**Key policies:** SUSE Code of Business Ethics (COBE), Information Security (ISMS) Policy Group, Supplier Code of Business Ethics (SCOBEE)

For ESG data tables and calculation notes refer to P226

<table>
<thead>
<tr>
<th>ESG focus areas</th>
<th>Our KPIs</th>
<th>YoY progress/baseline</th>
<th>Our future plans</th>
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</thead>
<tbody>
<tr>
<td><strong>Business Ethics and Compliance</strong></td>
<td>Communication of principles for ethical and socially responsible business operations</td>
<td>100% (All employees communicated)</td>
<td>Strengthen policies and increase trainings for Business Ethics &amp; Compliance.</td>
</tr>
<tr>
<td><strong>Privacy and data security</strong></td>
<td>Data breaches</td>
<td>One data breach was identified in 2021. All affected customers were notified by the CFO and it was reported to authorities. A technical incident response team was established to identify the root cause and remediate it, in collaboration with the affected public cloud provider.</td>
<td>A third party has been contracted to support SUSE implement the processes and protections necessary to operate in accordance with ISO best practice guidelines by the end of FY22.</td>
</tr>
<tr>
<td><strong>Sustainable Procurement</strong></td>
<td>Number of suppliers and worth of goods and services purchased</td>
<td>Released the new policy, requesting commitment to local laws and regulations for the 1179 suppliers (Total Order Value at USD 76.1 million worth of goods and services).</td>
<td>Introducing sustainable procurement guidelines which will include social, health, and environment expectations to our rules of engagement with suppliers.</td>
</tr>
</tbody>
</table>
Employee matters

High engagement and employee well-being are key priorities for SUSE. Our people are our strongest asset, and we want all employees to feel they can be honest and open at work every day. We stand by our belief that open innovation brings out the best of creativity and ingenuity in all of us. This is supported by our unique and vibrant culture that ensures everyone at SUSE can bring their authentic selves to work and perform at their peak.

Our employees are also supported to give back to society through our program SUSECares, and they are encouraged to take a day of paid leave each year to volunteer at a charity of their choice.

Diversity and inclusion

At SUSE, we value unique talents and perspectives. We aspire to maximize opportunities for inclusion and belonging to create a working environment where our team members can thrive. We believe the contributions from every single employee, from every background, enable our customers to innovate everywhere. That’s why we are committed to building a diverse and inclusive workforce.

We have established employee networks to create an inclusive and diverse environment for all employees. These include Pride at SUSE, SUSE Women in Tech, GoGreen and the Open Source Community Citizens Network. Our employee networks are led and managed by our own employees, with support from HR and the CEO’s Office. In 2021, we launched our new Diversity and Inclusion Policy and mandatory training, which demonstrates our commitment in this area. One of our key goals is to increase women in leadership positions, which increased from 19% to 20.5% in FY21, enabled by talent management programs and a focus on mentorship and events catered to our female employees. We are proud of this achievement and confident of achieving our target of 30% women in leadership by 2026.

Our Director of Diversity and Inclusion reports to the Chief HR Officer, and we have relevant people strategy metrics in place to map progress.

Non-discrimination

At SUSE, we are committed to creating an inclusive and welcoming work environment free from harassment and bullying where everyone can achieve their potential. We want to ensure all employees, as well as other parts of the SUSE Diamond, feel welcome and enjoy a work environment that is free from harassment, bullying and victimization.

SUSE has an Anti-Harassment and Anti-Bullying Policy which outlines our corporate commitment to creating a safe and inclusive work environment for our entire SUSE Diamond by ensuring that all members are treated — and treat others — with dignity and respect.

The policy covers bullying and harassment in the workplace (including virtual work settings) and in any work-related setting outside the workplace (e.g., business trips and work-related social events) and on social media. The policy also highlights mechanisms to address issues, from informal approaches guided by our Resolution Policy to formal procedures by means of Disciplinary Policy and Whistleblowing Policy.

Health and safety

The health, safety, physical and mental well-being of our employees is essential to our continued success, so we are committed to making sure each employee across the globe feels safe and supported in conducting their duties at SUSE. Our Health & Safety (H&S) Committee, composed of seven employees across multiple business functions, meets weekly to discuss these topics and ensure all employees have the support and guidance they need. In addition, our Health & Safety Policy ensures we comply with all relevant regulations and provides guidelines for establishing a health and safety management system to manage workplace hazards and risks whilst promoting employee well-being.

During the pandemic, recognizing that employees needed additional support to address their overall well-being, we launched SUSE Assist, an online employee well-being solution. SUSE Assist offers all our employees, and their families, access to free and confidential professional care services 24/7, 365 days a year. The H&S Committee also actively
monitors the global Covid-19 situation and has created local travel and office guidelines to safeguard employees.

Finally, we launched Crisis 24, an application which provides 24/7 emergency assistance to our employees around the world. This helps our employees feel more safe, secure, and confident, whether they are working at home, on the road or abroad.

These initiatives and our overall collective efforts to protect the health and safety of our global team have been formally recognized, as we recently won the 2021 ERP Covid-19 Hero Employee Award. This emphasizes the strength of SUSE’s work to support our employees during Covid-19, giving SUSE industry-wide recognition.

Training and development
We have an established process for identifying high potential talent and implementing development plans so we can retain, grow and promote our key talent. During FY21 we started to track career moves at SUSE by introducing a target of 10%. This covers successful application to open roles from internal candidates, promotions and lateral career moves. Our driven and talented employees, managed to beat this target with over 20% career moves.

We have also introduced a complete Leadership Development framework for all stages of the leadership pipeline. Our Emerging Leaders Academy prepares future leaders for their first step into leadership, while our first line managers and our growth mindset leader programs are aimed at more senior leaders.

Our Talent Center of Excellence develops, designs, implements and evaluates the leadership development programs as well as the talent review process. They are supported in this effort by the Global HR Business Partners.

Remuneration equality and transparency
We are committed to achieving pay equity throughout the organization and aim to ensure all our employees are paid fairly and competitively. To measure our progress, we focus on Compa-Ratios when reviewing pay increase proposals and review the relative movement to ensure the ratios generally remain equal.

Employee attraction and retention
We need to attract and retain talent to ensure our continued growth and success. To do this, we aim to show that we are an ethical employer of choice, offering successful candidates the opportunity for rewarding and meaningful career progression.

SUSE Hack Week 2021 was the 20th year for this long-standing SUSE tradition. All SUSE employees can learn, innovate and collaborate on a topic of their choice without boundaries. The event was sponsored by Google and Amazon Web Services, and in just five days, over 600 participants worked on 259 open source projects.

The Recruitment function manages the candidate experience to ensure we can compete in the market.

Retention of employees is tracked and measured on our HR Information System. We regularly review attrition data, together with other inputs (e.g. our employee survey), and we take steps to address any attrition issues identified.

Employee engagement
Our employees are our greatest assets. Employee engagement is therefore a core people metric at SUSE. We use employee net promoter scores (eNPS) to measure overall employee engagement.

Our current eNPS score of 30, places SUSE in the mid-range percentile for benchmark group (tech sector) in Workday Peakon, a platform used to measure the drivers which influence employee engagement, advocacy and well-being.

Employee engagement is managed by our Director of Employee Engagement, who reports directly to the Chief HR Officer.
Employee matters

Aspiration: Best in class employee satisfaction and eNPS

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

For ESG data tables and calculation notes refer to P228

<table>
<thead>
<tr>
<th>ESG focus areas</th>
<th>Our KPIs</th>
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</thead>
<tbody>
<tr>
<td>Diversity and inclusion</td>
<td>D&amp;I Training</td>
<td>Workplace Diversity, Inclusion and Sensitivity Training (83% completed)</td>
<td>In 2022 we plan to expand training on sustainability and diversity issues considerably. We also aim to do more to support our employee networks in contributing to our science-based emission target and Women in leadership goal. We will continue supporting initiatives such as Stonewall &amp; Everywoman. We also seek to join new initiatives that can help us build diverse, inclusive, equitable teams to drive future success.</td>
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Employees by employment type, by gender

- **1,979** Full-time:
  - Male: 1546
  - Female: 427
  - Undisclosed: 6

- **66** Part-time:
  - Male: 44
  - Female: 21
  - Undisclosed: 1

Employees by employment contract, by region

- **2,014** Contract
  - Permanent: 1966 (97.7%)
  - Temporary: 48 (2.3%)

- **31** Temporary

Women leaders

- **20.5%** (increased from 19% in 2020)

Non-discrimination

- Policies & procedures: Anti-Harassment and Anti-Bullying Policy

Health & Safety

- Work-related fatalities: **0**

Covid-19 information

- **250** meetings held by the H&S Committee regarding Covid-19
- **43** Confirmed and recovered Covid-19 employee cases
- **$262,000** Total value of home working equipment
- **500** Number of Crisis 24 downloads

In our next fiscal year, we will be rolling out training on ‘Preventing Bullying and Harassment’ to all employees and contractors.

Continue monitoring & supporting our employees globally to reduce the impact of Covid-19 and other health risks.
<table>
<thead>
<tr>
<th>ESG focus areas</th>
<th>Training and development</th>
<th>Remuneration equality and transparency</th>
<th>Employee attraction and retention</th>
<th>Employee Engagement</th>
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<tbody>
<tr>
<td>Performance and career development reviews</td>
<td>Gender</td>
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<td></td>
<td><strong>1,495</strong></td>
<td><strong>$470,190,000</strong> (104.3% increase from FY20)</td>
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<td>No of eligible employees reviewed (81% of total)</td>
<td>Total compensation and benefits is due to increased headcount (circa 25% increase in average employee numbers year-on-year) and increased share-based payment expenses driven by the IPO triggering vesting conditions for certain share option schemes.</td>
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<td>283</td>
<td>1,495</td>
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Organizations today face increasing pressure to become more agile to grow, compete and survive. By helping our customers digitally transform, we are helping them create more sustainable enterprises. This work is central to our mission of enabling better futures and delivering measurable value for our customers, employees, partners, communities and investors.

To fulfill our mission, we focus on digital inclusion and increasing open source adoption. Open source communities are essential not only to our business but also to drive collaboration and innovation across all business sectors.

Digital inclusion and education
At SUSE we believe digital access is a human right and we seek to promote access and equity in the open source community through professional development courses, internships, and apprenticeships.

As a global leader in innovative, reliable and enterprise-grade open source solutions, we believe we can play a role in addressing the industry-wide talent shortage in the critical area of cloud native application delivery. We partnered with Udacity, the global online learning platform, to introduce the Cloud Native Application Architecture Nanodegree program.

Through our Udacity Cloud Native Scholarship program, launched in 2021, 15,000 applicants competed for scholarships by participating in the Cloud Native Foundations course. SUSE sponsored 300 scholarships and given the importance of diversity and inclusion in the field of technology, 100 scholarships were awarded to women of color, a traditionally underrepresented group in the industry.

We also support internal exchanges between colleagues and communities through the Open Source Community Citizens Employee network. Its mission is to make open source more accessible to non-coders and inspire each other on open source. The employee network was newly formed at the end of FY21 and has over 150 members.

Open source for good
By enabling our customers to innovate, we use open source for good. Our code and solutions are found across the economy and have even been to Mars. Closer to home, we focus on using open source for good through university partnerships, ongoing Covid-19 support and climate change monitoring.

At the onset of the pandemic, we offered free operating systems and container management technologies to organizations that were producing medical devices to fight the virus. Inspired by this movement, Microsoft decided to participate in this initiative.

We also worked with organizations across all sectors to tackle the threat of the virus and to better understand the disease. The Wellcome Sanger Institute, for example, works with SUSE to track the spread of Covid-19 and analyze the emergence of variants. Likewise, alongside some of the largest laboratories in the world, companies like Ruvos have chosen to work with us to track testing data across the USA. Additionally, we partnered with academic institutions such as Haifa University – home to over 18,000 students across the globe – to ensure that not a single hour of lectures was missed during the pandemic.
openSUSE

The openSUSE Project is a worldwide effort that promotes the use of Linux, tools around it, and open source. The openSUSE community is made up of multiple communities which collaborate as part of a global open source network. The openSUSE community develops, builds, and maintains many of the packages, tools, and infrastructure for the distribution. It works together in an open, transparent, and friendly manner as part of the global free and open source software community.

The project is sponsored primarily by SUSE and supported by several open source companies and communities. SUSE provides openSUSE with resources to maintain and release openSUSE Linux distributions and tools such as the Open Build Service and openQA. SUSE supports openSUSE through the sponsoring of infrastructure, human resources, and funding. SUSE continuously maintains infrastructure and software alongside the community.

The governance model exists through a formal membership which is represented by the openSUSE board. The board provides guidance and supports other governance structures, provides conflict resolution and coordinates with SUSE, but it does not direct the project’s development where community mechanisms exist to accomplish the goals of the project.

The openSUSE Project has more than 450 project members and 369 organizational members with Github privileges for the project. Project membership is seeing active growth after shifting the membership process to code.opensuse.org. The openSUSE project has grown extensively since its founding more than 15 years ago. A total of 35 members have served on the board since its founding.

openSUSE has also historically engaged in community events to meet and encourage new users to try openSUSE distributions and tools. These include developer and system administrator-focused events, as well as community-based, grassroots events for adults and children.

Social matters – Increasing open source adoption

Aspiration: Increase open source adoption (targets being set in FY22)

Key policies: Open source Policy

For ESG data tables and calculation notes refer to P232

<table>
<thead>
<tr>
<th>ESG focus areas</th>
<th>Our KPIs</th>
<th>YoY progress/baseline</th>
<th>Our future plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Digital inclusion and education</strong></td>
<td>Udacity and sponsor courses</td>
<td><strong>$300,000 (USD)</strong> SUSE invested to sponsor 300 scholarships</td>
<td>Explore new programs that help young people gain critical job skills and experience. Increase our support for our community networks such as Open SUSE and SUSE &amp; Rancher Community.</td>
</tr>
<tr>
<td><strong>openSUSE</strong></td>
<td>Total number of nonSUSE contributors to openSUSE <strong>139</strong> (Percentage of nonSUSE contributors to openSUSE: 69.8 %)</td>
<td></td>
<td>Continue openSUSE community growth and increase community engagement.</td>
</tr>
<tr>
<td>Events Organized</td>
<td>3 events organized</td>
<td></td>
<td></td>
</tr>
<tr>
<td>openSUSE community engagement</td>
<td>81 Average number of participants per event SUSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>openSUSE project members</td>
<td>450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participants by country</td>
<td>For FY21, the top five countries by popularity using openSUSE are #1 Germany, #2 United States, #3 Brazil, #4 China and #5 Russia.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Environment matters

At SUSE, we believe we all bear a responsibility to preserve our planet for generations to come. We want to be part of the solution to the challenges facing our world. We do this by enabling our customers to create innovative sustainable services and solutions, and by adapting our own operations to minimize our impact on the environment. We are currently developing a roadmap towards a science-based emission target and encourage all our business partners to share in our mission.

Green operations – Greenhouse gas emissions

We are committed to reducing greenhouse gas emissions, and we will reduce our emissions by choosing lower-emission equipment, cars, and travel. We will also aim to source the most energy-efficient resources in our offices where possible.

We track our GHG emissions and measure our output through reports from travel providers, company car records and utility invoices. We plan to create a roadmap to start reducing these emissions across the business.

We also support climate action by planting trees through our SUSE Forest initiative. To date, we have planted 300,000 trees in Madagascar, the home of our beloved chameleon mascot, in partnership with Eden Reforestation Projects. This non-profit NGO helps to create livelihoods for millions of people living in poverty through reforestation.

Our commitment to reducing emissions is reinforced by the introduction of new climate action milestones linked to Management Board remuneration.

Green operations – Energy

We try to consume as little energy as possible and source renewable energy wherever we can. We manage our energy efficiency on a regional basis, working with our landlords to review all options available to us. However, it can be challenging to accurately measure our energy performance as we rely on data from other organizations. Variable factors like fluctuating demand for data centers, equipment being added unexpectedly and office spaces being open for longer hours can all affect the accuracy of monitoring.

Going forward, we will continue our commitment to measuring and managing our energy usage efficiently. We have committed to setting science-based targets in FY22 and will create a plan to deliver on these targets.

Green products and solutions

The International Energy Agency estimates that 1% of all global electricity is used by data centers and cloud operations, giving us an opportunity to reduce the energy consumption and make a positive contribution to creating a more sustainable future. To do this, we strive to make sure our products use as little energy as possible.

Case study: STFC

The UK-based Science and Technology Facilities Council’s JASMIN supercomputer, running on SUSE Rancher, is being used to model inner city temperature changes in a bid to help plan the sustainable cities of the future.

Highlights

- SUSE Rancher brings highly available and scalable compute power to a diverse and growing research community, engaged in a range of climate-related projects.
- Supports STFC’s unique needs and the varying requirements of the global research community; ability to process petabytes of data from disparate sources, quickly and efficiently.
- Interoperable: flexibility to build, scale and transform on demand to support fast-moving research projects.

https://www.suse.com/success/stfc/
We have been driving product energy efficiency by:
- Introducing Green IT performance objectives.
- We continue our efforts to make our software energy efficient. Beneficiaries are also the openSUSE project and other Linux adopters, because our technology is (as open source software) available to everyone and is made available upstream.
- Creating a Future Product Roadmap in partnership with our Independent Hardware Vendors (IHV) partners.

We help our customers to become more environmentally friendly by better utilizing their hardware and by prolonging hardware usage life. We have also introduced green coding guidelines to help create more energy-efficient software. We are an active member of large improvement projects like Gaia-X that have a clear focus on building sustainable and energy-efficient cloud infrastructures in Europe.

**Serving green economy**

The impact of open source on sustainability issues is both broad and varied, and our solutions have helped several customers to address sustainability challenges in innovative ways. Hypergiant Industries, an artificial intelligence company, is using SUSE Rancher to create a fleet of sustainable satellites, tackling the growing problem of space junk and one-time use of valuable resources. Austrian meteorological and geodynamics agency ZAMG uses SUSE Linux Enterprise to model weather patterns and monitor earthquake activity, using data science to better understand the effects of climate change.
Environmental matters

Aspiration: Controlled emissions measured by CO₂e

Transformational goal: Science-based emission targets

For ESG data tables and calculation notes refer to P233

<table>
<thead>
<tr>
<th>ESG focus areas</th>
<th>Our KPIs</th>
<th>YoY progress/baseline</th>
<th>Our future plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green ops – Emissions</strong></td>
<td>Direct (Scope 1) GHG emissions</td>
<td>257 tCO₂e (tons of CO₂ equivalent)</td>
<td>We aim to define science-based targets and create a roadmap to achieve science-based emission target.</td>
</tr>
<tr>
<td></td>
<td>Energy indirect (Scope 2) GHG emissions</td>
<td>Market based – 4,446 tCO₂e, Location based – 3,224 tCO₂e</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other indirect (Scope 3) GHG emissions</td>
<td>17,299 tCO₂e (tons of CO₂ equivalent)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GHG emission intensity</td>
<td>0.2 (t CO₂e / square meter of office area)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leadership compensation</td>
<td>New climate action milestones linked to management board remuneration (Refer Remuneration section)</td>
<td></td>
</tr>
<tr>
<td><strong>Green ops – Energy</strong></td>
<td>Energy consumption within the organization</td>
<td>9,362,071 kWh</td>
<td>We plan to optimize our consumption levels across sites and source renewable energy, where possible. This will be done in alignment with a new Sustainable Procurement Policy.</td>
</tr>
<tr>
<td></td>
<td>Energy intensity</td>
<td>467.1 (kWh / square meter of office area)</td>
<td></td>
</tr>
<tr>
<td><strong>Green products and solutions</strong></td>
<td>IPCEI – Cloud Infrastructure and Services (CIS) Projects</td>
<td>3/6 projects joined as part of Important Projects of Common European Interest (IPCEI) Consortia in EU</td>
<td>We aim to be a leader in Green Products initiatives. We aim to be involved more with the IPCEI – CIS projects and consortia and join more projects.</td>
</tr>
</tbody>
</table>

The way forward

Our new ESG vision sets out bold ambitions for SUSE and a clear pathway to achieving our goals.

In 2022, we will build further on our commitment to sustainability through a range of initiatives across the E, S and G pillars. We will also uphold our values through an open and collaborative approach to innovation as we believe this will be a key advantage in tackling global challenges for the greater good. We look forward to updating our shareholders on our progress on these important efforts.

Link to ESG website page – https://www.suse.com/esg/
Risk management and principal risks

Risk management strategy
The Management Board, under the supervision of the Supervisory Board, has the 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 and on 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 internal control system and the risk management system that the Management Board oversees are designed to identify potential events that could negatively impact SUSE, its reputation and its financial performance. To help achieve this, SUSE has established appropriate systems for internal control and risk management to ensure compliance across the Group.

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.

SUSE’s internal control system is an integral component of its risk management strategy. 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, International Financial Reporting Standards as adopted by the EU and 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 is provided in Note 29 to the Consolidated Financial Statements.

The financial statements of the Group and SUSE S.A. are subject to external audits. SUSE is currently establishing an independent Internal Audit function which will further strengthen the internal control environment.

Independent reviews of financial data are an integral part of the internal control framework. This ensures that potential errors are identified on a timely basis, accounting standards are complied with and financial reporting is robust.

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 and then managed on an ongoing basis.

SUSE’s risk management system is based on the following six features:

1. Identify
2. Assess
3. Mitigate
4. Manage
5. Monitor
6. Report
The Management Board regularly updates the Supervisory Board on the risks facing the SUSE business and the mitigants 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 any mitigants that could be implemented.

The Management Board is also supported by the Senior Leadership Team which is responsible for identifying risks facing the business, updating the Management Board and the Audit Committee and then overseeing the implementation of any necessary mitigants.

In addition, and as explained in more detail on pages 90 to 91 of the Corporate Governance section, the Supervisory Board, the Management Board and the Senior Leadership Team have established a number of committees, including an Audit Committee, a Nomination and Remuneration Committee and a Risk and Compliance Committee to review, monitor and manage risks facing SUSE. In particular, 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 and to ensure compliance with applicable law and regulation.

Identifying principal risks
To prepare for the IPO, SUSE, with support from external advisers, undertook an exercise to record the main risks facing the SUSE business. This exercise identified 50 risks, which included a range of strategic, operational, compliance and reporting risks, as measured according to their likelihood of occurrence and impact. This exercise also helped to verify the risk factors that were included in the prospectus for the IPO.

All risks were assessed with and without considering existing and planned mitigation measures, i.e. inherent risks and residual risks. The top 10 risks were identified and the assessment of such risks, on an inherent and residual basis, was then shared with the Supervisory Board and the Management Board. SUSE will refresh its review of the risks facing SUSE on a half-yearly cycle working in collaboration with the respective risk owners.

The current top 10 risks that SUSE has identified are listed out on pages 79 to 83, together with a list of the existing measures in place to mitigate such risks, as well as the planned measures in place to further mitigate such 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

**Management Board**
Overall responsibility for ensuring that SUSE’s activities comply with applicable legislation, regulatory requirements and internal policies.

**Senior Leadership Team**
Chaired by the CEO. Identifies risks facing SUSE and oversees implementation of any necessary mitigants

**Audit Committee**
Assesses and monitors the effectiveness of SUSE’s internal control system, its risk management system, its audit system and compliance

**Management Board Committees**
Each chaired by a member of the Management Board or the Senior Leadership Team
Assessment of principal risks

All identified risks will be assessed half-yearly 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:

<table>
<thead>
<tr>
<th>Level</th>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Almost certain</td>
<td>&gt;80%</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>60% – &lt;80%</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>40% – &lt;60%</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>20% – &lt;40%</td>
</tr>
<tr>
<td>1</td>
<td>Remote</td>
<td>0% – &lt;20%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Level</th>
<th>Rating</th>
<th>Financial impact</th>
<th>Liability</th>
<th>Reputation</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>V</td>
<td>Major</td>
<td>&gt;$30 million</td>
<td>Major criminal sentence – personal liability, e.g. board member</td>
<td>Long-term international negative attention</td>
<td>Significant long-term interruption or shut-down of more than one business operation</td>
</tr>
<tr>
<td>IV</td>
<td>High</td>
<td>≤$30 million – &gt;$5 million</td>
<td>Minor criminal sentence – personal liability, e.g. board member</td>
<td>Short to medium-term international negative attention</td>
<td>Significant short-term interruption or shut-down of a significant business operation</td>
</tr>
<tr>
<td>III</td>
<td>Medium</td>
<td>≤$5 million – &gt; $500k</td>
<td>Significant administrative offence – no personal liability</td>
<td>Short to medium-term regional negative attention</td>
<td>Medium-term interruption or closure of significant parts of business operations</td>
</tr>
<tr>
<td>II</td>
<td>Low</td>
<td>≤$500k – &gt; $100k</td>
<td>Minor administrative offence – no personal liability</td>
<td>Medium-term local negative attention</td>
<td>Short-term interruption or closure of parts of business operations</td>
</tr>
<tr>
<td>I</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>No personal liability or sentence</td>
<td>No or short-term local negative attention</td>
<td>Short-term interruption of insignificant parts of business operations</td>
</tr>
</tbody>
</table>
Mitigation, management, monitoring and reporting
Suitable risk-mitigating measures and controls are developed and implemented by the Senior Leadership Team or individuals who directly report to the Senior Leadership Team. Risks are then managed and monitored on an ongoing basis by such individuals. On a half-yearly basis, the top 10 inherent and top 10 residual risks are shared with, and reviewed by, the Management Board and the Supervisory Board.

SUSE’s top 10 risks
The heat map below sets out SUSE’s top 10 risks, as of 31 October 2021, as measured on an inherent and residual basis.
This heat map was shared with the Management Board and the Supervisory Board and formed part of their review of the ongoing risks facing SUSE and the measures that are in place to mitigate such risks.

Inherent risks and residual risks – heat map

<table>
<thead>
<tr>
<th>Topic</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber</td>
<td>1</td>
</tr>
<tr>
<td>Strategic relationships</td>
<td>2</td>
</tr>
<tr>
<td>Product defects and liability</td>
<td>3</td>
</tr>
<tr>
<td>Governance and compliance</td>
<td>4</td>
</tr>
<tr>
<td>People</td>
<td>5</td>
</tr>
<tr>
<td>Global economic and geopolitical uncertainty</td>
<td>6</td>
</tr>
<tr>
<td>Innovation and reacting to market trends</td>
<td>7</td>
</tr>
<tr>
<td>Technology infrastructure</td>
<td>8</td>
</tr>
<tr>
<td>Acquisition strategy</td>
<td>9</td>
</tr>
<tr>
<td>Competitors</td>
<td>10</td>
</tr>
<tr>
<td>Topic</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td><strong>Cyber</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Gross/Net Impact</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Major</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Gross/Net Likelihood</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Almost certain/Possible</strong></td>
</tr>
<tr>
<td>Ownership</td>
<td><strong>CFO Office (IT)</strong></td>
</tr>
<tr>
<td>2</td>
<td><strong>Strategic relationships</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Gross/Net Impact</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Major</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Gross/Net Likelihood</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Likely/Possible</strong></td>
</tr>
<tr>
<td>Ownership</td>
<td><strong>CFO Office (Finance)</strong></td>
</tr>
<tr>
<td>Topic</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>3 Product defects and liability</strong></td>
<td>As SUSE’s products are open source, much of the code is developed by independent third parties over whom SUSE exercises no direct supervision or control. Despite quality control and testing procedures, errors have been and may continue to be found in SUSE’s offerings after deployment. If errors are discovered then SUSE may incur significant expenditures and devote significant technical resources to analyze, eliminate or work around any such errors. Errors or defects in SUSE’s products may cause system failures, security breaches, loss of data or performance issues for SUSE’s customers who may bring claims for damages against SUSE. Such errors or defects may lead to existing and future customers choosing not to use SUSE’s products. Agreements with customers generally contain provisions that seek to limit SUSE’s exposure but such provisions may not be effective or enforceable.</td>
</tr>
<tr>
<td><strong>4 Governance and compliance</strong></td>
<td>SUSE’s activities are subject to various applicable laws, rules and regulations in the various jurisdictions in which it operates or sells its products. As a listed company, SUSE is also subject to more onerous corporate governance and disclosure requirements. SUSE’s compliance processes and controls may not be sufficient to effectively prevent or detect inadequate practices, fraud and violations of law or group-wide policies or violations of sanctions, trade controls and bribery laws. Employees may not understand what internal controls and policies are in place, why they are in place and their importance. Any violations of these laws and regulations could result in fines, reputational damage, criminal sanctions against SUSE, its officers or its employees and prohibitions on its conduct of business. SUSE’s share price and its reputation in the market is, to some extent, dependent on the successful delivery and execution of its investor relations program. If SUSE fails to successfully deliver and execute its investor relations program this could lead to an unfavorable reaction from shareholders, and the market more generally, causing reputational damage to its management and a loss of confidence in SUSE and its share price.</td>
</tr>
</tbody>
</table>
## People

<table>
<thead>
<tr>
<th>Gross/Net Impact</th>
<th>Gross/Net Likelihood</th>
<th>Ownership</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Likely/Possible</td>
<td>HR</td>
<td>SUSE’s employees are its key asset and it is heavily reliant on those employees for its continued success.</td>
<td>SUSE pays its employees competitive salaries that are benchmarked against external competitors. SUSE carries out an annual salary review to reward strong performance and ensure salaries remain competitive. The majority of employees are offered bonuses that are triggered on the basis of SUSE’s success. Many employees also receive share-based awards to incentivize their performance and align their interests with SUSE’s.</td>
</tr>
</tbody>
</table>

SUSE is an ambitious and rapidly growing business, operating in a highly competitive global market place. Its ability to successfully deliver on these ambitions depends on retaining, motivating and attracting current employees who have the attributes and skills to allow SUSE to continue to grow.

Competition in the technology industry for qualified employees with relevant skills and experience, especially sales and technical employees, is intense. SUSE’s competitors may directly target its employees or SUSE may be unable to retain key employees and attract new employees.

As the global economy continues to open up post-Covid, SUSE will not be immune to global dynamics and shifts in employee patterns, including the “Great Resignation” post-Covid.

SUSE uses remuneration as an important retention tool and its recent IPO has caused share options to vest for a significant number of its employees, with no retention period built in. A number of senior employees with such vested share options have already resigned and it is possible that further such resignations may follow in the immediate to short term.

Attrition rates, combined with planned additional headcount needs, create a significant risk that recruitment will not match the requirements of the business.

SUSE pays its employees competitive salaries that are benchmarked against external competitors. SUSE carries out an annual salary review to reward strong performance and ensure salaries remain competitive. The majority of employees are offered bonuses that are triggered on the basis of SUSE’s success. Many employees also receive share-based awards to incentivize their performance and align their interests with SUSE’s. All employees receive a competitive benefits package, including pension and health insurance.

SUSE focuses on a number of health and well-being initiatives, and has a Health & Safety Committee and a Covid-19 Committee to oversee and implement such initiatives. The health, safety and well-being of employees is a standing agenda item at meetings of the Supervisory Board.

SUSE also circulates regular Pulse surveys to employees to assess job satisfaction, views of SUSE and well-being.

Management frequently updates employees on the performance of SUSE and its future prospects through Group-wide communications.

SUSE promotes a culture of openness and collaboration and encourages personal development among its employees with annual reviews and development programs.

## Global economic and geopolitical uncertainty post Covid

<table>
<thead>
<tr>
<th>Gross/Net Impact</th>
<th>Gross/Net Likelihood</th>
<th>Ownership</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High/Medium</td>
<td>Possible</td>
<td>CFO Office (Finance)</td>
<td>While SUSE continues to benefit from a strong recovery and performance in global stock markets (since March 2020), there is always a risk of an economic downturn or uncertainty. Economies are facing supply chain issues, inflationary pressures and the “Great Resignation”. These may all impact demand for SUSE’s products.</td>
<td>SUSE is a well-capitalized business with strong cash flows and relatively low levels of leverage. The Supervisory Board, the Management Board and the Senior Leadership Team spend a significant amount of time preparing a rigorous budget for each financial year, analyzing SUSE’s forecast figures and reviewing SUSE’s strategic planning for the short and medium term. In the event of an economic downturn, SUSE has available to it a full range of cost reducing measures that it would be able to execute at relatively short notice.</td>
</tr>
</tbody>
</table>

The short, medium and long-term effects of Covid-19 on the global economy are still uncertain – there are likely to be further issues that emerge from the Covid-19 pandemic in the next few years and these may have a negative impact on SUSE’s business. For example, the global economy is feeling the effects of another wave of Covid that is causing many countries to enter into lockdown.

As part of its growth strategy, SUSE intends to continue expanding its geographical presence, including its sales and marketing activities. Part of this growth strategy includes expanding SUSE’s business into China and this may prove incompatible with SUSE’s core business focus in the US and its work with the US government. SUSE may find that it is unable to carry out business in certain parts of the world without hampering its business elsewhere.
## Risk management and principal risks continued

<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>7 Innovation and reacting to market trends</strong></td>
<td>SUSE’s continued success relies on its ability to adapt to rapidly changing technologies and user preferences, to predict user preferences and industry changes, to continue to provide value to our customers, to adapt our offerings to evolving industry standards and to improve the performance and reliability of our offerings. The success of new and enhanced offerings depends on, amongst other things, SUSE’s ability to invest significant resources in research and development to enhance existing offerings and introduce new offerings in a timely manner and successfully promote such offerings and manage the risks associated with those offerings. SUSE’s ongoing success also depends on its continued investment in new business strategies and initiatives that complement its strategic direction and technology road map.</td>
<td>SUSE promotes a culture of innovation to continually improve product offerings. SUSE’s Chief Operating Officer, Chief Customer Officer, President Engineering &amp; Innovation and Chief Technology &amp; Product Officer are all members of the SLT that is chaired by the CEO and they are in regular contact with the Management Board. SUSE’s open source innovation model allows for continuous review and enhancement of open source software solutions. As well as organic growth, SUSE is pursuing inorganic growth to react and pre-empt market trends, as highlighted by its acquisitions of Rancher and NeuVector during FY21.</td>
</tr>
<tr>
<td><strong>8 Legacy technology infrastructure</strong></td>
<td>SUSE relies on its technology infrastructure and the technology infrastructure of third parties for many of its internal functions, including selling SUSE’s products, supporting SUSE’s partners, fulfilling orders and billing, collecting and making payments and supporting the open source software SUSE’s customers use under support agreements with SUSE. SUSE’s technology infrastructure may be vulnerable to damage or interruption as a result of vulnerabilities and viruses, software errors, denial of service attacks, terrorist attacks, power loss and telecommunication failures. SUSE is working to improve and upgrade the quality, reliability and security of its legacy technology infrastructure, including its data centers. If any of SUSE’s data centers suffer from an outage, SUSE may not have the ability to build, integrate, develop, deliver and deploy key products like SLES to customers.</td>
<td>SUSE has developed and tested a business continuity plan for critical legacy technology infrastructure. SUSE has established a new, offsite back up service where data has been encrypted and stored. SUSE is also working to upgrade its legacy technology infrastructure and in FY22 will introduce a new backup and data recovery solution.</td>
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<td>Topic</td>
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<td>9 Acquisition Strategy</td>
<td>Part of SUSE’s growth strategy is inorganic growth through planned acquisitions and during FY21 it completed the acquisitions of Rancher and NeuVector. As SUSE looks to continue to grow through targeted acquisitions, SUSE may choose the wrong targets that do not fit with SUSE's business model and/or wider market trends and do not result in the growth or synergies that it expected. SUSE may also struggle to integrate acquired companies and products into the SUSE business, overpay for targets or inherit unforeseen liabilities from targets.</td>
<td>SUSE has carried out a strategic review with external advisers, the Supervisory Board and the Management Board to assess SUSE’s strengths and weaknesses and market trends. SUSE has a Corporate Development team that has 10 to 15 opportunities under review at any one time. SUSE carries out rigorous due diligence on potential targets, undertaken both internally and by external advisers. The M&amp;A Committee reports to the Management Board and the Supervisory Board on merits of proposed transactions and the transaction terms. SUSE sets up a dedicated integration team to integrate a newly acquired business into SUSE.</td>
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<td>10 Competitors</td>
<td>The enterprise software industry is rapidly evolving and intensely competitive. SUSE’s competitors may respond more quickly to market trends and their products may provide better performance or include additional features. SUSE is the second largest participant in the market but is much smaller than its main competitor. Smaller competitors could merge and create larger and potentially stronger competitors in the markets that we operate in. There are limited technology barriers to entry as open source software may be easily modified and redistributed. Competitive pressures could affect the prices that we are able to charge customers and result in reduced profit margins and/or potential loss of market share. Hyperscalers like Amazon Web Services, Google Cloud Platform and Microsoft Azure already create their own version of related enterprise software industry offerings and could compete head-to-head with SUSE.</td>
<td>As mentioned in the “Innovation and reacting to market trends” section, SUSE monitors customer requirements, market trends and the offerings of other suppliers and continues to update its offerings to respond to customer requirements. SUSE is one of the few independent open source companies that does not require customers to lock in to SUSE’s products. In October 2021, SUSE acquired NeuVector, Inc. to enhance SUSE Rancher, SUSE’s container management platform, bringing end to end security. This acquisition will provide cross selling opportunities to SUSE’s existing customer base. SUSE also provides a level of integration, technical support, software updates, partner and security certifications to customers that they are unable to achieve in-house or from SUSE’s competitors.</td>
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