Elastic N.V.

Dutch Statutory Board Report and Financial statements
April 30, 2019
Amsterdam

Elastic N.V.
Dutch Statutory Board Report
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INTRODUCTION

Unless the context otherwise indicates, references in this report to the terms “Elastic”, “the Company,” “we,” “our” and “us” refer to Elastic N.V. and its subsidiaries. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company’s fiscal years ended April 30 and the associated quarters, months and periods of those fiscal years.

Preparation

This report has been prepared by Elastic’s management and has been approved by Elastic’s board of directors (the “Board”) pursuant to Section 2:391 of the Dutch Civil Code (“DCC”). It contains (i) Elastic’s Dutch statutory annual accounts as defined in Section 2:361(1) DCC and (ii) the information to be added pursuant to Section 2:392 DCC (to the extent relevant). The financial statements included in this report have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Commission (“EU IFRS”). The report of Elastic’s independent auditor, PricewaterhouseCoopers B.V., is included in section Other Information.

Forward-looking statements

This Directors Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risk and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Report include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses (including changes in sales and marketing, research and development and general and administrative expenses), and our ability to achieve, and maintain, future profitability;
- our ability to continue to deliver and improve our offerings and successfully develop new offerings, including security-related product offerings;
- customer acceptance and purchase of our existing offerings and new offerings;
- our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches;
- our ability to maintain and expand our customer base;
- the market for our products continuing to develop;
- competition from other products;
- the impact of foreign currency exchange rate and interest rate fluctuations on our results;
- the pace of change and innovation in the markets in which we participate and the competitive nature of those markets;
- our business strategy and our plan to build our business;
- our ability to effectively manage our growth;
- our international expansion strategy;
- our operating results and cash flows;

- our strategy of acquiring complementary businesses and our ability to successfully integrate acquired businesses and technologies, including our proposed acquisition of Endgame, Inc. (“Endgame”);
- our beliefs and objectives for future operations;
- our relationships with third parties, including partners;
- our ability to protect our intellectual property rights;
- our ability to develop our brands;
- the impact of expensing stock options and other equity awards;
- the sufficiency of our capital resources;
- our ability to successfully defend litigation brought against us;
- our ability to successfully expand in our existing markets and into new markets;
- sufficiency of cash to meet cash needs for at least the next 12 months;
- our ability to comply with laws and regulations that currently apply or become applicable to our business both in the Netherlands and internationally;
- our ability to attract and retain qualified employees and key personnel; and
- the future trading prices of our ordinary shares.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Management and Risk Factors” and elsewhere in this Report. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Report. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Report relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Report or to conform such statements to actual results or revised expectations, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

COMPANY AND BUSINESS OVERVIEW

Elastic is a search company.

Search is foundational to a wide variety of experiences. Elastic makes the power of search—the ability to instantly find relevant information and insights from large amounts of data—available for a diverse set of applications and use cases.

When you hail a ride home from work with Uber, Elastic helps power the systems that locate nearby riders and drivers. When you shop online at Walgreens, Elastic helps power finding the right products to add to your cart. When you look for a partner on Tinder, Elastic helps power the algorithms that guide you to a match. When you search across Adobe's millions of assets, Elastic helps power finding the right photo, font, or color palette to complete your project. As Sprint operates its nationwide network of mobile subscribers, Elastic helps power the logging of billions of events per day to track and manage website performance issues and network outages. As SoftBank monitors the usage of thousands of servers across its entire IT environment, Elastic helps power the processing of terabytes of daily data in real time. When Indiana University welcomes a new student class, Elastic helps power the cybersecurity operations protecting thousands of devices and critical data across collaborating universities in the BigTen Security Operations Center. All of this is search.

Why we search remains constant: we're looking for insight, information, and answers. But how and what we search changes over time, from the Dewey Decimal System for libraries to Google for the World Wide Web to conversations with virtual assistants for everyday inquiries. Today, what we search has grown to include a rapidly increasing amount of structured and unstructured data from a multitude of sources such as databases, websites, applications, and mobile and connected devices. While search experiences often begin with search boxes, they are not confined to them. Dragging your finger across a map on a smartphone screen is search. Zooming into a specific time frame in a histogram is search. Mining log files for errors is search. Forecasting storage capacity two weeks into the future is search. Using natural language processing to analyze user sentiment is search.

Elastic created the Elastic Stack, a powerful set of software products that ingest and store data from any source, and in any format, and perform search, analysis, and visualization in milliseconds or less. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. We have also built software solutions on the Elastic Stack that address a wide variety of use cases including app search, site search, enterprise search, logging, metrics, application performance monitoring ("APM"), business analytics, and security analytics. The Elastic Stack and our solutions are designed to run on premises, in public or private clouds, or in hybrid environments. As the technology landscape shifts, our products grow and adapt. In that sense, we believe that our company is truly elastic.

Our origins are rooted in open source, which facilitates rapid adoption of our software and enables efficient distribution of our technology. Developers can download our software directly from our website for use in development and production environments. These downloads include both free and paid products. Open source also fosters our vibrant community of developers who help improve our products and build on top of them. As of April 30, 2019, our community included over 120,000 Meetup members across 215 Meetup groups in 48 countries. Meetup members are individuals who opt into an Elasticsearch Meetup group on meetup.com, an independent third-party website.

Our business model is based on a combination of open source and proprietary software. Many features of our software can be used free of charge. Some are only available through paid subscriptions, which include access to specific proprietary features and also include support. Unlike some open source companies, we do not build a separate enterprise version of an original open source project. Instead, we develop and test one robust codebase, over which we maintain control. We believe that maintaining full control over the source code enables us to develop better products for our users and customers. Our sales and marketing efforts start with developers who have already adopted our software and then evolve to departmental decision-makers and senior executives who have broad purchasing power in their organizations. All of these actions help us build a powerful commercial business model on top of open source.

Our customers often significantly expand their usage of our products over time. Expansion includes increasing the number of developers using our products, increasing the utilization of our products for a particular use case, and applying our products to new use cases. We focus some of our direct sales efforts on encouraging these types of expansion within our customer base.

Our business has experienced rapid growth around the world. As of April 30, 2019, we had over 8,100 customers compared to over 5,000 and over 2,800 customers as of April 30, 2018 and 2017, respectively. Our revenue was $271.7 million in the year ended April 30, 2019, or fiscal 2019, $159.9 million in the year ended April 30, 2018, or fiscal 2018, and $88.2 million in the year ended April 30, 2017, or fiscal 2017, representing year-over-year growth of 70% and 81% for the years ended April 30, 2019 and 2018, respectively. Subscriptions accounted for 91%, 93% and 90% of our total revenue in the years ended April 30, 2019, 2018 and 2017, respectively.

In the years ended April 30, 2019 and 2018, we incurred net losses of $119.8 million, and $60.9 million, respectively, and our net cash used in operating activities was $26.9 million, and $20.9 million, respectively. We expect we will continue to incur net losses for the foreseeable future.

Our Products

We founded Elastic to bring the power of search to a broad range of business and consumer use cases. Our products enable our users and customers to instantly find relevant information and insights in large amounts of data.

We offer the Elastic Stack (previously known as the ELK Stack), a powerful set of software products that ingest and store data from any source, and in any format, and perform search, analysis, and visualization in milliseconds or less. The Elastic Stack is designed for direct use by developers to power a variety of use cases. We also offer software solutions built on the Elastic Stack that address a wide variety of use cases. The Elastic Stack and our solutions are designed to run on premises, in public or private clouds, or in hybrid environments.

The Elastic Stack

The Elastic Stack is comprised of four primary products:

- Elasticsearch is the heart of the Elastic Stack. It is a distributed, real-time search and analytics engine and datastore for all types of data, including textual, numerical, geospatial, structured, and unstructured.

- Kibana is the user interface for the Elastic Stack. It is the visualization layer for data stored in Elasticsearch. It is also the management and configuration interface for all parts of the Elastic Stack.
- Beats is the family of lightweight, single-purpose data shippers for sending data from edge machines to Elasticsearch or Logstash.
- Logstash is the dynamic data processing pipeline for ingesting data into Elasticsearch or other storage systems from a multitude of sources simultaneously.

Some features of the Elastic Stack are open source, while others are proprietary. Some proprietary features are licensed to users at no cost, while others require paid subscriptions. Paid proprietary features enable capabilities such as automating anomaly detection on time series data at scale, facilitating compliance with data security and privacy regulations, and allowing real-time notifications and alerts. The source code of all free and paid features in the Elastic Stack is visible to the public in the form of "open code."

Our Solutions

We have built a number of solutions on top of the Elastic Stack to make it easier for organizations to use our software for certain common use cases. Like the Elastic Stack, our solutions comprise a combination of open source features, free proprietary features, and paid proprietary features. The solutions we offer include:

- **App Search** to power search in applications across documents, geographies, numbers, and more. It powers many familiar application user experience features: search bars, facets, time range, pricing sliders, result highlighting, pagination, geographic filters, and product recommendations.
- **Site Search** to create website search experiences. With seamless web crawling, high relevance, and intuitive customization features, our site search solution delivers an experience complete with features for spell correction, bigram matching, stemming, synonym recognition, phrase matching, suggested results, and more.
- **Enterprise Search** to quickly and easily search, discover, and organize information spread across businesses, including medical files, corporate communications, legal documents, stock trades, invoices, and presentations. It uses natural language processing to predict and learn from search queries to make results more accurate over time, and scales automatically to ensure continued performance.
- **Logging** to search and analyze petabytes of server and application logs to better ensure website, infrastructure, and application availability and performance. It allows users to ingest and index the data they may find important in order to quickly troubleshoot performance issues, help improve customer satisfaction, drive operational efficiencies, and more.
- **Metrics** to search and analyze numeric and time series data ranging from CPU usage to car sensor data or human heartbeats. It allows users to freely, continuously, and efficiently explore attributes such as host name, IP address, deployment, or color across any dimension at scale, and in a matter of minutes, view CPU, utilization, and process-level statistics.
- **Uptime** to easily track and monitor the availability, performance, and functionality of the hosts, websites, services and applications that make a business run. It enables

administrators to proactively detect issues before users report them, and quickly investigate the root cause.

- **APM** to deliver insight into application metrics and provide developers with confidence in the code they have deployed. It enables developers to instrument their application code to capture performance data for visualization and exploration in pre-configured dashboards and custom user interfaces for common APM workflows.
- **Business Analytics** to analyze and measure business performance and goals. It delivers real-time insights into performance data such as customer satisfaction, online content performance, marketing metrics, and sales efficiency through informative and shareable visualizations and dashboards.
- **Security Analytics** to harden enterprise security by detecting zero-day malicious activity via real-time threat hunting and enabling creation of tailored security workflows. It is fast and nimble for ad hoc data exploration and scales to ingest all types of security data.
- **Maps** to allow real-time visualization and analysis of geospatial data. Whether you're monitoring the source location of a DDoS attack in real time, mapping top cities driving your web traffic or tracking deliveries in real time, location is an integral component of many search experiences.

Our Deployment Options

The Elastic Stack and our solutions generally can be deployed on premises, in public or private clouds, or in hybrid environments, to satisfy various user and customer needs. Our goal is to ultimately offer all of our products as both self-managed and SaaS deployments.

Self-Managed. Today, most users manage their own deployments of the Elastic Stack and our solutions. To help with more complex deployment scenarios, we offer Elastic Cloud Enterprise (ECE), a paid proprietary product, to deliver centralized provisioning, management, and monitoring across multiple deployments.

SaaS. Many customers are becoming increasingly interested in SaaS deployment alternatives that reduce the burden of administration. For these customers we have developed a family of SaaS products called Elastic Cloud, which includes Elasticsearch Service, Site Search Service and App Search Service. We host and manage our Elastic Cloud products on infrastructure from multiple public cloud providers.

Our Business Model

Our business model refers to how we make our software available, including our open source distribution and go-to-market strategy, and how we charge our customers. We believe our business model creates significant value for our users, our customers, and our company.

Our business model is based on a combination of open source and proprietary software. We market and distribute the Elastic Stack and our solutions using an open source distribution strategy. Developers are able to download our software directly from our website. Many features of our software can be used free of charge. Some are only available through paid subscriptions, which include access to specific proprietary features and also include support. These paid features can be unlocked with a simple license update, without the need to re-deploy the software. The rate at which our customers purchase additional subscriptions and expand the value of existing subscriptions depends on a number of factors, including customers' level of satisfaction with our products, the nature and size of the deployments, the desire to address additional use cases, and the perceived need for additional proprietary features. The source code of all Elastic Stack features, whether they are open source or proprietary, is visible to the public in the form of "open code."

Our open source model facilitates rapid and efficient developer adoption, particularly by empowering individual developers to download and use our software without payment, registration, or the friction of a formal sales interaction. Our use of open source licensing fosters a vibrant developer community around our products and solutions, which drives adoption of our products and increased interaction among users. Further, this approach enables community review of our code and products, which allows us to improve the reliability and security of our software. We believe that the number of times our products have been downloaded and the size of our developer community are indicative of the benefits of our open source strategy and the growth in adoption of our products. However, we typically do not have visibility into whether our products are being actively used unless the user opts to interact with us. As a result, we cannot accurately determine how much of our downloaded software is being actively used.

We have designed our strategy to avoid some of the risks associated with an open source model. One such risk relates to control over the direction and roadmap of our products. We maintain full control over the source code of our products and solutions. While community members may suggest changes to our products, only Elastic employees are able to commit changes to the codebase. Further, unlike some open source companies, we do not build a separate enterprise edition of an original open source project. Instead, we develop, maintain, and test a single robust codebase that is shared by our entire developer community.

Some open source companies sell only support for software that they make available at no cost. We believe this can create misaligned incentives in that the support vendor benefits from low software quality. Accordingly, we focus on designing high-quality software products that include proprietary features and are easy to use and reliable. We include support only as part of our subscriptions.

We believe in building products that provide value and appeal to the people who use them, including developers, architects, DevOps personnel, IT professionals, and security analysts. At the same time, a software company should be able to engage and build relationships with departmental or organizational leaders who make large technology purchasing decisions. At Elastic, we do both.

Strengths of Our Products

The strengths of our products include the following:

- **Speed.** The Elastic Stack can find matches for search criteria in milliseconds within even the largest structured and unstructured datasets. Its schema-less structure and inverted indices enable real-time search of high volumes of structured, unstructured, and time series data.
- **Scale.** The Elastic Stack is a distributed system and can scale massively. It has the ability to subdivide search indices into multiple pieces called shards, which enables data volume to be scaled horizontally and operations to be distributed across hundreds of systems or more. A developer running hundreds of nodes has the same user experience as a developer running a single node on a laptop.

- **Relevance.** Elasticsearch uses multiple analytical techniques to determine the similarity between stored data and queries, generating highly relevant results reflecting a deep understanding of text and context. Its sophisticated yet developer-friendly query language permits advanced search and analytics. Additionally, the speed of the Elastic Stack permits query iteration, further enhancing the relevance of search results.
- **Ease of Use.** The Elastic Stack is engineered to take a user from data to dashboard or inquiry to insight in minutes. It offers an easy getting started experience, featuring streamlined download and deployment, sensible defaults, a simple and intuitive query language that just works, and no need to define a schema up front. Administrative tasks such as securing the Elastic Stack are intuitive and integrated into the user experience, as are investigative tasks such as data visualization.
- **Flexibility.** The Elastic Stack is able to ingest, filter, store, search, and analyze data in any form, whether structured or unstructured. These capabilities enable the Elastic Stack to generate insights from a wide variety of data sources for a range of use cases. The flexibility of the Elastic Stack also enables users to begin using our products along with their existing systems, which lowers barriers to adoption.
- **Extensibility.** Developers can use the Elastic Stack as a foundation for addressing a wide variety of use cases. Our open source approach to building the Elastic Stack empowers developers to innovate and utilize it to fit their specific needs. Additionally, our developer community actively engages with us to improve and expand the Elastic Stack.

Our Growth Strategies

We intend to pursue the following growth strategies:

- **Increase product adoption by improving ease of use and growing our open source community.** With our engineering efforts focused on the user experience, we will continue to develop software that makes our products easier to use and adopt for both developers and non-developers. We will continue to engage with developers globally through a wide range of touch points such as community meetups, global community groups, hackathons, our global events, which we call Elastic{ON}, and engagement on our website, user forums, and code repositories, to grow our open source community.
- **Expand our customer base by acquiring new customers.** Through our open source distribution strategy, users can easily download our software directly from our website and access many features of our software free of charge, which facilitates rapid adoption. Our sales and marketing team conducts campaigns to drive further awareness and adoption within the user community. As a result, many of our sales prospects are already familiar with our technology prior to entering into a commercial relationship with us. Additionally, we leverage our network of partners to drive awareness and expand our sales and marketing reach to target new customers. We will continue to engage our community and our partners to drive awareness and to invest in our sales and marketing team to grow our customer base.
- **Expand within our existing customer base through new use cases and larger deployments.** We often enter an organization through a single developer or a small team for an initial project or use case with an objective to quickly solve a technical challenge or business problem. Because of the rapid success with our products, knowledge of Elastic often spreads within an organization to new teams of developers, architects, IT operations personnel, security personnel, and senior executives. We will continue to invest in helping users and customers be successful with our products, and we view initial success with our products as a path to drive expansion to new use cases and projects and larger deployments within organizations.

- **Extend our product leadership through continued investment in our technology.** We will continue to invest in our self-managed and SaaS products to extend into new use cases, industries, geographies, and customers. For example, we will continue to invest in expanding our SaaS solutions, such as our Site Search Service and App Search Service, in order to provide them as self-managed products.
- **Increase usage of Elastic Cloud.** We believe that providing our SaaS products represents a significant growth opportunity. We plan to expand Elastic Cloud geographically and through more public cloud providers. We plan to offer more of our solutions, such as Elastic APM and others, as part of Elastic Cloud over time.
- **Expand our strategic and regional partnerships.** Our partners assist us in driving awareness of Elastic and our products, building new solutions on top of the Elastic Stack to solve customer pain points, and extending our reach in geographic areas and verticals where we do not have a formal sales presence. We have a diverse range of partners and we will continue to pursue partnerships to further the development of the Elastic Stack and our customer reach.
- **Selectively pursue acquisitions and strategic investments.** We have selectively pursued acquisitions and strategic investments in businesses and technologies in order to drive product and market expansion. Since inception, we have acquired the technology underlying our Site Search Service and App Search Service (formerly Swiftype), our APM solution (formerly Opbeat), our machine learning feature (formerly Prelert), our Beats product (formerly Packetbeat), our Elastic Cloud SaaS offering (formerly Found) and our Kibana and Logstash products through strategic transactions. We intend to continue to pursue acquisitions and strategic investments selectively.

Customers

Organizations of all sizes, in all industries, both private and public, purchase our products for a variety of use cases. As of April 30, 2019, we had over 8,100 customers. We have self-managed subscriptions for customers who manage their own deployments of the Elastic Stack and our solutions on premises, in public or private clouds, or in hybrid environments and Elastic Cloud subscriptions for customers who use our SaaS products. Elastic subscriptions include access to our paid proprietary features and products as well as support from Elastic's support engineers. No customer represented more than 10% of our revenue in the year ended April 30, 2019.

Engineering

Our engineering organization focuses on enhancing existing products and developing new products, both open source and proprietary, that are easy to use and can be run in any environment including on premises, in public or private clouds, or in hybrid environments. With a distributed engineering team spanning over 30 countries, we are able to recruit, hire, and retain high-quality, experienced developers, tech leads, and product managers, and operate at a rapid pace to drive product releases, fix bugs, and create new product offerings. Our software development process is based on iterative releases across the Elastic Stack, our solutions, and the Elastic Cloud. We are organized in small functional teams with a high degree of autonomy and accountability. Our distributed and highly modular team structure and well defined software development processes also allow us to successfully incorporate technologies that we have acquired. As of April 30, 2019, we had 458 employees in our research and development organization, comprising 32% of our total headcount. We intend to continue to invest in our research and development capabilities to extend our products. Research and development expense totaled $107.8 million and $58.3 million, in the years ended April 30, 2019 and 2018, respectively. We plan to continue to devote significant resources to research and development.

Sales and Marketing

Open source is the core of our distribution model. We make it easy for individual developers to begin using our products in order to drive viral adoption. Users can download our software directly from our website without any sales interaction, and immediately begin using the full set of free and paid features. Access to our paid features is available for an initial trial period for both self-managed and SaaS subscriptions. Our community included over 120,000 Meetup members across 215 Meetup groups in 48 countries as of April 30, 2019. As a result of our open source strategy, our sales prospects are often already using our technology. Our sales and marketing efforts extend our open source strategy in two key ways. First, we conduct low-touch marketing campaigns to keep users and customers engaged after they download our software. This includes providing high-quality content, documentation, webinars, videos, and blogs through our website. Second, we conduct high-touch virtual and field campaigns with qualified prospects and customers who have typically already deployed our software to drive further awareness, adoption, and expansion of our products and solutions.

Our sales teams are segmented primarily by geography and secondarily by employee count of our prospects and customers. We rely on inside sales development representatives to qualify leads based on their likelihood to make a purchase. We pursue sales opportunities primarily through a direct sales motion, in some cases assisted by partners. Our relationships within customer organizations often extend beyond the initial users of the technology and include technology and business decision-makers at various levels. We also engage with our customers on an ongoing basis through a customer success team, to ensure customer satisfaction and expand their usage of our technology. As of April 30, 2019, we had 565 employees in our sales and marketing organization, including sales development, field sales, sales engineering, business development, sales operations, customer success, and marketing personnel.

Partners

We maintain partner relationships that help us market and deliver our products to our customers and complement our community. Our partner relationships include the following:

- **Cloud providers.** We work with many of the major cloud providers to increase awareness of our products and make it easy to access our software. We partner with Google to offer our Elasticsearch Service (part of Elastic Cloud) on Google Cloud Platform, or GCP. We partner with Alibaba to provide the Alibaba Cloud Elasticsearch service in China and the rest of the world. We also have relationships with Microsoft and IBM to offer Elastic Stack deployment templates on their clouds. Through these partnerships, customers of these companies may access Elastic’s support engineers and may use our free and paid proprietary features. In addition, we make our Elasticsearch Service available on Amazon Web Services, or AWS, for direct purchase via our website. Elastic’s Elasticsearch Service is a different offering than Amazon Elasticsearch Service. We do not partner with Amazon, provide support for Amazon Elasticsearch Service, or provide Amazon or customers of Amazon Elasticsearch Service with access to any of our free or paid proprietary features.

- **Systems integrators,** channel partners, and referral partners. We have a global network of systems integrators, channel partners, and referral partner relationships that help deliver our products to various business and government customers around the world. • OEM and MSP partners. Our original equipment manufacturing, or OEM, and managed service provider, or MSP, partners embed an Elastic subscription into the products or services they offer to their own customers. OEM or MSP partners are able to include Elastic's paid and unpaid proprietary features in their product, receive ongoing support from Elastic for product development, and receive support for end customer issues related to Elastic.

- **Technology partners.** Our technology partners collaborate with Elastic to create a standardized solution for end users that includes technology from both Elastic and the partner. For example, we work with Micro Focus to integrate our products with their ArcSight product. Technology partners represent a deeper collaboration than community contributions and are distinct from distribution oriented relationships like OEMs and MSPs.

Professional Services

We offer consulting and training as part of our offerings. To assist customers in accelerating their success with our software, our consulting team consists of engineers and architects who bring hands-on experience and deep technical knowledge to a project. Our training offerings enable our users to gain the necessary skills to develop, deploy, and manage our software.

Customer Support

We endeavor to make it easy for developers to download, install, deploy and use the Elastic Stack and our solutions. To this end, our open source developer community functions as a source of support and enables developers to engage in self-help and collaboration. However, in many situations, such as those involving complex enterprise IT environments, large deployments and novel use cases, our users require our support. Accordingly, we include support as part of the subscriptions we sell for our products. Our global support organization is comprised of highly technical support engineers who are contributors to our open source, and provide support experiences including troubleshooting, technical audits, cluster tuning, and upgrade assistance. Our support team is distributed across over 20 countries and provides coverage 24 hours per day, all 365 days per year, across multiple languages. We believe that software companies should not have incentives to build low quality software. In that connection, we do not sell support separately from our software subscriptions

Our Technology

Our products consist of the Elastic Stack, our solutions, and software that supports our various deployment alternatives.

Technology Features of the Elastic Stack
Elasticsearch is the heart of the Elastic Stack, where users store, search, and analyze data. Key features of Elasticsearch include the following:

- **Store any type of data.** Elasticsearch combines powerful parts of traditional search engines, such as an inverted index to power fast full text search and a column store for analytics, with native support for a wide range of data types, including text, dates, numbers, geospatial data, date/numeric ranges, and IP addresses. With sensible defaults, and no upfront schema definition necessary, Elasticsearch makes it easy to start simple and fine-tune as datasets grow.
- **Powerful query language.** The Elasticsearch query domain specific language is a flexible, expressive search language that exposes a rich set of query capabilities across any kind of data. From simple Boolean operators to custom relevance functions, users can articulate exactly what they are looking for and bring their own definition of relevance. The query

language also includes a composable aggregation framework that enables users to summarize, slice, and analyze structured or semi-structured datasets across multiple dimensions. Examples of these capabilities include tracking the top ten users by spend, looking at data week over week, analyzing data across geographies, and drilling down into details with specific filters all with a single search.

- **Developer friendliness.** Elasticsearch has consistent, well-documented application programming interfaces (APIs) that work the same way on one node during initial development as on a hundred nodes in production. Elasticsearch also ships with a number of language clients that provide a natural way to integrate with a variety of popular programming frameworks, reducing the learning curve, and leading to a shorter time to realizing value.
- **High speed.** Everything stored in Elasticsearch is indexed by default, such that users do not need to decide in advance what queries they will want to run. Our architecture optimizes throughput, time-to-data availability and query latency. Elasticsearch can easily index millions of events per second, and newly added data can be available for search nearly instantly.
- **High scale and availability.** Elasticsearch is designed to scale horizontally and be resilient to node or hardware failures. As nodes join a cluster, data is automatically re-balanced and queries and indexing are spread across the new nodes seamlessly. This makes it easy to add hardware to increase indexing throughput or improve query throughput. Elasticsearch also detects node failures and hardware or network issues and automatically protects user data by ejecting the failing or inaccessible nodes and creating new replicas of the data.
- **Machine learning and alerting.** Machine learning capabilities such as anomaly detection, forecasting, and categorization are tightly integrated with the Elastic Stack to automatically model the behavior of data, such as trends and periodicity, in real time in order to identify issues faster, streamline root cause analysis, and reduce false positives. Without these capabilities, it can be very difficult to identify issues such as infrastructure problems or intruders in real time across complex, high-volume, fast-moving datasets.
- **Security.** Security features give administrators the rights to grant specific levels of access to their various types of users, such as IT, operations, and application teams. Elasticsearch serves as the central authentication hub for the entire Elastic Stack. Security features include encrypted communications and encryption-at-rest; role-based access control; single sign-on and authentication; field-level, attribute-level, and document-level security; and audit logging

Kibana is the user interface for the Elastic Stack. It allows users to manage the Elastic Stack and visualize data. Additionally, the interfaces for many of our solutions are built into Kibana. Key features of Kibana include the following:

- **Explore and visualize data stored in Elasticsearch.** Kibana provides interactive data views, visualizations, and dashboards powered by structured filtering and unstructured search to enable users to get to answers more quickly. A variety of data visualization types, such as simple line and bar charts, purpose-built geospatial and time series visualizations, tree diagrams, network diagrams, heatmaps, scatter plots, and histograms, support diverse user needs. Kibana Canvas is a composable and extensible creative infographics and reporting tool. Canvas creates multi-slide presentations backed by live data and infographics, in addition to fully customized live applications, all powered by data stored in Elasticsearch. Reporting features on top of Canvas enable sharing of these visualizations across the enterprise.

- **Incorporate advanced analytics and machine learning from Elasticsearch.** Kibana's query, filtering, and data summarization capabilities reflect Elasticsearch's powerful query domain specific language and aggregation framework while making it interactive.
- **Manage the Elastic Stack.** Kibana presents a broad user interface showing the health of Elastic Stack components and provides cluster alerts to notify administrators of problems. Its central management user interfaces (UIs) make it easier to operate the Elastic Stack at scale.
- **Application framework.** Kibana is designed to be extensible. Users interested in a highly specialized visualization type not distributed with Kibana by default can customize experiences through a Kibana plugin and make the plugin available to the community. Dozens of Kibana plugins have been shared by the community via Elastic documentation and code sharing platforms such as GitHub.

Beats and Logstash are data ingestion tools that enable users to collect and enrich any kind of data from any source for storage in Elasticsearch. Beats and Logstash have an extensible modular architecture. Beats are lightweight agents purpose-built for collecting data on devices, servers, and inside containers. Key features of Beats include the following:

- **Agents.** Beats are lightweight agents built for the purposes of efficient data collection at the edge for specific types of data, such as Filebeat for the collection of logging data, Metricbeat for the collection of system or service metric data, Auditbeat for the collection of security data, Packetbeat for the collection of network data, and Heartbeat for the collection of availability data. Dozens of community Beats enable the collection of data from specialized sources.
- **Extensibility and community Beats.** The Beats platform enables rapid creation of custom Beats that can be run on a variety of edge technologies for data collection. Over 80 Beats have been shared by the community via Elastic documentation and many more are available through code sharing platforms such as GitHub.

Logstash enables centralized collection and extract, transformation, and load capabilities. Key features of Logstash include the following:

- **Data transformation engine.** Logstash is a centralized data transformation engine that can receive and pull data from multiple sources, transform and filter that data, and send it to multiple outputs. Logstash has a powerful and flexible configuration language that allows users to create data stream acquisition and transformation logic without having to write code. This greatly extends and accelerates the ability to create data management pipelines to a wide variety of organizations and individuals.

- **Plugins.** Logstash collects data from a variety of sources, such as network devices, queues, API endpoints, and public cloud services. Logstash enriches the data via lookups against local data sources, such as a geolocation database, and remote data sources, such as relational databases. Logstash can output events to Elasticsearch or downstream queues and other datastores. We develop and support more than 70 plugins for many common integrations

- **Logstash extensibility and community plugins.** A vibrant community of open source developers extends the reach through more than 700 community Logstash plugins that enable integration with a wide variety of data sources across many use cases.

Technology Features of Our Solutions
Our solutions are designed to minimize time-to-value and deployment costs of using the Elastic Stack for certain common use cases. The functionality of our solutions often includes specialized data collection, through standardized APIs or custom agents, and custom user interfaces for specific data analytics, visualizations, workflows, and actions. Most of our solutions can be self-managed or accessed through Elastic Cloud. Today, some of our solutions are only available through Elastic Cloud. We offer the following solutions

App Search. API clients for common programming frameworks to enable search of data stored in applications. It has an intuitive interface to help tune search queries for optimal utility.

Site Search. Specialized website crawlers to enable search of website content. It offers an interface for search analytics and tuning relevance to match user behavior and expectations.

Enterprise Search. Search capabilities and simple APIs serve as the foundation for integrating connectors and crawlers for data sources commonly used by enterprises, such as shared drives and other collaboration and document sharing offerings.

APM. Agents for common programming frameworks and an APM server designed for scalable collection and processing of metrics coming from APM agents. It includes an interface supporting custom visualizations for waterfall transaction views and code-level visibility into application performance.

Metrics, Logging, Business Analytics, and Security Analytics. These solutions come with pre-built configurations making it easy to use Beats and Logstash to ingest the respective type of data, and include default Kibana searches, dashboards, and visualizations to deliver instant insights.

Elastic Cloud and Elastic Cloud Enterprise
The Elastic Stack and our solutions can be deployed on premises, in public and private clouds, and in hybrid environments. We divide our deployment models into two categories: self-managed, which refers to users deploying the Elastic Stack and solutions on infrastructure they manage themselves (such as their own data center or private or public cloud environments), and Elastic Cloud, which refers to our SaaS products that we host and manage. To help self-managed users with more complex deployment scenarios, we offer Elastic Cloud Enterprise.

- **Elastic Cloud.** Elastic Cloud is our growing family of SaaS products and technologies that make it easy to deploy, operate, and scale Elastic products and solutions in the cloud. Elastic Cloud products include Elasticsearch Service, Site Search Service, and App Search Service, and are offered by us on certain large cloud providers.
- **Elastic Cloud Enterprise.** As part of building our Elastic Cloud offering, we built a comprehensive orchestration and administration infrastructure tool to easily provision, monitor, manage, secure, upgrade and backup the thousands of clusters that comprise our Elastic Cloud products. We then packaged this infrastructure into a downloadable and easily installable proprietary product called Elastic Cloud Enterprise, which makes this tool available to customers to use with their own self-managed deployments. Elastic Cloud Enterprise enables our customers to provision, monitor, manage, secure, upgrade and backup any number of clusters. It also helps our customers improve their hardware utilization and operational efficiency by allowing them to leverage shared hardware resources to manage multiple clusters, while still maintaining a strong level of isolation between those clusters.

Our Source Code

We define our culture by our “source code,” which expresses our core corporate values.

- **Home, Dinner:** There is no such thing as work-life balance. We are successful if we find balance in life. Elastic empowers its employees with the flexibility to do so. Be home for dinner, go for a run midday, care for a sick child, or visit a parent. Finding balance means being more innovative and efficient at work. Which makes for a better Elastic.
- **Space, Time:** It’s easy to get stuck in a day-to-day work pattern. Allowing for the space and time to dream requires conscious effort. Embracing a high failure rate does, too. Fulfillment comes from doing the obvious and dreaming up the un-obvious. Both are foundations of Elastic.
- **IT, Depends:** It’s pretty complicated to make some things simple, and even more complicated to make other things possible. We embrace and value the knowledge required to do both. When a question is asked, buckle up. Sh*t is about to get real. Your journey will likely start with “it depends.”
- **Progress, SIMPLE Perfection:** Perfection is not a destination. Color inside the lines or color outside the lines. Just pick a color. It’s as simple as 2048. An Elastic that moves is an Elastic that survives, thrives, and stands the test of time.
- **01.02, /FORMAT:** Our products are distributed by design, our company is distributed by intention. With many languages, perspectives, and cultures, it’s easy to lose something in translation. Over email and chat, doubly so. Until we get a perpetual empathy machine, don’t assume malice. A distributed Elastic makes for a diverse Elastic, which makes for a better Elastic.
- **As YOU, Are:** We all come in different shapes with different interests and skills. We all have an accent. Celebrate it. Just come as you are. No need to invest neurons trying to fit an arbitrary mold. We’d rather you put them to work shaping Elastic.
- **HUMBLE, Ambitious:** Ambition drives us to challenge ourselves and the people around us to do better. It is not an excuse to be an *sshole. Be humble. Be ambitious. At Elastic, we are both.
- **Speed, SCALE, Relevance:** Elastic is a search company. We focus on value to users by producing fast results that operate at scale and are relevant. This is our DNA. We believe search is an experience. It is what defines us, binds us, and makes us unique.

Our Distributed Culture

The Elastic Stack is powerful because it is distributed, gaining speed and stability from each additional node. Our company emulates the strengths of the distributed systems we build.

- **Distributed systems, distributed teams.** Elastic was born a distributed company, with founders in Israel, Germany, and the Netherlands, and early employees from the United Kingdom, France, Spain, the Czech Republic, and the United States. From our experience in open source projects, we know that great code and amazing ideas can come from anyone, anywhere.
- **Strength in diversity.** Being a distributed company is about harnessing the inherent strengths of diversity. Different people approach problems differently. We need that. When a consensus is reached between a wide variety of minds, the result is a solution that should stand the test of time.
- **Supporting resiliency.** Distributed systems are only powerful if they’re resilient. The same is true for our company. We are constantly improving the Elastic Stack to handle the challenges of distribution just as we are constantly improving how we support our

employees no matter where they are. Organizational resiliency also requires recognizing that it's not tools that make distribution work, it's the people. Successful collaboration takes more than video calls and shared calendars. It takes a warm welcoming to let new hires know all cultures are accepted. It means always assuming the best intention of our peers.
- **Building camaraderie.** We hire intentionally. We hire thoughtfully. Smart. Curious. Nice. Respectful. These are qualities we look for in every Elastician. Our goal isn't to build a company of people that simply work well together; our goal is to build a company that creates well together, imagines well together, laughs well together, dances well together. We want to build a culture of camaraderie so that no matter where someone's located, they always feel connected.
- **Distributed us? Distributed you? Distributed we!** Elastic the company is just one piece of the Elastic community. Direct contact between our internal team and Elastic users is fundamental to our success. It's this culture of communication that enables us to maintain our commitment to open source. Distributed isn't always easy, and it isn't for everyone, but we believe it's the foundation of our success.

Community

As an open source company, our team extends beyond our employee base. It includes the millions of users who download our software, and over 120,000 Meetup members across 215 Meetup groups in 48 countries as of April 30, 2019. Our users interact with us on our website forums and on Twitter, GitHub, StackOverflow, Quora, Facebook, Weibo, WeChat, and more.

In order to build products that best meet our users' needs, we focus on, and invest in, building a strong community. Each download of the Elastic Stack is a new opportunity to educate our next contributor, hear about a new use case, explore the need for a new feature, or meet a future member of the team. Community is core to our identity, binding our products closely together with our users. Community gives us an ability to get their candid feedback, creating a direct line of communication between our users and the builders of our products across all of our features—open source, unpaid proprietary, and paid proprietary—enabling us to make our products simpler and better.

The Elastic community has a Code of Conduct. It covers the behaviors of the Elastic community in any forum, mailing list, wiki, website, code repository, IRC channel, private correspondence, or public meeting. It is designed to ensure that the Elastic community is a space where members and users can freely and openly communicate, collaborate, and contribute both ideas and code. It also covers our community ground rules: be considerate, be patient, be respectful, be nice, communicate effectively, and ask for help when unsure.

Competition

Our market is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting customer needs, and frequent introductions of new offerings. Our principal competitors include:

- For our app search, site search, and enterprise search solutions: incumbent offerings such as Solr (open source offering), search tools including Google Custom Search Engine (an advertisement-based site search tool with limited user controls), Google Site Search and Google Search Appliance (both of which Google has declared to be end-of-life and stopped selling), and enterprise search tools including Endeca (acquired by Oracle), FAST (acquired by Microsoft), and Autonomy (acquired by HP and now offered by Micro Focus).

- For our logging and security analytics solutions: point solutions including Splunk and ArcSight SIEM (offered by Micro Focus).
- For our metrics, APM and business analytics solutions: software vendors with specific solutions to analyze metrics, typically with Internet of Things, or IoT, data, APM data, and business analytics data.
- Certain cloud infrastructure providers, including Amazon Web Services, that offer SaaS products based on Elastic's open source components. These offerings are not supported by Elastic and come without any of Elastic's proprietary features, whether free or paid.

The principal competitive factors for companies in our industry are:

- product capabilities, including speed, scale, and relevance, with which to power search experiences;
- an extensible product "stack" that enables developers to build a wide variety of solutions;
- powerful and flexible technology that can manage a broad variety and large volume of data;
- ease of deployment and ease of use;
- ability to address a variety of evolving customer needs and use cases;
- strength of sales and marketing efforts;
- flexible deployment model across on-premises, cloud, or hybrid environments;
- productized solutions engineered to be rapidly adopted to address specific applications;
- mindshare with developers and IT executives;
- adoption of products by many types of users (developers, architects, DevOps personnel, IT professionals, security analysts, and departmental and organizational leaders);
- enterprise-grade technology that is secure and reliable;
- size of customer base and level of user adoption;
- quality of training, consulting, and customer support;
- brand awareness and reputation; and
- low total cost of ownership.

We believe that we compare favorably on the basis of the factors listed above. However, many of our competitors have substantially greater financial, technical and other resources, greater brand recognition, larger sales forces and marketing budgets, broader distribution networks, more diverse product and services offerings and larger and more mature intellectual property portfolios. They may be able to leverage these resources to gain business in a manner that discourages customers from purchasing our offerings. Furthermore, we expect that our industry will continue to attract new companies, including smaller emerging companies, which could introduce new offerings. We may also expand into new markets and encounter additional competitors in such markets. While our products and solutions have various competitors across different use cases, such as app search, site search, enterprise search, logging, metrics, APM, business analytics and security analytics, we believe that few competitors currently have the capabilities to address our entire range of use cases. We believe our industry requires constant change and innovation, and we plan to continue to evolve search as a foundational technology to solve the problems of today and new emerging problems in the future.

Intellectual Property

Our success depends in part upon our ability to safeguard our core technology and other intellectual property assets. We seek to accomplish that objective by establishing intellectual property rights in and protecting those assets through a combination of patents, patent applications, registered and unregistered trademarks, copyrights, trade secrets, license agreements, confidentiality procedures, non-disclosure agreements with third parties, and other contractual measures. In addition, we maintain a policy requiring our employees, contractors, and consultants to enter into disclosure and invention assignment agreements. As of April 30, 2019, we had 7 issued patents in the United States with expirations ranging from 2031 to 2034, 32 pending U.S. nonprovisional patent applications, and eight pending non-U.S. patent filings. The pending patent applications, if issued, would expire between 2032 and 2039. In addition, as of April 30, 2019, we had 30 registered trademarks in the United States, 7 pending trademark applications in the United States, as well as 277 registered trademarks in various non-U.S. jurisdictions and 41 pending trademark applications in various non-U.S. jurisdictions.

Despite our efforts to protect our intellectual property assets, unauthorized parties may attempt to copy or obtain and use our proprietary technology to develop competing technologies with the same or similar functionality. Policing unauthorized use of our technology is difficult and time consuming. The laws, procedures and restrictions on which we rely may provide only limited protection, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In addition, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or other jurisdictions, and we therefore may be unable to protect our proprietary technology in certain jurisdictions. That is why we believe that factors such as the technological and creative skills of our personnel, creation of new products, features and functionality, and frequent enhancements to our technology are more essential to establishing and maintaining our technology leadership position.

From time to time, third parties may assert patent, copyright, trade secret and other intellectual property rights against us, our partners or our customers. Our standard license and other agreements may obligate us to indemnify our partners and customers against such claims. Successful claims of infringement by a third party could prevent us from continuing to offer our technology or performing certain services, require us to expend time and money to develop non-infringing solutions, or force us to pay for licenses or to pay substantial damages or other fees. We cannot assure you that we do not currently infringe, or that we will not in the future infringe, upon any third-party patents or other proprietary rights.

In addition, our technology incorporates software components licensed to the general public under open source software licenses such as the Apache Software License Version 2.0. We obtain many components from software developed and released by contributors to independent open source components of our technology. Open source licenses grant licensees broad permissions to use, copy, modify and redistribute our platform. As a result, open source development and licensing practices can limit the value of our software copyright assets.

Legal Proceedings

From time to time, we may be subject to legal proceedings and claims that arise in the ordinary course of business, including patent, commercial, product liability, employment, class action, whistleblower and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. We are not currently a party to any legal proceedings that, if determined adversely to us, would, in our opinion, have a material adverse effect on our business, results of operations, financial condition or cash flows. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Employees

As of April 30, 2019, we had 1,442 employees in over 35 countries. None of our employees is represented by a labor union. In certain countries in which we operate, such as France and Spain, we are subject to, and comply with, local labor law requirements which may automatically make our employees subject to industry-wide collective bargaining agreements. We have not experienced any work stoppages.

Corporate Information

We were incorporated in the Netherlands as a private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheid)* on February 9, 2012 as Searchworkings Global B.V. On June 19, 2012, we changed our name to Elasticsearch global B.V., on December 11, 2013, we changed our name to Elasticsearch Global B.V., and on May 29, 2018, we changed our name to Elastic B.V. Immediately prior to the completion of our initial public offering ("IPO") on October 10, 2018, we converted into a public company with limited liability *(naamloze vennootschap)* under Dutch law and changed our name to Elastic N.V. Our principal executive offices are located at 800 West El Camino Real, Suite 350, Mountain View, California 94040, and our telephone number is (650) 458-2620. We are registered with the trade register of the Dutch Chamber of Commerce under number 54655870. Our corporate seat is in Amsterdam, the Netherlands, and our registered office is at Keizersgracht 281, 1016 ED Amsterdam, the Netherlands.

Our ordinary shares are listed on the New York Stock Exchange ("NYSE") under the symbol "ESTC".

Our website address is www.elastic.co. Information contained on, or that can be accessed through, our website does not constitute part of this Report and inclusions of our website address in this Report are inactive textual references only.

We announce material information to the public about us, our products and services and other matters through a variety of means, including filings with the SEC, press releases, public conference calls, our website (www.elastic.co), the investor relations section of our website (https://ir.elastic.co), our blog (www.elastic.co/blog), and/or social media, including our Twitter account (https://twitter.com/elastic), Facebook page (www.facebook.com/elastic.co), and/or LinkedIn account (www.linkedin.com/company/elastic-co), in order to achieve broad, non-exclusionary distribution of information to the public. We encourage investors and others to review the information it makes public in these locations, as such information could be deemed to be material information. Please note that this list may be updated from time to time.

The Elastic design logo, "Elastic" and our other registered or common law trademarks, service marks or trade names appearing in this Report are the property of elasticsearch B.V. Other trademarks and trade names referred to in this Report are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Report may appear without the ® or ™ symbols.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Key Factors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address in order to sustain our growth and improve our results of operations.

- *Growing the Elastic community***.** Our open source strategy consists of providing a combination of open source, free proprietary and paid proprietary software and fostering a community of users and developers. Our strategy is designed to pursue what we believe to be significant untapped potential for the use of our technology. After developers begin to use our software and start to participate in our developer community, they become more likely to apply our technology to additional use cases and evangelize our technology within their organizations. This reduces the time required for our sales force to educate potential leads on our solutions, increasing their efficiency and shortening the sales process. In order to capitalize on our opportunity, we intend to make further investments to keep the Elastic Stack accessible and well known to software developers around the world. We intend to continue to invest in our products and support and engage our user base and developer community through content, events, and conferences in the U.S. and internationally. Our results of operations may fluctuate as we make these investments.

- *Developing new features and solutions to expand the use cases to which the Elastic Stack can be applied.* The Elastic Stack is applied to various use cases both directly by developers and through the solutions we offer. Our revenue is derived primarily from subscriptions of the Elastic Stack and our solutions. We believe that releasing additional open source and proprietary features of the Elastic Stack and additional solutions on top of the stack drives usage of our products and ultimately drives our growth. To that end, we plan to continue to invest in building new features and solutions that expand the capabilities of the Elastic Stack and make it easier to apply to additional use cases. These investments may adversely affect our operating results prior to generating benefits, to the extent that they ultimately generate benefits at all.

- *Growing our customer base by converting users of our software to paid subscribers.* Our financial performance depends on growing our paid customer base by converting free users of our software into paid subscribers. Our open source distribution model has resulted in rapid adoption by developers around the world. We have invested, and expect to continue to invest, heavily in sales and marketing efforts to convert additional free users to paid subscribers. Our investment in sales and marketing is significant given our large market opportunity and our large and diverse user base. The investments are likely to occur in advance of the anticipated benefits resulting from such investments, such that they may adversely affect our operating results in the near term.

- *Expanding within our current customer base.* Our future growth and profitability depend on our ability to drive additional sales to existing customers. Customers often expand the use of our software within their organizations by increasing the number of developers using our products, increasing the utilization of our products for a particular use case, and expanding use of our products to additional use cases. We focus some of our direct sales efforts on encouraging these types of expansion within our customer base.

- *Increasing adoption of Elastic Cloud.* Elastic Cloud, our family of SaaS products that includes Elasticsearch Service, Site Search Service, and App Search Service, is an important growth opportunity for our business. Organizations are increasingly looking for SaaS deployment alternatives with reduced administrative burdens. In some cases, open source users that have been self-managing deployments of the Elastic Stack subsequently become paying subscribers of Elastic Cloud. We believe that offering a SaaS deployment alternative is important for achieving our long-term growth potential, and we expect Elastic Cloud's contribution to our subscription revenue to increase over time. However, an increase in the relative contribution of Elastic Cloud to our business could adversely impact our gross margin as a result of the associated hosting and managing costs.

Financial Results

Revenue

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Revenue				
Subscriptions	$ 248,254	$ 149,382	$ 98,872	66%
Professional services	23,399	10,553	12,846	122%
Total revenue	**$ 271,653**	**$ 159,935**	**$ 111,718**	70%

Total revenue increased by $111.7 million, or 70%, in the year ended April 30, 2019 compared to the prior year.

Total subscription revenue increased $98.9 million, or 66%, in the year ended April 30, 2019 compared to the prior year. Approximately 25% of the increase was due to sales to new customers added during the year ended April 30, 2019, and the remaining increase resulted from an increase in sales to existing customers.

Professional services revenue increased by $12.8 million, or 122%, in the year ended April 30, 2019 compared to the prior year. The increase in professional services revenue was attributable to increased adoption of our professional services offerings.

Cost of Sales and Gross Margin

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Cost of sales				
Subscriptions	$ 54,613	$ 29,028	$ 25,585	88%
Professional services	26,023	12,774	13,249	104%
Total cost of sales	**$ 80,636**	**$ 41,802**	**$ 38,834**	93%
Gross profit	**$ 191,017**	**$ 118,133**	**$ 72,884**	62%
Gross margin				
Subscriptions	78%	81%		
Professional services	(11%)	(21%)		
Total gross margin	70%	74%		

Total cost of subscriptions sales increased by $25.6 million, or 88%, in the year ended April 30, 2019 compared to the prior year. This increase was primarily due to an increase of $12.9 million in cloud infrastructure costs and increases of $10.1 million in personnel and related charges together with $1.0 million in software and equipment expense from growth in headcount in our support organization. In addition, amortization of acquired intangible assets increased $0.9 million. Stock-based compensation expense, included within personnel and related costs, increased by $2.6 million.

Total subscriptions margin decreased to 78% in the year ended April 30, 2019 from 81% in the prior year. This decrease is due to growth and related investment in our SaaS offerings which incur costs related to cloud infrastructure and the increased costs associated with scaling our support organization.

Cost of professional services sales increased by $13.2 million, or 104%, in the year ended April 30, 2019 compared to the prior year. This increase was primarily due to an increase of $8.9 million in personnel and related costs and an increase of $1.1 million in travel expenses driven by an increase in headcount in our consulting and training organizations. In addition, subcontractor costs increased by $1.8 million to supplement our internal resources providing services to our customers and charges for training facility rentals increased by $0.9 million. Stock-based compensation expense, included within personnel and related costs, increased by $2.5 million.

Gross margin for professional services revenue was (11)% in the year ended April 30, 2019 compared to (21)% for the prior year. Historically, our professional services offerings have primarily consisted of training; however, we have recently experienced increased demand for consulting services. In the year ended April 30, 2019, we have invested in headcount for our professional services organization that we believe will be needed as we continue to grow. Our gross margin for professional services may fluctuate or decline in the near-term as we seek to expand our professional services business.

Operating Expenses

Research and development

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Research and development	$ 107,754	$ 58,330	$ 49,424	85%

Research and development expense increased by $49.4 million, or 85%, in the year ended April 30, 2019 compared to the prior year as we continued to invest in the development of new and existing offerings. Personnel and related costs increased by $42.2 million and software and equipment expense increased by $1.8 million, primarily as a result of growth in headcount. In addition, cloud infrastructure costs related to our research and development activities increased $4.7 million. Stock-based compensation expense, included within personnel and related costs, increased by $14.7 million.

Sales and Marketing

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Sales and marketing	$ 155,067	$ 86,700	$ 68,367	79%

Sales and marketing expense increased by $68.4 million, or 79%, in year ended April 30, 2019 compared to the prior year. This increase was primarily due to an increase of $57.9 million in personnel and related costs as we continue to increase our sales and marketing headcount. Included in the increase in personnel and related costs is an increase of $12.9 million in stock-based compensation expense as well as an increase of $9.4 million in commissions expense related to the amortization of contract acquisition costs. The increased headcount also resulted in an increase of $4.9 million in travel expenses. In addition, marketing expenses increased $4.5 million primarily due to our expanded user conference program in year ended April 30, 2019.

General and administrative

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
General and administrative	$ 48,479	$ 33,529	$ 14,950	45%

General and administrative expense increased by $15.0 million, or 45%, in the year ended April 30, 2019 compared to the prior year. This increase was primarily due to an increase of $16.9 million in personnel and related costs as a result of our continued investment in headcount. This increase was partially offset by a decrease in bad debt expense of $1.4 million and a net decrease in miscellaneous expense categories.

Other Income

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Other income	$ (1,811)	$ (3,853)	$ 2,042	(53%)

Other income relates to sublease income and sponsorship and registration fees for the Group's user conferences. Approximately half of the decrease in other income is attributable to exit from surplus lease space that was sublet. In addition, contributions from the sponsorship decreased over prior year due to a change in the format for the user conferences from one annual event to smaller scale community focused events.

Finance income/costs

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Finance costs	$ 609	$ 1,411	$ (802)	(57%)
Finance income	$ (4,050)	$ (52)	$ (3,998)	7688%

Finance income increased by approximately $4.0 million for the year ended April 30, 2019 compared prior year. This increase was primarily due to a $3.4 million increase in interest income on money market funds as a result of proceeds generated from our IPO. Decrease in finance costs of $0.8 million is primarily attributable realized gains from foreign currency fluctuations.

Provision for Income Taxes

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Provision for income taxes	$ (4,741)	$ (2,978)	$ (1,763)	59%

The provision for income taxes increased by $1.8 million, or 59%, for the year ended April 30, 2019 compared to the prior year. The increase in tax expense is primarily due to non-recognition of deferred tax assets as well as additional expense due to enacted legislation in the Netherlands. Our effective tax rate was (4.1)% and (5.1)% of our net loss before taxes for the year ended April 30, 2019 and 2018, respectively.

Liquidity and Capital Resources

As of April 30, 2019, we had cash and cash equivalents and restricted cash of $298.0 million and $2.3 million, respectively, and working capital of $227.3 million. Our restricted cash constitutes cash deposits with financial institutions in support of letters of credit in favor of landlords for non-cancelable lease agreements.

The Group liquidity and solvency ratio were 8.67 and 22.46 at April 30, 2019 and 3.70 and 12.72 at April 30, 2018.

In October 2018, we completed our IPO in which we issued and sold 8,050,000 ordinary shares at an offering price of $36.00 per share, including 1,050,000 ordinary shares pursuant to the exercise in full of the underwriters' option to purchase additional shares. We received net proceeds of $263.8 million, after deducting underwriting discounts and commissions of $20.3 million and offering expenses of $5.7 million. Previously, we financed our operations principally through private placements of our equity securities, as well as payments received from customers.

We have generated significant operating losses from our operations as reflected in our accumulated deficit of $295.8 million as of April 30, 2019. We have historically incurred, and expect to continue to incur, operating losses and generate negative cash flows from operations on an annual basis for the foreseeable future due to the investments we intend to make as described above, and as a result we may require additional capital resources to execute on our strategic initiatives to grow our business.

We believe that our existing cash and cash equivalents will be sufficient to fund our operating and capital needs for at least the next 12 months. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary as a result of, and our future capital requirements, both near-term and long-term, will depend on, many factors, including our growth rate, the timing and extent of spending to support our research and development efforts, the expansion of sales and marketing activities, the timing of new introductions of solutions or features, and the continuing market acceptance of our solutions and services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, operating results and financial condition would be adversely affected.

The following table summarizes our cash flows for the periods presented:

	Year Ended		Change	
	April 30, 2019	April 30, 2018	$	%
Net cash used in operating activities	$ (26,907)	$ (20,858)	$ (6,049)	29%
Net cash (used in) provided by investing activities	$ (6,916)	$ 7,965	$ (14,881)	(187%)
Net cash provided by financing activities	$ 281,779	$ 3,413	$ 278,366	8156%

Net Cash Used in Operating Activities

Net cash used in operating activities during the year ended April 30, 2019 was $26.9 million, which resulted from a net loss of $119.8 million adjusted for non-cash charges of $88.4 million and net cash inflow of $4.4 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $57.7 million for stock-based compensation expense, $21.4 million for amortization of deferred contract acquisition costs, $5.7 million of depreciation and intangible asset amortization expense and a $3.6 million decrease in deferred income taxes. The net cash inflow from changes in operating assets and liabilities was the result of a $71.9 million increase in deferred revenue due to higher billings and a net increase of $16.8 million in trade and other payables due to growth in our business and higher headcount. These inflows were partially offset by a $31.4 million increase in trade and other receivable due to higher billings and timing of collections from our customers and a $47.1 million increase in prepayments primarily related to an increase in deferred contract acquisition costs of $30.0 million as our sales commissions increased due to the addition of new customers and expansion of our existing customer subscriptions and an increase in prepaid hosting costs and prepaid software subscription costs driven by the growth in our business.

Net cash used in operating activities during the year ended April 30, 2018 was $20.9 million, which resulted from a net loss of $60.9 million adjusted for non-cash charges of $38.9 million and net cash inflow of $1.2 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $21.3 million for stock-based compensation expense, $12.7 million for amortization of deferred contract acquisition costs, $5.1 million of depreciation and intangible asset amortization expense which were partially offset by a $0.2 million increase in deferred income taxes. The net cash inflow from changes in operating assets and liabilities was the result of a $45.6 million increase in deferred revenue due to higher billings and a net increase of $15.4 million in trade and other payables due to growth in our business and higher headcount. These inflows were partially offset by a $21.2 million increase in trade and other receivables due to higher billings and timing of collections from our customers, and a $34.0 million increase in prepaid expenses and other assets primarily related to an increase in deferred contract acquisition costs of $20.5 million as our sales commissions increased due to the addition of new customers and expansion of our existing customer subscriptions and an increase in prepaid hosting costs and prepaid software subscription costs driven by the growth in our business.

Net Cash (Used in) Provided by Investing Activities

Net cash used in investing activities during the year ended April 30, 2019 of $6.9 million resulted from cash used for capital expenditures of $3.4 million, other investing activities of $2.9 million, business acquisitions, net of cash acquired, of $2.0 million and an increase in restricted cash of $1.6 million, offset by cash received for interest income of $3.0 million.

Net cash provided by investing activities during the year ended April 30, 2018 of $8.0 million resulted from the maturity of short-term investments of $15.0 million, which was partially offset by cash used for business acquisitions, net of cash acquired, of $3.7 million, capital expenditures of $3.0 million, and an increase in restricted cash of $0.4 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of $281.8 million during 2019 was due to net proceeds to us of $269.5 million, after deducting underwriting discounts and commissions of $20.3 million as a result of our IPO and $18.6 million in proceeds from the exercise of stock options. These were partially offset by $5.7 million of payment of offering costs, a repurchase of unvested early exercised options of $0.5 million and $0.1 million of other financing payments.

Net cash provided by financing activities of $3.4 million during the year ended April 30, 2018 was due to $3.9 million of proceeds from the exercise of stock options, which was partially offset by $0.5 million of other financing payments.

Off Balance Sheet Arrangements

As of April 30, 2019, we did not have any relationships with any entities or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off balance sheet arrangements or other purposes.

Events after the balance sheet date
The following events occurred after the balance sheet date:

On June 5, 2019, the Company entered into an Agreement and Plan of Reorganization (the “Merger Agreement”) with Avengers Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of the Company (“Merger Sub”), Endgame, Inc., a Delaware corporation (“Endgame”), and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the representative, agent and attorney-in-fact of the securityholders of Endgame (“Securityholder Representative”), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into Endgame (the “Merger”) whereupon the separate corporate existence of Merger Sub shall cease and Endgame shall continue as the surviving corporation of the Merger as a direct wholly-owned subsidiary of Elastic.

Pursuant to the terms of the Merger Agreement, the Company will acquire Endgame for a total purchase price of $234 million, subject to customary adjustments, including the establishment of an indemnity escrow fund. The Company will pay the purchase price through (i) the issuance of ordinary shares, (ii) the repayment of Endgame’s outstanding indebtedness (expected to be approximately $14 million), (iii) the assumption of Endgame’s outstanding options, and (iv) a cash deposit to fund an expense fund for the fees and expenses of the Securityholder Representative.

The Merger Agreement contains customary termination rights for both the Company and Endgame and further provides that the Company must pay Endgame a termination fee of $3.5 million upon termination of the Merger Agreement under certain specified circumstances.

RISK MANAGEMENT AND RISK FACTORS

A description of the risks and uncertainties associated with our business and ownership of our ordinary shares is set forth below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, operating results and prospects could be materially and adversely affected.

Risks Related to the Business

Our business and operations have experienced rapid growth, and if we do not appropriately manage future growth, if any, or are unable to improve our systems and processes, our business, financial condition, results of operations, and prospects will be adversely affected.

We have experienced rapid growth and increased demand for our offerings. Our employee headcount and number of customers have increased significantly, and we expect to continue to grow our headcount significantly over the next year. For example, our total number of customers has grown from over 2,800 as of April 30, 2017 to over 5,000 as of April 30, 2018 and to over 8,100 as of April 30, 2019. The growth and expansion of our business and offerings places a continuous significant strain on our management, operational, and financial resources. In addition, as customers adopt our technology for an increasing number of use cases, we have had to support more complex commercial relationships. We must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems, and our relationships with various partners and other third parties, and our ability to manage headcount and processes in an efficient manner to manage our growth to date and any future growth effectively.

We may not be able to sustain the diversity and pace of improvements to our offerings successfully or implement systems, processes, and controls in an efficient or timely manner or in a manner that does not negatively affect our results of operations. Our failure to improve our systems, processes, and controls, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to forecast our revenue, expenses, and earnings accurately, or to prevent losses.

As we expand our business and operate as a public company, we may find it difficult to maintain our corporate culture while managing our employee growth. Any failure to manage our anticipated growth and related organizational changes in a manner that preserves our culture could negatively impact future growth and achievement of our business objectives. Additionally, our productivity and the quality of our offerings may be adversely affected if we do not integrate and train our new employees quickly and effectively. Failure to manage any future growth effectively could result in increased costs, negatively affect our customers' satisfaction with our offerings, and harm our results of operations.

We have a history of losses and may not be able to achieve profitability or positive cash flows on a consistent basis. If we cannot achieve profitability or positive cash flows, our business, financial condition, and results of operations may suffer.

We have incurred losses in all years since our incorporation. We incurred a net loss of $119.8 million and $60.9 million in the years ended April 30, 2019 and 2018, respectively. As a result, we had an accumulated deficit of $295.8 million as of April 30, 2019. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our offerings, broaden our customer base, expand our sales and marketing activities, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our offerings or increasing competition. Any failure to increase our revenue as we grow our business could prevent us from achieving profitability or positive cash flow at all or on a consistent basis, which would cause our business, financial condition, and results of operations to suffer.

We may not be able to compete successfully against current and future competitors.
The market for our products is highly competitive, quickly evolving, and subject to rapid changes in technology. We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- product capabilities, including speed, scale, and relevance, with which to power search experiences;
- an extensible product "stack" that enables developers to build a wide variety of solutions;
- powerful and flexible technology that can manage a broad variety and large volume of data;
- ease of deployment and ease of use;
- ability to address a variety of evolving customer needs and use cases;
- strength of sales and marketing efforts;
- flexible deployment model across on-premises, cloud, or hybrid environments;
- productized solutions engineered to be rapidly adopted to address specific applications;
- mindshare with developers and IT executives;
- adoption of products by many types of users (developers, architects, DevOps personnel, IT professionals, security analysts, and departmental and organizational leaders); • enterprise-grade technology that is secure and reliable;
- size of customer base and level of user adoption;
- quality of training, consulting, and customer support;
- brand awareness and reputation; and
- low total cost of ownership.

We face competition from both established and emerging competitors. Our current primary competitors generally fall into the following categories:

- For our app search, site search, and enterprise search solutions: incumbent offerings such as Solr (open source offering), search tools including Google Custom Search Engine (an advertisement-based site search tool with limited user controls), Google Site Search and Google Search Appliance (both of which Google has declared to be end-of-life and stopped selling), and enterprise search tools including Endeca (acquired by Oracle), FAST (acquired by Microsoft), and Autonomy (acquired by HP and now offered by Micro Focus).
- For our logging and security analytics solutions: point solutions including Splunk and ArcSight SIEM (offered by Micro Focus).
- For our metrics, APM and business analytics solutions: software vendors with specific solutions to analyze metrics, typically with Internet of Things, or IoT, data, APM data, and business analytics data.
- Certain cloud infrastructure providers, including Amazon Web Services, that offer SaaS products based on Elastic's open source components. These offerings are not supported by Elastic and come without any of Elastic's proprietary features, whether free or paid.

Some of our current and potential competitors have longer operating histories, significantly greater financial, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to respond more quickly than we can to new or emerging technologies and changes in customer preferences. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns, and adopt more aggressive pricing policies which may allow them to build larger customer bases than we have. New start-up companies that innovate and large competitors that are making significant investments in research and development may develop similar offerings that compete with our offerings or that achieve greater market acceptance than our offerings. This could attract customers away from our offerings and reduce our market share. If we are unable to anticipate or react to these competitive challenges, our competitive position would weaken, which would adversely affect our business and results of operations.

Our limited operating history makes it difficult to evaluate our current business and prospects and may increase the risks associated with your investment.
We were founded in 2012. Our limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, including the risks described in this Director's report. If we do not address these risks successfully, our business and results of operations will be adversely affected, and the market price of our ordinary shares could decline. Further, we have limited historical financial data and we operate in a rapidly evolving market. As such, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

If we are not able to keep pace with technological and competitive developments, our business will be harmed.
The market for search technologies is subject to rapid technological change, evolving industry standards, and changing regulations, as well as changing customer needs, requirements and preferences. Our success depends upon our ability to enhance existing products, expand the use cases of our products, respond to changing customer needs, requirements and preferences, and develop and introduce in a timely manner new offerings that keep pace with technological and competitive developments. We have in the past experienced delays in releasing new products, deployment options and product enhancements and may experience similar delays in the future. As a result, in the past, some of our customers deferred purchasing our products until the next upgrade was released. Future delays or problems in the installation or implementation of our new releases may cause customers to forgo purchases of our products and purchase those of our competitors instead.

Additionally, the success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product releases, the availability of software components for new products, the effective management of development and other spending in connection with anticipated demand for new products, the availability of newly developed products, and the risk that new products may have bugs, errors, or other defects or deficiencies in the early stages of introduction. We have in the past experienced bugs, errors, or other defects or deficiencies in new products and product updates and may have similar experiences in the future. Furthermore, our ability to increase the usage of our products depends, in part, on the development of new use cases for our products, which is typically driven by our developer community and may be outside of our control. We also have invested, and may continue to invest, in the acquisition of complementary businesses, technologies, services, products and other assets that expand the products that we can offer our customers. We may make these investments without being certain that they will result in products or enhancements that will be accepted by existing or prospective customers. Additionally, even if we are able to develop new products and product enhancements, we cannot ensure that they will achieve market acceptance. If we are unable to successfully enhance our existing products to meet evolving customer requirements, increase adoption and usage of our products, develop new products, or if our efforts to increase the usage of our products are more expensive than we expect, then our business, results of operations and financial condition would be adversely affected.

The markets for some of our products are new, unproven and evolving, and our future success depends on the growth and expansion of these markets and our ability to adapt and respond effectively to evolving markets.

The markets for certain of our products, such as our security analytics and APM solutions, are relatively new, rapidly evolving and unproven. Accordingly, it is difficult to predict customer adoption and renewals for these products, customers' demand for these products, the size, growth rate, expansion, and longevity of these markets, the entry of competitive products, or the success of existing competitive products. Our ability to penetrate these new and evolving markets depends on a number of factors, including the cost, performance, and perceived value associated with our products. If these markets do not continue to grow as expected, or if we are unable to anticipate or react to changes in these markets, our competitive position would weaken, which would adversely affect our business and results of operations.

Our operating results are likely to fluctuate from quarter to quarter, which could adversely affect the trading price of our ordinary shares.

Our results of operations, including our revenue, cost of revenue, gross margin, operating expenses, cash flow and deferred revenue, have fluctuated from quarter-to-quarter in the past and may continue to vary significantly in the future so that period-to-period comparisons of our results of operations may not be meaningful. Accordingly, our financial results in any one quarter should not be relied upon as indicative of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, may be difficult to predict, and may or may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include:

- our ability to attract and retain new customers;
- the loss of existing customers;
- customer renewal rates;
- our ability to successfully expand our business in the U.S. and internationally;
- our ability to foster an ecosystem of developers and users to expand the use cases of our products;
- our ability to gain new partners and retain existing partners;
- fluctuations in the growth rate of the overall market that our products address;
- fluctuations in the mix of our revenue, which may impact our gross margins and operating income;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations, including investments in sales and marketing, research and development and general and administrative resources;
- network outages or performance degradation of Elastic Cloud;
- breaches of, or failures relating to, security, privacy, or data protection;
- general economic, industry and market conditions;
- increases or decreases in the number of elements of our subscriptions or pricing changes upon any renewals of customer agreements;

- changes in our pricing policies or those of our competitors;
- the budgeting cycles and purchasing practices of customers;
- decisions by potential customers to purchase alternative solutions;
- decisions by potential customers to develop in-house solutions as alternatives to our products;
- insolvency or credit difficulties confronting our customers, which could adversely affect their ability to purchase or pay for our offerings;
- our ability to collect timely on invoices or receivables;
- delays in our ability to fulfill our customers' orders;
- the cost and potential outcomes of future litigation or other disputes;
- future accounting pronouncements or changes in our accounting policies;
- our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any new legislation or regulatory developments;
- fluctuations in stock-based compensation expense;
- fluctuations in foreign currency exchange rates;
- the timing and success of new offerings introduced by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or partners;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies; and
- other risk factors described in this Director's report.

The impact of one or more of the foregoing or other factors may cause our operating results to vary significantly. Such fluctuations could cause us to fail to meet the expectations of investors or securities analysts, which could cause the trading price of our ordinary shares to fall substantially, and we could face costly lawsuits, including securities class action suits.

If we are unable to increase sales of our subscriptions to new customers, sell additional subscriptions to our existing customers, or expand the value of our existing customers' subscriptions, our future revenue and results of operations will be harmed.
We offer certain features of our products as open source software with no payment required, and also offer some of our proprietary features with no payment required. Customers purchase subscriptions in order to gain access to additional functionality and support. Our future success depends on our ability to sell our subscriptions to new customers and to expand the deployment of our offerings with existing customers by selling paid subscriptions to our existing users and expanding the value and number of existing customers' subscriptions. Our ability to sell new subscriptions depends on a number of factors, including the prices of our offerings, the prices of products offered by our competitors, and the budgets of our customers. In addition, a significant aspect of our sales and marketing focus is to expand deployments within existing customers. The rate at which our customers purchase additional subscriptions and expand the value of existing subscriptions depends on a number of factors, including customers' level of satisfaction with our offerings, the nature and size of the deployments, the desire to address additional use cases, and the perceived need for additional features, as well as general economic conditions. We rely in large part on our customers to identify new use cases for our products in order to expand such deployments and grow our business. If our customers do not recognize the potential of our offerings, our business would be materially and adversely affected. If our efforts to sell subscriptions to new customers and to expand deployments at existing customers are not successful, our total revenue and revenue growth rate may decline and our business will suffer.

If our existing customers do not renew their subscriptions, it could have an adverse effect on our business and results of operations.
We expect to derive a significant portion of our revenue from renewals of existing subscriptions. Our customers have no contractual obligation to renew their subscriptions after the completion of their subscription term. Our subscriptions for self-managed deployments typically range from one to three years, while many of our Elastic Cloud customers purchase subscriptions either on a month-to-month basis or on a committed contract of at least one year in duration. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction with our products and our customer support, our products' ability to integrate with new and changing technologies, the frequency and severity of product outages, our product uptime or latency, and the pricing of our, or competing, products. If our customers renew their subscriptions, they may renew for shorter subscription terms or on other terms that are less economically beneficial to us. We may not accurately predict future renewal trends. If our customers do not renew their subscriptions, or renew on less favorable terms, our revenue may grow more slowly than expected or decline and our Net Expansion Rate may decline.

Because of the rights accorded to third parties under open source software licenses, there are limited technological barriers to entry into the markets in which we compete and it may be relatively easy for competitors, some of whom may have greater resources than we have, to enter our markets and compete with us.
Anyone may obtain access to the source code for our open source features and then redistribute it (either in a modified or unmodified form) and use it to compete in our markets. Additionally, we make the source code of our proprietary features for the Elastic Stack available, which may enable others to compete more effectively. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies, due to the permissions allowed under open source licensing. It is possible for competitors to develop their own software, including software based on our products, potentially reducing the demand for our products and putting pricing pressure on our subscriptions. For example, Amazon offers some of our open source features as part of its Amazon Web Services offering. As such, Amazon competes with us for potential customers, and while Amazon cannot provide our proprietary software, the pricing of Amazon's offerings may limit our ability to adjust the price of our products. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive pressure or the availability of new open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could harm our business, financial condition, results of operations and cash flows.

If we do not effectively expand and train our sales force, we may be unable to add new customers, increase sales to existing customers or expand the value of our existing customers' subscriptions and our business will be adversely affected.
We depend on our sales force to obtain new customers and to drive additional sales to existing customers by selling them new subscriptions and expanding the value of their existing subscriptions. We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, particularly if we continue to grow rapidly, a large percentage of our sales force will have relatively little experience working with

us, our subscriptions, and our business model. If we are unable to hire and train sufficient numbers of effective sales personnel, our sales personnel do not reach significant levels of productivity in a timely manner, or our sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be harmed.

Our ability to increase sales of our offerings is highly dependent on the quality of our customer support, and our failure to offer high quality support would have an adverse effect on our business, reputation and results of operations.
After our products are deployed within our customers' IT environments, our customers depend on our technical support services to resolve issues relating to our products. If we do not succeed in helping our customers quickly resolve post-deployment issues or provide effective ongoing support and education on our products, our ability to sell additional subscriptions to existing customers or expand the value of existing customers' subscriptions would be adversely affected and our reputation with potential customers could be damaged. Many larger enterprise and government entity customers have more complex IT environments and require higher levels of support than smaller customers. If we fail to meet the requirements of these enterprise customers, it may be more difficult to grow sales with them. Additionally, it can take several months to recruit, hire, and train qualified technical support employees. We may not be able to hire such resources fast enough to keep up with demand, particularly if the sales of our offerings exceed our internal forecasts. To the extent that we are unsuccessful in hiring, training, and retaining adequate support resources, our ability to provide adequate and timely support to our customers, and our customers' satisfaction with our offerings, will be adversely affected. Our failure to provide and maintain high-quality support services would have an adverse effect on our business, financial condition, and results of operations.

We rely significantly on revenue from subscriptions and, because we recognize a significant portion of the revenue from subscriptions over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.
Subscription revenue accounts for the substantial majority of our revenue, comprising 91% and 93% of total revenue in the years ended April 30, 2019 and 2018, respectively. We recognize a significant portion of our subscription revenue monthly over the term of the relevant time period. As a result, much of the subscription revenue we report each fiscal quarter is the recognition of deferred revenue from subscription contracts entered into during previous fiscal quarters. Consequently, a decline in new or renewed subscriptions in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter and will negatively affect our revenue in future fiscal quarters. Accordingly, the effect of significant downturns in new or renewed sales of our subscriptions is not reflected in full in our results of operations until future periods.

A real or perceived defect, security vulnerability, error, or performance failure in our software could cause us to lose revenue, damage our reputation, and expose us to liability.
Our products are inherently complex and, despite extensive testing and quality control, have in the past and may in the future contain defects or errors, especially when first introduced, or not perform as contemplated. These defects, security vulnerabilities, errors or performance failures could cause damage to our reputation, loss of customers or revenue, product returns, order cancellations, service terminations, or lack of market acceptance of our software. As the use of our products, including products that were recently acquired or developed, expands to more sensitive, secure, or mission critical uses by our customers, we may be subject to increased scrutiny, potential reputational risk, or potential liability should our software fail to perform as contemplated in such deployments. We have in the past and may in the future need to issue corrective releases of our

software to fix these defects, errors or performance failures, which could require us to allocate significant research and development and customer support resources to address these problems.

Any limitation of liability provisions that may be contained in our customer and partner agreements may not be effective as a result of existing or future applicable law or unfavorable judicial decisions. The sale and support of our products entail the risk of liability claims, which could be substantial in light of the use of our products in enterprise-wide environments. In addition, our insurance against this liability may not be adequate to cover a potential claim.

Incorrect implementation or use of, or our customers' failure to update, our software could result in customer dissatisfaction and negatively affect our business, operations, financial results, and growth prospects.

Our products are often operated in large scale, complex IT environments. Our customers and some partners require training and experience in the proper use of and the benefits that can be derived from our products to maximize their potential. If our customers do not implement, update or use our products correctly or as intended, inadequate performance and/or security vulnerabilities may result. Because our customers rely on our software to manage a wide range of operations, the incorrect implementation, use of, or our customers' failure to update, our software or our failure to train customers on how to use our software productively may result in customer dissatisfaction, negative publicity and may adversely affect our reputation and brand. Failure by us to effectively provide training and implementation services to our customers could result in lost opportunities for follow-on sales to these customers and decrease subscriptions by new customers, and adversely affect our business and growth prospects.

If third parties offer inadequate or defective implementations of our open source software, our reputation could be harmed.

Certain cloud infrastructure providers, including Amazon Web Services, provide SaaS offerings based on open source components of the Elastic Stack, using the names of those open source components in marketing such offerings. These offerings are not supported by us and come without any of our proprietary features. We do not control how these third parties may use or offer our open source technology. These third parties could inadequately or incorrectly implement our open source technology, or fail to update such technology in light of changing technological or security requirements, which could result in real or perceived defects, security vulnerabilities, errors, or performance failures with respect to their open source offerings. Users, customers, and potential customers could confuse these third party products with our own products, and attribute such defects, security vulnerabilities, errors, or performance failures to our products. Any damage to our reputation and brand from defective implementations of our open source software could result in lost sales and lack of market acceptance of our products and could adversely affect our business and growth prospects.

We rely on traditional web search engines to direct traffic to our website. If our website fails to rank prominently in unpaid search results, traffic to our website could decline and our business would be adversely affected.

Our success depends in part on our ability to attract users through unpaid Internet search results on traditional web search engines, such as Google. The number of users we attract to our website from search engines is due in large part to how and where our website ranks in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to our website may not be prominent enough to drive traffic to our website, and we may not know how or otherwise be in a position to influence the results. Any reduction in the number of users directed to our website could reduce our revenue or require us to increase our customer acquisition expenditures.

If our security measures are breached or unauthorized access to private or proprietary data is otherwise obtained, our software may be perceived as not being secure, customers may reduce the use of or stop using our products, and we may incur significant liabilities.
Any security breach, including those resulting from a cybersecurity attack, phishing attack, or any unauthorized access, unauthorized usage, virus or similar breach or disruption could result in the loss of confidential information, damage to our reputation, litigation, regulatory investigations or other liabilities. These attacks may come from individual hackers, criminal groups, and state-sponsored organizations. If our security measures are breached as a result of third-party action, employee error, defect or bug in our products, malfeasance or otherwise and, as a result, someone obtains unauthorized access to our confidential information or personal information or the confidential information or personal information of our customers, our reputation may be damaged, our business may suffer and we could incur significant liability. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers. Further, we could be required to expend significant capital and other resources to address any data security incident or breach.

In addition, many of our customers may use our software for processing their sensitive and proprietary information, including business strategies, financial and operational data, personal or identifying information and other related data. As a result, unauthorized access or use of this data could result in the loss, compromise, corruption or destruction of our customers' sensitive and proprietary information and lead to litigation, regulatory investigations and claims, indemnity obligations, and other liabilities. We have implemented administrative, technical and physical measures designed to protect the integrity of customer information and prevent data loss, misappropriation and other security breaches and incidents and may incur significant costs in connection with the implementation of additional preventative measures in the future.

We engage third-party vendors and service providers to store and otherwise process some of our and our customers' data, including sensitive and personal information. Our vendors and service providers may also be the targets of cyberattacks, malicious software, phishing schemes, and fraud. Our ability to monitor our vendors and service providers' data security is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized access to, misuse, disclosure, loss or destruction of our and our customers' data, including sensitive and personal information.

Techniques used to sabotage or obtain unauthorized access to systems or networks are constantly evolving and, in some instances, are not identified until launched against a target. We and our service providers may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventative measures.

Further, we cannot assure that any limitations of liability provisions in our customer and user agreements, contracts with third-party vendors and service providers or other contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. We also cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover claims related to a security incident or breach, or that the insurer will not deny coverage as to any future claim. The successful assertion of claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or coinsurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Interruptions or performance problems associated with our technology and infrastructure, and our reliance on technologies from third parties, may adversely affect our business operations and financial results.

We rely on third-party cloud platforms to host our cloud offerings. If we experience an interruption in service for any reason, our cloud offerings would similarly be interrupted. An interruption in our services to our customers could cause our customers' internal and consumer-facing applications to not function properly, which could have a material adverse effect on our business, results of operations, customer relationships and reputation.

In addition, our website and internal technology infrastructure may experience performance issues due to a variety of factors, including infrastructure changes, human or software errors, website or third-party hosting disruptions, capacity constraints, technical failures, natural disasters or fraud or security attacks. Our use and distribution of open source software may increase this risk. If our website is unavailable or our users are unable to download our products or order subscriptions or services within a reasonable amount of time or at all, our business could be harmed. We expect to continue to make significant investments to maintain and improve website performance and to enable rapid releases of new features and applications for our products. To the extent that we do not effectively upgrade our systems as needed and continually develop our technology to accommodate actual and anticipated changes in technology, our business and results of operations may be harmed.

We also rely on cloud technologies from third parties in order to operate critical functions of our business, including financial management services, relationship management services and lead generation management services. If these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices, our expenses could increase, our ability to manage our finances could be interrupted, our processes for managing sales of our offerings and supporting our customers could be impaired, and our ability to generate and manage sales leads could be weakened until equivalent services, if available, are identified, obtained and implemented, any of which could harm our business and results of operations.

We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could harm our business.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously harm our business, financial condition, and results of operations. Although we have entered into employment offer letters with our key personnel, their employment is for no specific duration and constitutes at-will employment. We are also substantially dependent on the continued service of our existing engineering personnel because of the complexity of our products.

Our future performance also depends on the continued services and continuing contributions of our senior management, particularly our Chief Executive Officer and Chairman, Shay Banon, to execute on our business plan and to identify and pursue new opportunities and product innovations. We do not maintain key person life insurance policies on any of our employees. The loss of services of senior management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and results of operations.

Additionally, the industry in which we operate is generally characterized by significant competition for skilled personnel as well as high employee attrition. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

If we are not able to maintain and enhance our brand, especially among developers, our business and operating results may be adversely affected.
We believe that developing and maintaining widespread awareness of our brand, especially with developers, is critical to achieving widespread acceptance of our software and attracting new users and customers. Brand promotion activities may not generate user or customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brand. For instance, our continued focus and investment in Elastic{ON} and similar investments in our brand, user engagement, and customer engagement may not generate a sufficient financial return. If we fail to successfully promote and maintain our brand, we may fail to attract or retain users and customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our products.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and entrepreneurial spirit we have worked to foster, which could harm our business.
We believe that our culture has been and will continue to be a key contributor to our success. We expect to continue to hire aggressively as we expand. If we do not continue to maintain our corporate culture as we grow, we may be unable to foster the innovation, creativity, and entrepreneurial spirit we believe we need to support our growth. Moreover, many of our existing employees may be able to receive significant proceeds from sales of our ordinary shares in the public markets, which could lead to employee attrition and disparities of wealth among our employees that adversely affects relations among employees and our culture in general. Our substantial anticipated headcount growth and our continued transition from a private company to a public company may result in a change to our corporate culture, which could harm our business.

We rely on channel partners to execute a portion of our sales; if our channel partners fail to perform, our ability to sell our solution will be more limited, and our results of operations could be harmed.
A portion of our revenue is generated by sales through our channel partners, especially to U.S. federal government customers and in certain international markets. We provide certain of our channel partners with specific training and programs to assist them in selling our offerings, but there can be no assurance that these steps will be effective. In addition, our channel partners may be unsuccessful in marketing and selling our offerings. If we are unable to develop and maintain effective sales incentive programs for our channel partners, we may not be able to incentivize these partners to sell our offerings to customers.

Some of these partners may also market, sell, and support offerings that are competitive with ours, may devote more resources to the marketing, sales, and support of such competitive offerings, may have incentives to promote our competitors' offerings to the detriment of our own or may cease selling our offerings altogether. Our agreements with our channel partners typically have a duration of one to three years, and generally may be terminated for any reason by either party with advance notice prior to each renewal date. We cannot assure you that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. The loss of one or more of our significant channel partners or a decline in the number or size of orders from any of them could harm our results of operations. In addition, many of our new channel partners require extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability, and reputational harm if, for example, any of our channel partners misrepresents the functionality of our offerings to customers or violates laws or our or their corporate policies. If our channel partners are unsuccessful in fulfilling the orders for our offerings, or if we are unable to enter into arrangements with and retain high quality channel partners, our ability to sell our offerings and results of operations could be harmed.

If we are unable to maintain successful relationships with our partners, our business operations, financial results and growth prospects could be adversely affected.
We maintain partnership relationships with a variety of partners, including cloud providers, systems integrators, channel partners, referral partners, OEM and MSP partners, and technology partners, to jointly deliver offerings to our end customers and complement our broad community of users. In particular, we work with systems integrators and referral partners to market and sell our subscriptions.

Our agreements with our partners are generally non-exclusive, meaning our partners may offer customers the offerings of several different companies, including offerings that compete with ours, or may themselves be or become competitors. If our partners do not effectively market and sell our offerings, choose to use greater efforts to market and sell their own offerings or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our offerings may be harmed. Our partners may cease marketing our offerings with limited or no notice and with little or no penalty. The loss of a substantial number of our partners, our possible inability to replace them, or the failure to recruit additional partners could harm our results of operations.

Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our partners and in helping our partners enhance their ability to market and sell our subscriptions. If we are unable to maintain our relationships with these partners, our business, results of operations, financial condition or cash flows could be harmed.

The sales prices of our offerings may decrease, which may reduce our gross profits and adversely affect our financial results.
The sales prices for our offerings may decline for a variety of reasons, including competitive pricing pressures, discounts, anticipation of the introduction of new offerings, or promotional programs. For example, during the year ended April 30, 2019, we reduced prices for some of our Elastic Cloud offerings in conjunction with launching new offerings. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse offerings may reduce the price of offerings that compete with ours or may bundle them with other offerings. Additionally, currency fluctuations in certain countries and regions may negatively impact actual prices that customers and channel partners are willing to pay in those countries and regions. Any decrease in the sales prices for our offerings, without a corresponding decrease in costs or increase in volume, would adversely impact our gross profit. Gross profit could also be adversely

impacted by a shift in mix of our subscriptions from self-managed to our cloud offering, which has a lower gross margin, as well as any increase in our mix of professional services relative to subscriptions. We cannot assure you that we will be able to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability.

We expect our revenue mix to vary over time, which could harm our gross margin and operating results.

We expect our revenue mix to vary over time due to a number of factors, including the mix of our subscriptions for self-managed and our cloud offerings, and our professional services revenue. Due to the differing revenue recognition policies applicable to our subscriptions and professional services, shifts in our business mix from quarter to quarter could produce substantial variation in revenue recognized. Further, our gross margins and operating results could be harmed by changes in revenue mix and costs, together with numerous other factors, including entry into new markets or growth in lower margin markets; entry into markets with different pricing and cost structures; pricing discounts; and increased price competition. Any one of these factors or the cumulative effects of certain of these factors may result in significant fluctuations in our gross margin and operating results. This variability and unpredictability could result in our failure to meet internal expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our ordinary shares could decline.

The length of our sales cycle can be unpredictable, particularly with respect to sales through our channel partners or sales to large customers, and our sales efforts may require considerable time and expense.

Our results of operations may fluctuate, in part, because of the length and variability of the sales cycle of our subscriptions and the difficulty in making short-term adjustments to our operating expenses. Our results of operations depend in part on sales to large customers and increasing sales to existing customers. The length of our sales cycle, from initial contact with our sales team to contractually committing to our subscriptions can vary substantially from customer to customer based on deal complexity as well as whether a sale is made directly by us or through a channel partner. Our sales cycle can extend to more than a year for some customers. It is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large transactions in a quarter could affect our cash flows and results of operations for that quarter and for future quarters. Because a substantial proportion of our expenses are relatively fixed in the short term, our results of operations will suffer if revenue falls below our expectations in a particular quarter, which could cause the price of our ordinary shares to decline.

Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.

Our success depends to a significant degree on our ability to protect our proprietary technology, methodologies, know-how and brand. We rely on a combination of trademarks, copyrights, patents, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks, or other intellectual property rights that we have or may obtain may be challenged by others or invalidated through administrative process or litigation. As of April 30, 2019, we had 7 issued U.S. patents, 32 pending U.S. patent applications, and 8 pending non-U.S. filings, including 7 patent cooperation treaty patent applications. There can be no assurance that our patent applications will result in issued patents. Even if we continue to seek patent protection in the future, we may be unable to obtain further patent protection for our technology. In addition, any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create offerings that compete with ours. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our products are available. We may be unable to prevent third parties from acquiring domain names or trademarks that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. The laws of some countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information will likely increase. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. No assurance can be given that these agreements will be effective in controlling access to and distribution of our proprietary information. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management’s attention and resources, could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation.

We could incur substantial costs as a result of any claim of infringement, misappropriation or violation of another party’s intellectual property rights.
In recent years, there has been significant litigation involving patents and other intellectual property rights in the software industry. Companies providing software are increasingly bringing and becoming subject to suits alleging infringement, misappropriation or violation of proprietary rights, particularly patent rights, and to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement, misappropriation or violation claims. We do not currently have a large patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. The risk of patent litigation has been amplified by the increase in the number of a type of patent holder, which we refer to as a non-practicing entity, whose sole or principal business is to assert such claims and

against whom our own intellectual property portfolio may provide little deterrent value. We could incur substantial costs in prosecuting or defending any intellectual property litigation. If we sue to enforce our rights or are sued by a third party that claims that our products infringe, misappropriate or violate their rights, the litigation could be expensive and could divert our management resources.

Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using products that incorporate the intellectual property rights that we allegedly infringe, misappropriate or violate;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing products to avoid infringement, misappropriation or violation, which could be costly, time-consuming or impossible.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement, misappropriation or violation claims against us or any obligation to indemnify our customers for such claims, such payments or actions could harm our business.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, misappropriation, violation and other losses.

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, misappropriation or violation, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

Our technologies incorporate open source software, and we expect to continue to incorporate open source software in our products in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, we cannot assure you that we have not incorporated additional open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies and procedures. If we fail to comply with these licenses, we may be subject to certain requirements, including requirements that we offer our solutions that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open source software and required to comply with onerous conditions or restrictions on these products, which could disrupt the distribution and sale of these products. In addition, there have been claims challenging the ownership rights in open source software against companies that incorporate open source software into their products, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our products, and to re-engineer our products or discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis. We and our customers may also be subject to suits by parties claiming infringement, misappropriation or violation due to the reliance by our solutions on certain open source software, and such litigation could be costly for us to defend or subject us to an injunction. Some open source projects have known vulnerabilities and architectural instabilities and as provided on an “as-is” basis which, if not properly addressed, could negatively affect the performance of our product. Any of the foregoing could require us to devote additional research and development resources to re-engineer our solutions, could result in customer dissatisfaction, and may adversely affect our business, results of operations and financial condition.

One of our marketing strategies is to offer open source and free trials of our products, and we may not be able to realize the benefits of this strategy.
We are dependent upon lead generation strategies, including offering open source and free trials of our products, to generate sales opportunities. These strategies may not be successful in continuing to generate sufficient sales opportunities necessary to increase our revenue. Many users never convert from the open source or free trials to the paid versions of our products. To the extent that users do not become, or we are unable to successfully attract, paying customers, we will not realize the intended benefits of these marketing strategies and our ability to grow our revenue will be adversely affected.

Our software development and licensing model could be negatively impacted if the Apache License, Version 2.0 is not enforceable.
Important components of our software have been provided under the Apache License 2.0. This license states that any work of authorship licensed under it, and any derivative work thereof, may be reproduced and distributed provided that certain conditions are met. It is possible that a court would hold this license to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under it. Any ruling by a court that this license is not enforceable, or that open source components of our products may not be reproduced or distributed, may negatively impact our distribution or development of all or a portion of our products.

In connection with the operation of our business, we may collect, store, transfer and otherwise process certain personal data and personally identifiable information. As a result, our business is subject to a variety of government and industry regulations, as well as other obligations, related to privacy, data protection and information security.
Privacy, data protection and information security have become significant issues in various jurisdictions where we offer our products. The regulatory frameworks for privacy, data protection and information security issues worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future. Federal, state, or non-U.S. government bodies or agencies have in the past adopted, and may in the future adopt, new laws and regulations or may make amendments to existing laws and regulations affecting data protection, data privacy and/or information security and/or regulating the use of the Internet as a commercial medium. For example, the California Consumer Privacy Act (the “CCPA”), which provides new data privacy rights for California residents, is expected to take effect on January 1, 2020. The CCPA provides for civil penalties, as well as a private right of action, for violations, which may increase our compliance costs and

potential liability. The CCPA was amended in September 2018, and it is anticipated that it may be amended again before it goes into effect. Other states also are considering or have enacted privacy legislation that is similar to the CCPA. Many obligations under the CCPA and these other laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. Industry organizations also regularly adopt and advocate for new standards in these areas. If we fail to comply with any of these laws or standards, we may be subject to investigations, enforcement actions, civil litigation, fines and other penalties, all of which may generate negative publicity and have a negative impact on our business.

In the United States, we may be subject to investigation and/or enforcement actions brought by federal agencies and state attorneys general and consumer protection agencies. We publicly post policies and other documentation regarding our practices concerning the processing, use and disclosure of personally identifiable information. Although we endeavor to comply with our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy policy and other documentation that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

Internationally, most jurisdictions in which we operate have established their own data security, privacy and data protection legal frameworks with which we or our customers must comply. Within the European Union, the European General Data Protection Regulation, or GDPR, became fully effective on May 25, 2018, and applies to the processing (which includes the collection and use) of certain personal data. As compared to previously-effective data protection law in the European Union, the GDPR imposes additional obligations and risk upon our business and increases substantially the penalties to which we could be subject in the event of any non-compliance. Administrative fines under the GDPR can amount up to 20 million Euros or four percent of the group’s annual global turnover, whichever is higher. We have incurred substantial expense in complying with the obligations imposed by the GDPR and we may be required to make significant changes in our business operations, all of which may adversely affect our revenue and our business overall. Additionally, because the GDPR’s standards have not been previously enforced against companies, we are unable to predict how they will be applied to us. Despite our efforts to attempt to comply with the GDPR, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our company.

Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States. We have undertaken certain efforts to conform transfers of personal data from the European Economic Area, or EEA, to the United States and other jurisdictions based on our understanding of current regulatory obligations and the guidance of data protection authorities. Despite this, we may be unsuccessful in establishing or maintaining conforming means of transferring such data from the EEA, in particular as a result of continued legal and legislative activity within the European Union that has challenged or called into question the legal basis for existing means of data transfers to countries that have not been found to provide adequate protection for personal data.

We may also experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our products due to the potential risk exposure to such customers as a result of shifting business sentiment in the EEA regarding international data transfers and the data protection obligations imposed on them. We may find it necessary to establish systems to maintain personal data originating from the EEA in the EEA, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our business. We and our customers may face a risk of enforcement actions taken by European data protection authorities until the time, if any, that personal data transfers to us and by us from the EEA are legitimized under European law.

In June 2016, a referendum was passed in the United Kingdom to leave the European Union, commonly referred to as “Brexit.” This creates an uncertain political and economic environment in the United Kingdom and other European Union countries, even though the formal process for leaving the European Union may take years to complete. For example, a Data Protection Act that substantially implements the GDPR became law in the United Kingdom in May 2018. It remains unclear, however, how United Kingdom data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the United Kingdom will be regulated. The full effect of Brexit is uncertain and depends on any agreements the United Kingdom may make to retain access to European Union markets. Consequently, no assurance can be given about the impact of the outcome and our business may be seriously harmed.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may legally or contractually apply to us. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard, or PCI DSS, which relates to the processing of payment card information. In the event we fail to comply with the PCI DSS, fines and other penalties could result, and we may suffer reputational harm and damage to our business. Further, our customers may expect us to comply with more stringent privacy and data security requirements than those imposed by laws, regulations or self-regulatory requirements, and we may be obligated contractually to comply with additional or different standards relating to our handling or protection of data on or by our offerings. We also expect that there will continue to be changes in interpretations of existing laws and regulations, or new proposed laws, regulations, and other obligations concerning privacy, data protection and information security, which could impair our or our customers’ ability to collect, use or disclose information relating to consumers, which could decrease demand for our offerings, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Because the interpretation and application of many laws and regulations relating to privacy, data protection and information security, along with industry standards, are uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products, and we could face fines, lawsuits, regulatory investigations and other claims and penalties, and we could be required to fundamentally change our products or our business practices, which could have an adverse effect on our business. Any inability to adequately address privacy, data protection and data security concerns, even if unfounded, or any actual or perceived failure to comply with applicable privacy, data protection and information security laws, regulations and other obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our products. Privacy, data protection and information security concerns, whether valid or not valid, may inhibit market adoption of our products, particularly in certain industries and countries outside of the United States. If we are not able to adjust to changing laws, regulations and standards related to the Internet, our business may be harmed.

We may acquire other businesses which could require significant management attention, disrupt our business, dilute shareholder value and adversely affect our results of operations.

As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies. We have in the past acquired, and expect in the future to acquire, businesses that we believe will complement or augment our existing business (for example, our proposed acquisition of Endgame, Inc.). The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete future acquisitions, we may not ultimately strengthen our competitive position or achieve our goals and business strategy, we may be subject to claims or liabilities assumed from an acquired company, product, or technology, and any acquisitions we complete could be viewed negatively by our customers, investors, and securities analysts. In addition, if we are unsuccessful at integrating future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and results of operations of the combined company could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management's attention, and we may not be able to manage the integration process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, realize anticipated synergies from the acquisition, or accurately forecast the financial impact of an acquisition transaction and integration of such acquisition, including accounting charges. We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our ordinary shares. The sale of equity or issuance of equity-linked debt to finance any future acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. The occurrence of any of these risks could harm our business, results of operations, and financial condition.

Unfavorable conditions in our industry or the global economy or reductions in information technology spending could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes, warfare and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments by our customers and potential customers, including spending on information technology, and negatively affect the growth of our business. To the extent our offerings are perceived by customers and potential customers as discretionary, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software as an alternative to using our products. Moreover, competitors may respond to market conditions by lowering prices. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate do not improve, or worsen from present levels, our business, results of operations and financial condition could be adversely affected.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

Our software may be subject to U.S. export control laws and regulations including the Export Administration Regulations, or EAR, and trade and economic sanctions maintained by the Office of Foreign Assets Control, or OFAC. As such, an export license may be required to export or reexport our products to certain countries, end-users and end-uses. Because we incorporate encryption functionality into our products, we also are subject to certain U.S. export control laws that apply to encryption items. If we were to fail to comply with such U.S. export controls laws and regulations, U.S. economic sanctions, or other similar laws, we could be subject to both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for willful violations, and the possible loss of our export or import privileges. Obtaining the necessary export license for a particular sale or offering may not be possible and may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions prohibit the export of products to certain U.S. embargoed or sanctioned countries, governments and persons, as well as for prohibited end-uses. Monitoring and ensuring compliance with these complex U.S. export control laws is particularly challenging because our offerings are widely distributed throughout the world and are available for download without registration. Even though we take precautions to ensure that we and our partners comply with all relevant export control laws and regulations, any failure by us or our partners to comply with such laws and regulations could have negative consequences for us, including reputational harm, government investigations and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations in such countries may create delays in the introduction of our products into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments or persons altogether. Any change in export or import laws or regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing export, import or sanctions laws or regulations, or change in the countries, governments, persons, or technologies targeted by such export, import or sanctions laws or regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export to or sell our products in international markets could adversely affect our business, financial condition and operating results.

Our international operations and expansion expose us to several risks.
As of April 30, 2019, we had customers located in over 100 countries, and our strategy is to continue to expand internationally. In addition, as a result of our strategy of leveraging a distributed workforce, as of April 30, 2019, we had employees located in over 35 countries. Our current international operations involve and future initiatives will involve a variety of risks, including:

- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- different labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- exposure to many stringent and potentially inconsistent laws and regulations relating to privacy, data protection and information security, particularly in the European Union;
- changes in a specific country's or region's political or economic conditions;
- risks resulting from changes in currency exchange rates;

- challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- risks relating to the implementation of exchange controls, including restrictions promulgated by the OFAC, and other similar trade protection regulations and measures in the United States or in other jurisdictions;
- reduced ability to timely collect amounts owed to us by our customers in countries where our recourse may be more limited;
- limitations on our ability to reinvest earnings from operations derived from one country to fund the capital needs of our operations in other countries;
- limited or unfavorable intellectual property protection; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, and similar applicable laws and regulations in other jurisdictions.

If we are unable to address these difficulties and challenges or other problems encountered in connection with our international operations and expansion, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally.

If we are not successful in sustaining and expanding our international business, we may incur additional losses and our revenue growth could be harmed.
Our future results depend, in part, on our ability to sustain and expand our penetration of the international markets in which we currently operate and to expand into additional international markets. We depend on direct sales and our channel partner relationships to sell our offerings in international markets. Our ability to expand internationally will depend upon our ability to deliver functionality and foreign language translations that reflect the needs of the international clients that we target. Our ability to expand internationally involves various risks, including the need to invest significant resources in such expansion, and the possibility that returns on such investments will not be achieved in the near future or at all in these less familiar competitive environments. We may also choose to conduct our international business through other partnerships. If we are unable to identify partners or negotiate favorable terms, our international growth may be limited. In addition, we have incurred and may continue to incur significant expenses in advance of generating material revenue as we attempt to establish our presence in particular international markets.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new offerings could reduce our ability to compete and could harm our business.
We expect that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next twelve months. After that, we may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests and the per share value of our ordinary shares could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our ordinary shares, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:
- develop or enhance our products;
- continue to expand our sales and marketing and research and development organizations;

- acquire complementary technologies, products or businesses;
- expand operations in the United States or internationally;
- hire, train, and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to have sufficient capital to do any of these things could harm our business, financial condition, and results of operations.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws could subject us to penalties and other adverse consequences.
We are subject to the Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act and other anti-corruption, anti-bribery and anti-money laundering laws in various jurisdictions both domestic and abroad. We leverage third parties, including channel partners, to sell our offerings and conduct our business abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedure to address compliance with such laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, operating results and prospects.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.
Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements for products like ours may change, thereby restricting our ability to sell into the U.S. federal government, U.S. state government, or non-U.S. government sectors until we have attained the revised certification. Government demand and payment for our offerings may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offerings.

Additionally, we rely on certain partners to provide technical support services to certain of our government entity customers to resolve any issues relating to our products. If our partners do not effectively assist our government entity customers in deploying our products, succeed in helping our government entity customers quickly resolve post-deployment issues, or provide effective ongoing support, our ability to sell additional offerings to new and existing government entity customers would be adversely affected and our reputation could be damaged.

Government entities may have statutory, contractual, or other legal rights to terminate contracts with us or our channel partners for convenience or due to a default, and any such termination may adversely affect our future results of operations. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could adversely affect our results of operations in a material way.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could expose us to greater than anticipated tax liabilities.

Our income tax obligations are based in part on our corporate structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the Netherlands, the United States and other jurisdictions, are subject to interpretation and certain jurisdictions may aggressively interpret their laws in an effort to raise additional tax revenue. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position and results of operations. It is possible that tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. Further, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Our corporate structure and intercompany arrangements are subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which would harm our results of operations.

Based on our current corporate structure, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents. In the United States, newly enacted legislation commonly referred to as the Tax Cuts and Jobs Act introduced a number of changes to U.S. federal income tax laws, the impact of which is uncertain. In addition, the authorities in the jurisdictions in which we operate could review our tax returns or require us to file tax returns in jurisdictions in which we are not currently filing, and could impose additional tax, interest and penalties. These authorities could also claim that various withholding requirements apply to us or our subsidiaries, assert that benefits of tax treaties are not available to us or our subsidiaries, or challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing. The relevant taxing authorities may determine that the manner in which we operate our business does not achieve the intended tax consequences. If such a disagreement was to occur, and our position was not sustained, we could be required to pay additional taxes, and interest and penalties. Such authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries. Any increase in the amount of taxes we pay or that are imposed on us could increase our worldwide effective tax rate and harm our business and results of operations.

Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

As of April 30, 2019 and 2018, we had net operating loss carryforwards in various jurisdictions of $485.7 million and $223.0 million, respectively, which may be utilized against future income taxes.

Limitations imposed by the applicable jurisdictions on our ability to utilize net operating loss carryforwards could cause income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such net operating loss carryforwards to expire unused, in each case reducing or eliminating the benefit of such net operating loss carryforwards. Furthermore, we may not be able to generate sufficient taxable income to utilize our net operating loss carryforwards before they expire. If any of these events occur, we may not derive some or all of the expected benefits from our net operating loss carryforwards.

Catastrophic events, or man-made problems such as terrorism, may disrupt our business.
A significant natural disaster, such as an earthquake, fire, flood, or significant power outage could have an adverse impact on our business, results of operations, and financial condition. We have a number of our employees and executive officers located in the San Francisco Bay Area, a region known for seismic activity. In the event our or our partners abilities are hindered by any of the events discussed above, sales could be delayed, resulting in missed financial targets for a particular quarter. In addition, acts of terrorism and other geo-political unrest could cause disruptions in our business or the business of our partners, customers or the economy as a whole. Any disruption in the business of our partners or customers that affects sales in a given fiscal quarter could have a significant adverse impact on our quarterly results for that and future quarters. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.
A portion of our subscriptions are generated and operating expenses are incurred outside the United States and denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. The strengthening of the U.S. dollar increases the real cost of our offerings to our customers outside of the United States, leading to delays in the purchase of our offerings and the lengthening of our sales cycle. If the U.S. dollar continues to strengthen, this could adversely affect our financial condition and results of operations. In addition, increased international sales in the future, including through our channel partners, may result in greater foreign currency denominated sales, increasing our foreign currency risk. Moreover, operating expenses incurred outside the United States and denominated in foreign currencies are increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and results of operations could be adversely affected. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in the trading price of our ordinary shares.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Report, the results of which form the basis for making judgments about

the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our ordinary shares. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, measurement of stock-based compensation expense, accounting of intangible assets, goodwill impairment test, and accounting for income taxes including deferred tax assets and liabilities.

Risks Related to Ownership of our Ordinary Shares

The market price for our ordinary shares has been and is likely to continue to be volatile or may decline regardless of our operating performance.

The stock markets, and securities of technology companies in particular, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business. The market price of our ordinary shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated changes or fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new offerings or new or terminated significant contracts, commercial relationships or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- future sales or expected future sales of our ordinary shares;
- investor perceptions of us and the industries in which we operate;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of industry or financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property rights or our solutions, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- breaches of, or failures relating to, security, privacy or data protection;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

- any major changes in our management or our board of directors, particularly with respect to Mr. Banon;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

The concentration of our share ownership with insiders will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring shareholder approval.
Our executive officers, directors, current 5% or greater shareholders and affiliated entities together beneficially owned approximately 56% of our ordinary shares outstanding as of April 30, 2019. As a result, these shareholders, acting together, will have control over most matters that require approval by our shareholders, including matters such as adoption of the financial statements, declarations of dividends, the appointment and dismissal of directors, capital increases, amendment to our articles of associations and approval of significant corporate transactions. Corporate action might be taken even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of us that other shareholders may view as beneficial. In addition, four of our non-executive directors are affiliated with a holder of greater than 5% of our ordinary shares.

The issuance of additional shares in connection with financings, acquisitions, investments, our share incentive plans or otherwise will dilute all other shareholders.
Our articles of association authorize us to issue up to 165 million ordinary shares and up to 165 million preference shares with such rights and preferences as included in our articles of association. Our General Meeting has empowered our board of directors, to issue ordinary shares and preference shares up to our authorized share capital for a period of five years from October 10, 2018. Subject to compliance with applicable rules and regulations, we may issue ordinary shares or securities convertible into ordinary shares from time to time in connection with a financing, acquisition, investment, our share incentive plans or otherwise. Any such issuance could result in substantial dilution to our existing shareholders unless pre-emptive rights exist and cause the market price of our ordinary shares to decline.

Certain holders of our ordinary shares may not be able to exercise pre-emptive rights and as a result may experience substantial dilution upon future issuances of ordinary shares.
Holders of our ordinary shares in principle have a pro rata pre-emptive right with respect to any issue of ordinary shares or the granting of rights to subscribe for ordinary shares, unless Dutch law or the articles of association state otherwise or unless explicitly provided otherwise in a resolution by our General Meeting of Shareholders, or the General Meeting, or—if authorized by the General Meeting—by a resolution of our board of directors. Our General Meeting has empowered our board of directors, to limit or exclude pre-emptive rights on ordinary shares for a period of five years from October 10, 2018, which could cause existing shareholders to experience substantial dilution of their interest in us.
Pre-emptive rights do not exist with respect to the issue of preference shares and holders of preference shares, if any, have no pre-emptive right to acquire newly issued ordinary shares. Also, pre-emptive rights do not exist with respect to the issue of shares or grant of rights to subscribe for shares to employees of the company or contributions in kind.

Sales of substantial amounts of our ordinary shares in the public markets, or the perception that they might occur, could reduce the price that our ordinary shares might otherwise attain.

Sales of a substantial number of shares of our ordinary shares in the public market, particularly sales by our directors, executive officers and significant shareholders, or the perception that these sales could occur, could adversely affect the market price of our ordinary shares and may make it more difficult for you to sell your ordinary shares at a time and price that you deem appropriate.

In addition, holders of an aggregate of approximately 42,665,555 ordinary shares, based on shares outstanding as of April 30, 2019, are entitled to rights with respect to registration of these shares under the Securities Act pursuant to our amended and restated investors' rights agreement. If these holders of our ordinary shares, by exercising their registration rights, sell a large number of shares, they could adversely affect the market price for our ordinary shares. We have also registered the offer and sale of all ordinary shares that we may issue under our equity compensation plan.

Certain anti-takeover provisions in our articles of association and under Dutch law may prevent or could make an acquisition of our company more difficult, limit attempts by our shareholders to replace or remove members of our board of directors and may adversely affect the market price of our ordinary shares.

Our articles of association contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for shareholders to appoint directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- the staggered three-year terms of the members of our board of directors, as a result of which only approximately one-third of the members of our board of directors may be subject to election in any one year;
- a provision that the members of our board of directors may only be removed by the General Meeting by a two-thirds majority of votes cast representing at least 50% of our issued share capital if such removal is not proposed by our board of directors;
- a provision that the members of our board of directors may only be appointed upon binding nomination of the board of directors, which can only be overruled with two-thirds majority of votes cast representing at least 50% of our issued share capital;
- the inclusion of a class of preference shares in our authorized share capital that may be issued by our board of directors, in such a manner as to dilute the interest of shareholders, including any potential acquirer or activist shareholder, in order to delay or discourage any potential unsolicited offer or shareholder activism;
- requirements that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our board of directors; and
- minimum shareholding thresholds, based on nominal value, for shareholders to call General Meetings of our Shareholders or to add items to the agenda for those meetings.

We are subject to the Dutch Corporate Governance Code but do not comply with all the suggested governance provisions of the Dutch Corporate Governance Code. This may affect your rights as a shareholder.

As a Dutch company we are subject to the Dutch Corporate Governance Code, or DCGC. The DCGC contains both principles and suggested governance provisions for management boards, supervisory boards, shareholders and general meetings, financial reporting, auditors, disclosure, compliance and enforcement standards. The DCGC is based on a "comply or explain" principle. Accordingly, public companies are required to disclose in their annual reports, filed in the Netherlands, whether they comply with the suggested governance provisions of the DCGC. If they do not comply with those provisions (e.g., because of a conflicting requirement), the company is required to give the reasons for such noncompliance. The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including the NYSE. The principles and suggested governance provisions apply to our board of directors (in relation to role and composition, conflicts of interest and independency requirements, board committees and remuneration), shareholders and the General Meeting (for example, regarding anti-takeover protection and our obligations to provide information to our shareholders) and financial reporting (such as external auditor and internal audit requirements). We comply with all applicable provisions of the DCGC except where such provisions conflict with U.S. exchange listing requirements or with market practices in the United States. This may affect your rights as a shareholder and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the suggested governance provisions of the DCGC.

We do not intend to pay dividends in the foreseeable future. As a result, your ability to achieve a return on your investment will depend on appreciation in the price of our ordinary shares.

We have never declared or paid any cash dividends on our shares. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our ordinary shares in the foreseeable future. Were this position to change, payment of future dividends may be made only if our equity exceeds the amount of the paid-in and called-up part of the issued share capital, increased by the reserves required to be maintained by Dutch law or by our articles of association. Accordingly, investors must rely on sales of their ordinary shares after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

If industry or financial analysts do not publish research or reports about our business, or if they issue inaccurate or unfavorable research regarding our ordinary shares, our share price and trading volume could decline.

The trading market for our ordinary shares is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts, or the content and opinions included in their reports. As a new public company, we may be slow to attract research coverage and the analysts who publish information about our ordinary shares will have had relatively little experience with our company, which could affect their ability to accurately forecast our results and make it more likely that we fail to meet their estimates. In the event we obtain industry or financial analyst coverage, if any of the analysts who cover us issues an inaccurate or unfavorable opinion regarding our company, our stock price would likely decline. In addition, the stock prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet, or significantly exceed, our announced guidance or the expectations of analysts or public investors, analysts could downgrade our ordinary shares or publish unfavorable research about us. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, our visibility in the financial markets could decrease, which in turn could cause our stock price or trading volume to decline.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.

For so long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions until we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of: (i) the first fiscal year following the fifth anniversary of our initial public offering; (ii) the first fiscal year after our annual gross revenue is $1.07 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) as of the end of any fiscal year after the first anniversary of our initial public offering in which the market value of our ordinary shares held by non-affiliates exceeded $700.0 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our ordinary shares less attractive because we may rely on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our stock price may be more volatile.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.
As a public company, we are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the New York Stock Exchange and other applicable securities rules and regulations, including the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and Dutch law requirements. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company" as defined in the JOBS Act. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. Although we have already hired additional personnel to help comply with these requirements, we may need to further expand our legal and finance departments in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of disclosure of information in the filings required of a public company and in this Report, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be materially harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially harm our business, financial condition, results of operations and prospects.

If we fail to establish or maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ordinary shares may, therefore, be adversely affected.

As a public company in the United States, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. In addition, beginning with our annual report for the year ending April 30, 2020, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404. We are in the process of designing, implementing, and testing the internal control over financial reporting required to comply with these obligations. This process is time consuming, costly, and complicated. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting beginning with our annual report following the date on which we are no longer an “emerging growth company”, which may be up to five fiscal years following the date of our initial public offering. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our ordinary shares may be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under the laws of the Netherlands and substantial portions of our assets are located outside of the United States. In addition, one member of our board of directors and certain experts named herein reside outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such other persons residing outside the United States, or to enforce outside the United States judgments obtained against such persons in U.S. courts in any action, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, rights predicated upon the U.S. federal securities laws.

There is no treaty between the United States and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is re-litigated before a Dutch court of competent jurisdiction. In such proceedings, however, a Dutch court may be expected to recognize the binding effect of a judgment of a federal or state court in the United States without re-examination of the substantive matters adjudicated thereby, if (i) the jurisdiction of the U.S. federal or state court has been based on internationally accepted principles of private international law, (ii) that judgment resulted from legal proceedings compatible with Dutch notions of due process, (iii) that judgment does not contravene public policy of the Netherlands and (iv) that judgment is not incompatible with (x) an earlier judgment of a Dutch court between the same parties, or (y) an earlier judgment of a foreign court between the same parties in a dispute regarding the same subject and based on the same cause, if that earlier foreign judgment is recognizable in the Netherlands.

Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce against us or members of our board of directors, officers or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

In addition, there can be no assurance that a Dutch court would impose civil liability on us, the members of our board of directors, our officers or certain experts named herein in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

U.S. holders of our ordinary shares may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

A non-U.S. corporation will generally be considered a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during such year) is attributable to assets that produce or are held for the production of passive income. For purposes of the PFIC asset test, the value of our assets will generally be determined by reference to our market capitalization. However, if we are considered to be a "controlled foreign corporation," or CFC, that is not "publicly traded" for purposes of the PFIC rules during a tested period, the value of our assets will generally be determined by reference to our adjusted bases in our assets during such tested period. Due in part to changes in the CFC attribution rules as part of recently enacted legislation commonly referred to as the Tax Cuts and Jobs Act, we may have been a CFC prior to our IPO. However, based on our past and current projections of our income and assets, we do not expect to be a PFIC for the taxable year ended April 30, 2019 or for the foreseeable future. Nevertheless, a separate factual determination as to whether we are or have become a PFIC must be made each year (after the close of such year). Since our projections may differ from our actual business results and our market capitalization and value of our assets may fluctuate, we cannot assure you that we will not be or become a PFIC in the current taxable year or any future taxable year. If we are a PFIC for any taxable year during which a U.S. holder (as defined in "Taxation—Material U.S. Federal Income Tax Considerations to U.S. Holders" in our Annual Report on Form 10-K) holds our ordinary shares, the U.S. holder may be subject to adverse tax consequences. Each U.S. holder is strongly urged to consult its tax advisor regarding the application of these rules and the availability of any potential elections. See "Taxation— Material U.S. Federal Income Tax Considerations to U.S. Holders" in our Annual Report on Form 10-K.

If a U.S. holder is treated as owning at least 10% of our ordinary shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a U.S. holder is treated as owning (directly, indirectly, or constructively) at least 10% of the value or voting power of our ordinary shares, such holder may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). Under changes implemented recently by legislation commonly referred to as the Tax Cuts and Jobs Act, because our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether we are treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of "Subpart F income," "global intangible low-taxed income," and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any investor is treated as a United States shareholder with respect to any such controlled foreign corporation or furnish to any investor who may be a United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. Failure to comply with these reporting obligations may subject a U.S. holder who is a United States shareholder to significant monetary penalties and may prevent from starting the statute of limitations with respect to such holder's U.S. federal income tax return for the year for which reporting was due. A U.S. holder should consult its advisors regarding the potential application of these rules to an investment in our ordinary shares.

We may not be able to make distributions or repurchase shares without subjecting our shareholders to Dutch withholding tax.
Dutch dividend withholding tax may be levied on dividends and similar distributions made by us to our shareholders at the statutory rate of 15%. If dividend distributions are structured as a repayment of capital or a repurchase of shares, Dutch withholding tax may still be due at 15%. Such repayment of capital or repurchase of shares will be exempt from dividend withholding tax only in limited circumstances.

Risk management and control systems
Elastic, similar to other technology companies, operates in a complex and rapidly changing environment that involves many risks. In addition to general market, R&D, and economic risks, the Company faces potential risks related to its industry; information technology and cybersecurity; data privacy; financial controls and reporting; legal, regulatory and compliance; finances and taxation; global operations; environment and social responsibility; and product portfolio and commercialization, among others. As a company committed to operating ethically and with integrity, we proactively seek to manage and, where possible, mitigate risks to help ensure compliance with applicable rules and regulations, maintain integrity and continuity in our operations and business and protect our assets. Risk management is an enterprise-wide objective subject to oversight by the Board and its committees.

It is the responsibility of Elastic's management and employees to implement and administer risk-management processes to identify material risks to our business. In addition, management must assess, manage and monitor those risks, all while maintaining flexibility in how we operate. To further embed risk management and compliance into our culture, Elastic implements relevant policies and procedures and trains employees on how to implement and comply with them. All of our committees have regular access to management and our Board and committees also schedule sessions without members of management present.

Elastic's Board, in turn, directly or through its committees, oversees management's implementation of risk management. We have approved a robust Code of Business Conduct and Ethics and other related policies, and the Board and its committees rigorously review with management actual and potential significant risks at least quarterly.

Based on its oversight activities, reports from management and third parties, and extensive discussions and analyses, the Board believes that (i) the Company's internal risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain any errors of material importance, (ii) based on the current state of affairs, it is justified that the Company's financial reporting is prepared on a going concern basis and (iii) this report states material risks and uncertainties relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this report. The Board has no reason to believe that there are material shortcomings associated with the Company's internal risk management and control systems that would otherwise have to be disclosed in this this report. Consequently, those systems have not been materially revised during the fiscal year to which this report pertains and no material improvements thereto are scheduled. The Company's internal risk management and control systems have been discussed with the audit committee and the non-executive directors.

Credit Risk: The nature of the Group's operations is such that its customer base is sufficiently diversified and generally financially secure and that, accordingly, credit risk is limited. In addition, management regularly reviews aging of accounts receivable and has implemented procedures to ensure that cash is collected on time.

Liquidity Risk: The Group has not achieved cash flow break-even or profitability as of April 30, 2019 and does not anticipate doing so in the fiscal year ending April 30, 2020. However, management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flows. This is generally carried out at the Group level, taking into account the liquidity of the market in which Group's subsidiaries operate.

CORPORATE GOVERNANCE

Dutch Corporate Governance Code

Elastic is committed to good corporate governance and has implemented a robust governance structure that the Board believes remains most appropriate for the Company. As Elastic's ordinary shares are traded on the NYSE, Elastic complies with the applicable listing standards of the NYSE and other U.S. securities laws that apply to it.

Upon Elastic's initial public offering in October 2018, we thereafter became subject to the Dutch Corporate Governance Code 2016 (the "DCGC"). Elastic complies with the relevant principles and best practice provisions of the DCGC (which are not binding, but apply on a "comply or explain" basis), except for the following:

Remuneration (best practice provisions under chapter 3)

Consistent with Elastic's historical practices and market practice in the U.S., the trading jurisdiction of our ordinary shares, and in order to further support Elastic's ability to attract and retain the right highly qualified candidates for a board position:

- We have granted and intend to grant options and restricted stock units to non-executive directors. Such remuneration is in accordance with the NYSE corporate governance requirements and market practice among companies listed on the NYSE.
- We have granted and intend to grant options and restricted stock units to non-executive directors. The options provide for vesting conditions which allow exercise of the options within the first three years of their grant date. Furthermore, the restricted stock units are not subject to a five-year holding period. Elastic's directors generally may sell their vested shares at any time, subject to Company policy and applicable security regulations. Such conditions are market practice among companies listed on the NYSE. We are in competition with other companies in this field, and we intend to maintain an attractive compensation package for our current and future board members.
- The agreement with our executive director provides for (i) a severance payment in excess of one-year base salary in certain events and (ii) a severance payment if such agreement is terminated at the initiative of the executive director. We believe these severance provisions are consistent with U.S. market practice.
- Our remuneration report does not describe the pay ratios within Elastic or any changes in ratios in comparison to the prior fiscal year, since we were not required to provide such information in our most recent filings with the SEC. We intend to comply with this requirement, when this requirement also applies to us under SEC regulations.

Majority requirements for dismissal and setting-aside binding nominations (best practice provision under chapter 4)

Pursuant to our articles of association, the Board will nominate one or more candidates for each vacant seat on the Board. A resolution of the General Meeting to overrule such binding nomination requires at least two-thirds of the votes cast representing more than half of our issued share capital. Although in deviation from suggested governance provision, this is in line with article 2:133 (2) of the Dutch Civil Code, which provides for the same majority and quorum requirements as included in our articles of association, and is considered to promote continuity within the Board.

Other Codes of Conduct or Corporate Governance Practices

In addition to the DCGC, Elastic is subject to and complies with our Code of Business Conduct and Ethics and Corporate Governance Guidelines. The texts of Elastic's Code of Business Conduct and Ethics and its Corporate Governance Guidelines are publicly available on the Corporate Governance page of our Investor Relations website: http://ir.elastic.co.

General meeting of shareholders

The General Meeting is held in the Netherlands at the place where we have our corporate seat (Amsterdam) at Haarlemmermeer (Schiphol Airport), Rotterdam, or The Hague (the Netherlands). The annual General Meeting shall be held no later than six months after the end of the financial year on the date and hour and at the place mentioned in the convening notice. Additional extraordinary General Meetings may also be held whenever considered appropriate by the Board. Pursuant to Dutch law, one or more shareholders and others entitled to attend a General Meeting, who jointly represent at least one-tenth of the issued share capital, may request the Board to convene a General Meeting. If the Board has not taken the steps necessary to ensure that a General Meeting is held within the relevant statutory period after the request, the requesting persons may, at his/her/their request, be authorized by a court in preliminary relief proceedings to convene a General Meeting.

General Meetings shall be convened by a notice, which shall include an agenda stating the items to be discussed, including for the annual General Meeting, among other things, the discussion and adoption of the annual accounts, appropriation of our profits and proposals relating to the board of directors, including the filling of any vacancies in the Board. In addition, the agenda shall include such items as have been included therein by the Board. One or more shareholders, alone or together, representing at least 3% of the issued share capital may also request to include items in the agenda of a General Meeting. Requests must be made in writing and received by the Board at least 60 days before the day of the meeting. No resolutions shall be adopted on items other than those which have been included in the agenda. In accordance with the DCGC, a shareholder may request the inclusion of an item on the agenda only after consulting the Board in that respect. If one or more shareholders intends to request that an item be put on the agenda for a General Meeting that may result in a change in the company's strategy, pursuant to the DCGC, the Board may invoke a response time of a maximum of 180 days until the day of the General Meeting. A legislative proposal is currently being drafted pursuant to which a response time of a maximum of 250 days may be given a statutory basis. It is currently unclear in what form and when the legislative proposal will be submitted to Dutch parliament.

The General Meeting is presided over by the non-executive director designated as lead independent director, or the Lead Independent Director, or, if he or she is absent, by the vice chairperson of the board of directors. Members of the Board may attend a General Meeting. In these meetings, they have an advisory vote. The chairperson of the meeting may decide at his or her discretion to admit other persons to the meeting.

The external auditor of the company may attend the annual General Meeting in which the annual accounts are discussed.

Board of Directors

Our one-tier board structure consists of one executive director and six non-executive directors. Shay Banon serves as our Chief Executive Officer and Chairman and is an executive director.

Pursuant to our articles of association, our executive and non-executive directors may be appointed for a maximum term of three years (unless such director has resigned at an earlier date). A director may be reappointed, and the three-year maximum term may be deviated from by resolution of the General Meeting at the proposal of the Board. Consistent with established Dutch law and practice and the Company's Articles of Association, executive directors and non- executive directors are appointed by the General Meeting from a binding nomination proposed by the Board.

Our Board has determined that Mr. Schuurman is not considered independent under the DCGC.

As of April 30, 2019, the Board was composed as follows:

Name	Age	Position(s)	Nationality	Date of appointment	Term Expires
Shay Banon	41	Executive Director, Chief Executive Officer, and Chairman	Israel	Jul-12	Annual general meeting held in 2021
Jonathan Chadwick(1)(2)	53	Non-executive Director	United States	Aug-18	Annual general meeting held in 2020
Peter Fenton(2)(3)	47	Non-executive Director	United States	Sep-12	Annual general meeting held in 2021
Caryn Marooney(3)	52	Non-executive Director	United States	Apr-19	Annual general meeting held in 2022
Chetan Puttagunta(1)(3)	33	Non-executive Director, and Lead Independent Director	United States	Jan-17	Annual general meeting held in 2019
Steven Schuurman	44	Non-executive Director	Netherlands	Jul-12	Annual general meeting held in 2019
Michelangelo Volpi(1)(2)	52	Non-executive Director, and Vice Chairman	United States	Jan-13	Annual general meeting held in 2020

(1) Member of our audit committee

(2) Member of our compensation committee

(3) Member of our nominating and corporate governance committee

Executive Director

Shay Banon co-founded our company and has served as a member of our board of directors since July 2012, as our Chief Executive Officer since May 2017, and as our Chairman and Chief Executive Officer since June 2018. He previously served as our Chief Technology Officer from July 2012 to April 2017. Mr. Banon holds a B.Sc. in Computer Science from Technion, Israel Institute of Technology. Mr. Banon is the creator of our Elasticsearch product. We believe that Mr. Banon is qualified to serve as a member of the Board because of the perspective and experience he brings as our CEO and his experience as an executive in the technology industry.

Non-executive Directors

Jonathan Chadwick has served as a member of our board of directors since August 2018. Mr. Chadwick has been a private investor since April 2016. From November 2012 to April 2016, Mr. Chadwick served as Chief Financial Officer and Executive Vice President of VMware, Inc., a virtualization and cloud infrastructure solutions company, and from August 2014 to April 2016, he also served as VMware's Chief Operating Officer. From March 2011 until November 2012, he served as the Chief Financial Officer of Skype Communication S.á.r.l., a voice over IP (VoIP) service, and as a corporate vice president of Microsoft Corporation after its acquisition of Skype in October 2011. From June 2010 until February 2011, Mr. Chadwick served as Executive Vice

President and Chief Financial Officer of McAfee, Inc., a security software company, until its acquisition by Intel Corporation. From September 1997 until June 2010, Mr. Chadwick served in various executive roles at Cisco Systems, Inc., a multinational technology company. He currently serves on the board of directors of Cognizant Technology Solutions Corporation, an IT business services provider, ServiceNow, Inc., a cloud computing company, Zoom Video Communications, Inc., a provider of remote conferencing services, and various private companies. He previously served on the board of directors of F5 Networks, Inc., an application networking delivery company, from August 2011 until March 2019. He also worked for Coopers & Lybrand in various roles in the U.S. and U.K. Mr. Chadwick is a Chartered Accountant in England and holds a B.Sc. degree in Electrical and Electronic Engineering from the University of Bath, U.K. We believe Mr. Chadwick is qualified to serve as a member of our board of directors because of his significant financial expertise as a Chief Financial Officer and service on the boards of directors of various public companies.

Peter Fenton has served as a member of our board of directors since September 2012. Mr. Fenton has served as General Partner of Benchmark Capital Partners, a venture capital firm, since September 2006. He currently serves on the board of directors of Cloudera, Inc., an enterprise data cloud company, New Relic, Inc., a software analytics company, Zuora, Inc. ("Zuora"), an enterprise software company that designs and sells SaaS applications, and various private companies. Mr. Fenton previously served as a director of Hortonworks, Inc. (now a wholly owned subsidiary of Cloudera), or Hortonworks, Yelp Inc., Twitter, Inc. and Zendesk, Inc. Mr. Fenton holds a B.A. in Philosophy from Stanford University and an M.B.A. from the Stanford University Graduate School of Business. We believe that Mr. Fenton is qualified to serve as a member of our board of directors because of his extensive experience in the venture capital industry and his knowledge of technology companies.

Caryn Marooney has served as a member of our board of directors since April 2019. She has served in various roles at Facebook, Inc., a social networking service, most recently serving as the company's Vice President, Global Communications since March 2012, and previously served as the company's Director of Technology Communications from May 2011 to March 2012. From June 1997 to March 2011, Ms. Marooney served in various roles, including President and Chief Executive Officer, of The OutCast Agency, a public relations firm. She currently serves as a director of Zendesk, Inc., a software services company. Ms. Marooney holds a B.S. in labor relations from Cornell University. We believe that Ms. Marooney is qualified to serve as a member of our board of directors because of her prior executive experience and her experience advising technology companies.

Chetan Puttagunta has served as a member of our board of directors since January 2017 and as our lead independent director since June 2018. Mr. Puttagunta has served as General Partner of Benchmark Capital Partners since July 2018. From October 2016 until July 2018, Mr. Puttagunta served as a General Partner of New Enterprise Associates, a venture capital firm he joined in April 2011. Mr. Puttagunta holds a B.S. in Electrical Engineering from Stanford University. We believe that Mr. Puttagunta is qualified to serve as a member of our board of directors because of his extensive experience in the venture capital industry and his knowledge of the technology industry.

Steven Schuurman co-founded our company and has served as a member of our board of directors since July 2012 and previously served as our Chief Executive Officer from July 2012 to May 2017. Mr. Schuurman holds a B.Sc. in Electrical Engineering from TH Rijswijk, now known as The Hague University of Applied Sciences. Mr. Schuurman serves on the boards of various private companies. We believe Mr. Schuurman is qualified to serve as a member of our board of directors because of his deep understanding of our business, operations and strategy due to his role as our co-founder and former CEO.

Michelangelo Volpi has served as a member of our board of directors since January 2013. Mr. Volpi has served as a Partner of Index Ventures, a venture capital firm, since July 2009. He currently serves as a director of Fiat Chrysler Automobiles N.V., an automotive company, Sonos, Inc., a consumer electronics company, and Zuora and previously served as a director of Hortonworks, Pure Storage, Inc., Exor N.V. and Telefonaktiebolaget L. M. Ericsson. Mr. Volpi holds a B.S. in Mechanical Engineering and an M.S. in Manufacturing Systems Engineering from Stanford University, and an M.B.A. from the Stanford University Graduate School of Business. We believe that Mr. Volpi is qualified to serve as a member of our board of directors because of his extensive experience in the venture capital industry and his knowledge of technology companies.

During the fiscal year ended April 30, 2019, our board of directors held 7 meetings (including regularly scheduled and special meetings) and committee meetings, and each director attended 100% of the aggregate of (i) the total number of meetings of our board of directors held during the period for which he or she has been a director and (ii) at least 91% the total number of meetings held by all committees of our board of directors on which he or she served during the periods that he or she served. Mr. Fenton did not attend the meeting of the February 2019 nominating and corporate governance committee. During our fiscal year ended April 30, 2019, the board of directors also acted by written consent.

Although we do not have a formal policy regarding attendance by members of our board of directors at annual General Meetings of shareholders, we encourage, but do not require, our directors to attend. Since Elastic's initial public offering in October 2018, the Company has held one extraordinary General Meeting during the fiscal year ended April 30, 2019 on April 25, 2019, and Steven Schuurman, acted as chairperson, and Caryn Marooney, as nominee for election as a non-executive director, attended the meeting.

Activities of and evaluation by the non-executive directors

The non-executive directors have overseen management and the functioning of the Board, and provided advice to our executive director and senior management, including overseeing the executive director and senior management's execution of Elastic's strategy and monitoring the general affairs of the Company and the business connected with it as described in the Company's relevant governance documents. The independent directors on the Board and its committees receive extensive information and input from multiple layers of management and external advisors, engage in detailed and robust discussion and analysis regarding matters brought before them (including in executive session) and consistently and actively engage in the development and approval of significant corporate strategies.

All non-executive directors regularly attended board of directors meetings held during the fiscal year to which this report pertains.

As a newly - public company, Elastic's non-executive directors did not evaluate the functioning of the Board, the Board committees and its members, during the fiscal year ended April 30, 2019, but has done so within one year of becoming subject to the DCGC. The non-executive directors, assisted by the nominating and corporate governance committee, evaluated (i) their own functioning, the functioning of the Board committees and the individual members thereof, and discussed the conclusions that may be drawn on the basis thereof, (ii) the desired profile, composition and competence of the Board, and (iii) the functioning of the Board and the performance by the individual directors of their duties, and discussed the conclusions that may be drawn on the basis thereof. The non-executive directors also discussed the Company's strategy and the main risks associated with its business, the results of the evaluation by the Board of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto.

The Board and each committee conduct an annual self-evaluation by their respective members. These evaluations are intended to facilitate an examination and discussion by the entire Board and each committee of its effectiveness as a group in fulfilling its charter requirements and other responsibilities, its performance, and areas for improvement. The nominating and corporate governance committee supervises the format for each annual self-evaluation and, as appropriate, may use evaluation results in assessing and recommending the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations with respect to assignments of its members to various committees.

The evaluation described above takes place based on the aforementioned self-evaluation, as well as in a separate meeting of the non-executive directors.

The Board has discussed the conclusions from the evaluation described above. The main conclusion was that, overall, our directors are satisfied with the functioning of, and their respective memberships of, the Board and, where relevant, its committees. The evaluation included a review of charters of the standing Board committees and certain of our other governance-related documents.

The Board and/or individual members will participate from time to time in director educational seminars, conferences and other director education programs presented by external and internal resources, on matters that may relate to, among other topics, compensation, governance, risk oversight, business, industry, audit and accounting, credit and financial, regulatory and other current issues confronting boards of directors of public companies.

Committees of the Board

The Board has the authority to appoint committees to perform certain management and administrative functions. The Board has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below. Members will serve on these committees until their resignation or until otherwise determined by the Board. Executive directors may not be members of the audit committee, compensation committee or the nominating and corporate governance committee. The Board may from time to time establish ad hoc committees. Each committee operates under a written charter, a current copy of which, along with our Articles of Association, Board Rules and Corporate Governance Guidelines, are available on the Corporate Governance page of our Investor Relations website: http://ir.elastic.co.

Audit Committee

Our audit committee is comprised of Messrs. Chadwick, Puttagunta and Volpi, each of whom is a non-executive member of the Board. The audit committee may not be chaired by the Lead Independent Director or by a former executive director. Mr. Chadwick is the chair of our audit committee. The Board has determined that all members of our audit committee, including the chair of our audit committee, satisfy the requirements for independence and financial literacy under the rules and regulations of the NYSE and the SEC. The audit committee is responsible for, among other things:

- review of all related party transactions in accordance with our related party transactions policy;
- overseeing our accounting and financial reporting processes;
- the integrity and audits of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements related to our financial statements and other public disclosures, our compliance with our policies related thereto, and our policy in respect of tax planning;
- the engagement and retention of the registered independent public accounting firm and the recommendation for nomination by the Board for the instruction (appointment) by our general meeting of an external auditor to audit the Dutch statutory annual accounts and board report, and the evaluation of the qualifications, independence, and performance of the independent public accounting firm, including the provision of non-audit services;
- the application of information and communication technology;
- the role and performance of our internal audit function;
- our overall risk profile; and
- attending to such other matters as are specifically delegated to our audit committee by the Board from time to time.

The audit committee was established in June 2018, and during the fiscal year ended April 30, 2019, the audit committee met seven times. The audit committee discussed matters relating to the following topics, among others: the engagement (appointment, compensation, retention, oversight and plan) of the Company's independent auditor, PricewaterhouseCoopers LLP ("PwC"); Elastic's quarterly financial reports on Form 10-Q; Elastic's annual report on Form 10-K; Elastic's IFRS financial statements for the fiscal year ended April 30, 2018; Elastic's accounting, financing, legal, and tax matters; Elastic's internal audit function; Elastic's assessment of its disclosure controls and procedures and internal controls; Elastic's proxy statement for an extraordinary general meeting of shareholders held on April 25, 2019 and the Audit Committee Report included therein; Elastic's related person transactions policy, and (the absence of) related person transactions; Elastic's Directors & Officers liability ("D&O") insurance program; Elastic's investment policy regarding investment of corporate surplus cash of the Company; Elastic's information technology; Elastic's assessment of enterprise, financial and operational risks; and risks associated with its business.

Compensation Committee

Our compensation committee is comprised of Messrs. Chadwick, Fenton and Volpi, each of whom is a non-executive member of the Board. The compensation committee may not be chaired by the Lead Independent Director or by a former executive director. Mr. Fenton is the chair of our compensation committee. The Board has determined that each member of our compensation committee meets the requirements for independence under the rules of the DCGC, NYSE and the SEC. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation, including equity compensation, change-in-control benefits and severance arrangements, of our executive officers and overseeing their performance;
- reviewing and making recommendations to the Board with respect to the compensation of our directors;
- reviewing and making recommendations to the Board with respect to our executive compensation policies and plans;
- implementing and administering our incentive and equity-based compensation plans;
- determining the number of shares underlying, and the terms of, restricted share awards and options to be granted to our directors, executive officers, and other employees pursuant to these plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- producing a report on executive compensation to be included in our annual proxy statement;
- assisting the Board in producing the compensation report to be included in our annual report filed in the Netherlands and to be posted on our Investor Relations website http://ir.elastic.co,in accordance with best practice of the DCGC; and
- attending to such other matters as are specifically delegated to our compensation committee by the Board from time to time.

Our compensation committee held three meetings during our fiscal year ended April 30, 2019 and discussed matters relating to the following topics, among others: recommendation to the board of directors with respect to the chief executive officer and chairman's compensation; executive employment and severance agreements and compensation of the executive officers; the Company's peer group of companies for conducting the Company's executive compensation assessments; the Company's executive compensation program as compared to those of the Company's peers; matters relating to certain of the Company's cash and equity incentive plans; executive performance; and the Company's diversity initiatives, including the current diversity landscape. In addition, the compensation committee discussed the annual equity program spend and a dilution analysis, and approved equity grants to employees.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of Messrs. Fenton and Puttagunta and Ms. Marooney, each of whom is a non-executive member of the Board. Mr. Puttagunta is the chair of our nominating and corporate governance committee. Prior to Ms. Marooney's appointment to our nominating and corporate governance committee in April 2019, the members were Messrs. Fenton, Puttagunta and Volpi, who served as the chair.

The nominating and corporate governance committee is responsible for, among other things:

- identifying, recruiting, and recommending to the Board qualified candidates for election as directors and recommending a slate of nominees for election as directors at our annual general meeting of shareholders;
- developing and recommending to the Board corporate governance guidelines as set forth in our rules of the board of directors, including the committee's selection criteria for director nominees, and implementing and monitoring such guidelines;
- overseeing compliance with legal and regulatory requirements applicable to us;
- reviewing and making recommendations on matters involving the general operation of the Board, including board size and composition, and committee composition and structure;
- recommending to the Board nominees for each committee of the Board;
- annually facilitating the assessment of the Board' performance as a whole and of the individual directors, and the performance of our committees of the board of directors as required by applicable law, regulations and the corporate governance listing standards; and
- overseeing our board of directors' evaluation of executive officers.

The nominating and corporate governance committee was established in June 2018 and met one time during our fiscal year ended April 30, 2019. The nominating and corporate governance committee discussed matters relating to the following topics, among others: Board composition, functioning and size; director nomination and potential new director candidates; selection criteria and appointment procedures for new Board members and senior executives; succession planning; and annual Board and committee evaluations.

Diversity

In September 2018, the Board adopted a diversity policy with respect to Board composition, considering characteristics such as nationality, age, gender, education and professional background, among others.

In recommending candidates to the board of directors, the nominating and corporate governance committee takes into consideration the board of directors' criteria for selecting new directors, including, but not limited to, integrity, past achievements, judgment, intelligence, relevant experience and the ability of the candidate to devote adequate time to duties of the board of directors. The nominating and corporate governance committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for any candidate. We do however consider diversity in reviewing director candidates and do not discriminate on the basis of race, religion, sexual orientation, sex or national origin.

Under Dutch law, as a company with fewer than 30% of the directors being women, we are required to disclose the rationale for that and our efforts to achieve such diversity. It is also reflected in our diversity policy that it is our objective to increase the gender diversity within the Board such that the Board shall consist of at least 30% female directors. However, in order for the Board to fulfill its responsibilities, our nominating and corporate governance committee believes that the Board should first of all include directors that possess a blend of experience, knowledge and ability, regardless of other characteristics. Ms. Marooney was nominated for appointment to the Board based on her experience, knowledge and ability. Her appointment has also improved the gender diversity within the Board. The Board is actively looking to appoint more female directors, and Elastic's diversity policy has also been taken into account when selecting and instructing a search firm to assist in our search for more female directors, however, the Board has no substantiated expectation on when this percentage will be reached.

Remuneration Report

Pursuant to Section 2:135(1) DCC, our General Meeting has adopted a remuneration policy for our Board members (the "Remuneration Policy").

In this Remuneration Report, an overview is provided of the Remuneration Policy for the Board and the application thereof in 2019. For details regarding the remuneration of the Board in 2019, see Consolidated Financial Statements - Notes to the Consolidated Financial Statements - Note 26-Related party disclosures.

Remuneration policy

The Remuneration Policy supports the long-term development of the Company in a highly dynamic environment, while aiming to fulfill all stakeholders' requirements and keeping an acceptable risk profile.

The purpose of Remuneration Policy is to define a competitive remuneration package, designed to attract, retain, and motivate directors who possess the necessary leadership qualities and the requisite skills and experience in the various aspects of the Company's business. The policy acknowledges the internal and external context as well as our business needs and long-term strategy. The policy is designed to encourage behavior that is focused on long-term value creation, while adopting the highest standards of good corporate governance. The policy is aimed at motivating for outstanding achievements, using a combination of non-financial and financial performance measures.

The policy aims to ensure that directors' interests are closely aligned to those of the Company's stakeholders, including the shareholders, and to incentivize directors to achieve short-term and long-term objectives of substantially increasing the Company's equity value. When determining director remuneration, the compensation committee and the Board take into consideration the Company's strategy and core values, which are focused on long-term direction and continuity, and address the interests of all of the Company's stakeholders.

The Board is currently not contemplating to propose any change to the Remuneration Policy or the implementation thereof in the upcoming fiscal years.

Remuneration of executive director

The remuneration package for the executive director is determined by the non-executive directors on the Board, without any involvement of executive director, in accordance with the Remuneration Policy and the Charter.

Executive director remuneration includes a fixed base salary and a variable component comprised of short-term and long-term variable incentives. An executive director also receives certain perquisites and retirement and health benefits, as well as severance payment or change of control protections.

- ***Fixed component: base salary:*** The base salary of the executive director is set at a competitive level, taking into account the skills, competencies, experience, scope of duties and performance of the executive director.
- ***Variable remuneration:*** The executive director is granted variable compensation in the form of short-term and long-term incentives. The objective of the performance-related variable

remuneration payment is to incentivise and reward strong short-term and long-term financial and personal performance and the implementation of strategic imperatives.

- *Short-term incentive*: A short-term incentive generally consists of an annual performance-based cash bonus. The performance test includes criteria reflecting the Company's financial performance and may also include quantitative or qualitative criteria related to the Company's non-financial performance or to individual performance, or both, as set out in the Company's executive incentive compensation plan (the "Bonus Plan"), or any successor plan or arrangement adopted and implemented by the Company. The non-executive directors on the Board may also award cash bonuses to an executive director for specific transactions that the non-executive directors on the Board, in its discretion, deems exceptional in terms of strategic importance and effect on the Company's results.
- *Long-term incentive – equity compensation*: Long-term incentives are granted under the Company's then-current stock option plan, which upon adoption of this policy is the amended and restated 2012 stock option plan, (the "Option Plan"), setting out the appropriate terms and conditions under which incentives can be awarded. In determining the long-term incentive component of an executive director's remuneration, the Committee and/or the non-executive directors on the Board consider any factors that they deem relevant.
- *Executive Incentive Compensation Plan*: The Company has a Bonus Plan that allows the Committee to provide cash incentive awards to executive directors and selected employees, based upon performance goals established by the compensation committee.

  Under the Bonus Plan, the compensation committee will determine the performance goals applicable to any award, which goals may include, without limitation: (i) attainment of research and development milestones, (ii) bookings, (iii) business divestitures and acquisitions, (iv) calculated billings, (v) cash flow, (vi) cash position, (vii) contract awards or backlog, (viii) customer renewals, (ix) customer retention rates from an acquired company, subsidiary, business unit or division, (x) earnings (which may include earnings before interest and taxes, earnings before taxes, and net taxes), (xi) earnings per share, (xii) expenses, (xiii) gross margin, (xiv) growth in stockholder value relative to the moving average of the S&P 500 Index or another index, (xv) internal rate of return, (xvi) market share, (xvii) net income, (xviii) net profit, (xix) net sales, (xx) new product development, (xxi) new product invention or innovation, (xxii) number of customers, (xxiii) operating cash flow, (xxiv) operating expenses, (xxv) operating income, (xxvi) operating margin, (xxvii) overhead or other expense reduction, (xxviii) product defect measures, (xxix) product release timelines, (xxx) productivity, (xxxi) profit, (xxxii) retained earnings, (xxxiii) return on assets, (xxxiv) return on capital, (xxxv) return on equity, (xxxvi) return on investment, (xxxvii) return on sales, (xxxviii) revenue, (xxxix) revenue growth, (xl) sales results, (xli) sales growth, (xlii) stock price, (xliii) time to market, (xliv) total stockholder return, (xlv) working capital, and (xlvi) individual objectives such as peer reviews or other subjective or objective criteria.

  Performance goals that include the Company's financial results may be determined in accordance with GAAP or such financial results may consist of non-GAAP financial measures and any actual results may be adjusted by the compensation committee for one-time items or unbudgeted or unexpected items when determining whether the performance goals have been met. The goals may be on the basis of any factors the compensation committee determines relevant, and may be adjusted on an individual, divisional, business unit or company wide basis. The performance goals may differ from participant to participant and from award to award.

The compensation committee may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, and/or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, in the compensation committee's discretion. The compensation committee may determine the amount of any reduction on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

Actual awards will be paid in cash only after they are earned, which, unless otherwise determined by the compensation committee, requires continued employment through the date a bonus is paid. The compensation committee will have the authority to amend, alter, suspend or terminate the Bonus Plan provided such action does not impair the existing rights of any participant with respect to any earned bonus.

- ***401(k) and Other Plans:*** The Company maintains a 401(k) plan for executive directors that are employees. The 401(k) plan is intended to qualify under Section 401(k) of the Internal Revenue Code, so that contributions to the 401(k) plan by employees or by the Company, and the investment earnings thereon, are not taxable to the employees until withdrawn, and so that contributions made by the Company, if any, will be deductible by the Company when made.
- **Benefits:** An executive director may be entitled to allowances and/or benefits in kind. These allowances and benefits may be comprised of elements consistent with market practice (such as, but not limited to contribution to health care costs, fixed annual cost allowances or otherwise) or relate to specific international circumstances (such as, but not limited to, grossed-up costs relating to relocation, accidental and health insurance, housing, school and travel).
- **Severance payment:** Executive directors may be eligible for a severance payment on termination of office. This severance payment may be included in an employment agreement to provide for compensation for loss of income resulting from non-voluntary termination. A summary of the current terms of the employment agreement entered into with executive directors can be found on the Company's website.

Scenario analyses
For the purpose of this policy, non-executive directors have analysed possible outcomes of the remuneration components and how these affect the remuneration of directors.

Adjustment to variable Remuneration
In accordance with Dutch law, the variable remuneration of directors may be:

i. adjusted to an appropriate level if payment of the variable remuneration were to be unacceptable according to principles of reasonableness and fairness; or

ii. partly or fully clawed back, to the extent it was paid on the basis of incorrect information (i) underlying the targets to be achieved, or (ii) regarding the circumstances on which the bonus was made conditional.

No adjustments to the variable remuneration were made during Fiscal 2019.

Remuneration of non-executive directors
Each non-executive director is eligible to receive compensation for his or her service consisting of annual cash retainers and equity awards. The Board has the discretion to revise non-executive director compensation as it deems necessary or appropriate, in accordance with our remuneration policy as adopted by the General Meeting.

The non-executive director remuneration package is reviewed periodically in accordance with the Charter of the compensation committee and the Company's internal policies.

The remuneration package in place for non-executive directors is set to ensure that the arrangements for non-executive directors are competitive, taking into account the skills, competencies, experience, scope of duties and performance of, and time spent by, the non-executive director. As a consequence of the periodic review, additional remuneration may be granted where appropriate.

Cash Compensation. All non-executive directors receive the following cash compensation for their services:

- $30,000 per year for service as a board member;
- $10,000 per year additionally for service as lead independent director;
- $20,000 per year additionally for service as chairman of the audit committee;
- $8,500 per year additionally for service as an audit committee member;
- $12,000 per year additionally for service as chairman of the compensation committee;
- $5,000 per year additionally for service as a compensation committee member;
- $7,500 per year additionally for service as chairman of the nominating and corporate governance committee; and
- $4,000 per year additionally for service as a nominating and corporate governance committee member.

All cash payments to non-executive directors, or the Retainer Cash Payments, are paid quarterly in arrears on a prorated basis.

Equity Compensation. Nondiscretionary, automatic grants of restricted stock units were made to our non-executive directors, except for any non-employee director who either (i) beneficially owns more than 2% of the outstanding and issued share capital of the Company, or (ii) is a partner or a member of any venture capital firm that owns securities of the Company representing more than 2% of the outstanding and issued share capital of the Company.

- *Initial award*. Each person who first became an eligible non-executive director after the completion of the Company's IPO has been granted an award of restricted stock units covering a number of shares having a grant date fair value equal to $170,000 pro-rated for the amount of time that remains in the 12-month period prior to the next scheduled annual General Meeting (and if the date of such General Meeting is not known, the one-year anniversary of the most recent Annual Award granted to non-executive directors), rounded down to the nearest whole share. The shares underlying the Initial Award will settle on the earlier of (i) the one-year anniversary of the date the Initial Award is granted or (ii) the day prior to the date of the annual

General Meeting next following the date the Initial Award is granted, subject to continued service through the applicable vesting date.

- *Annual award.* On the date of each General Meeting of the Company's shareholders, each eligible non-executive director will be granted an award of restricted stock units covering a number of shares having a grant date fair value equal to $170,000, or the Annual Award. The shares underlying the Annual Award will settle on the earlier of (i) the one-year anniversary of the date the Annual Award is granted or (ii) the day prior to the date of the annual General Meeting next following the date the Annual Award is granted, subject to continued service through the applicable vesting date.

The grant date fair value is computed in accordance with U.S. generally accepted accounting principles.

Any award of restricted stock units granted under our non-executive director compensation policy will fully vest and become exercisable in the event of a change in control, as defined in our Option Plan, provided that the director remains a director through such change in control. Further, our Option Plan provides that in the event of a merger or change in control, as defined in our Option Plan, each outstanding equity award granted under our Option Plan that is held by a non-executive director will fully vest, all restrictions on the shares subject to such award will lapse, and with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels, and all of the shares subject to such award will become fully exercisable, if applicable, provided such director remains a director through such merger or change in control.

Re-imbursement of expenses: The Company reimburses directors for reasonable expenses incurred to attend meetings of the Board and its committees. The Company makes the reimbursement in line with the Company's expense policy after it receives an invoice, including receipts (originals or copies) for the expenses paid.

RELATED PARTY DISCLOSURES

For information on related party transactions, see Consolidated Financial Statements - Notes to the Consolidated Financial Statements Note 26 Related party disclosures. Where applicable, best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the DCGC, have been observed.

PROTECTIVE MEASURES

Under Dutch law, protective measures against takeovers are possible and permissible, within the boundaries set by Dutch law and Dutch case law.

Provisions of our articles of association and resolutions our board of directors have adopted may have the effect of making a takeover of our company more difficult or less attractive, including as described below:

- Our board of directors has been designated to issue preference shares and grant rights to subscribe for preference shares up to 100% of our issued share capital at the time of the issue for a period of five years from October 10, 2018, the date of the completion of our initial public offering. The purpose of this designation is to protect the company from influences that do not serve our best interests and threaten to undermine our continuity, independence and identity. The preference shares (or right to subscribe for preference shares) will be issued to a separate, newly incorporated foundation which will be structured to operate independently from us. The foundation's objectives will provide that it will promote the interests of the company and the businesses maintained by the company and group companies. The foundation tries to realize these objectives, including by acquiring and holding preference shares and exercising the rights attached to those preference shares, at the sole discretion of the board of the foundation. The foundation can be granted a call option for, in principle, an indefinite period. On each exercise of the call option the foundation would be entitled to acquire up to a maximum of preference shares corresponding to 100% of the issued ordinary shares at the time of exercise of the call option that are held by parties other than the foundation, the company or any of the company's subsidiaries minus the number of preference shares held by the foundation (if any). The foundation may exercise the call option repeatedly, each time up to the aforementioned maximum. The call option can, *inter alia*, be used by the foundation to (i) prevent, delay or otherwise complicate an unsolicited takeover bid for an unsolicited acquisition of ordinary shares by means of an acquisition at the stock market or otherwise, (ii) prevent and countervail concentration of voting rights in the General Meeting, and/or (iii) resist unwanted influence by and pressure from shareholders to amend the strategy of the management board. If the foundation exercises the call option the company shall issue such number of preference shares for which the option is exercised. The preference shares shall be issued for their nominal value, of which at least 25% should be paid up upon issuance, possibly at the expense of the company's reserve. These preference shares will have both a liquidation and dividend preference over our ordinary shares and will accrue cash dividends at a fixed rate.

- Our board of directors has been designated to issue ordinary shares and grant rights to subscribe for ordinary shares up to the amount of our authorized share capital for ordinary shares and to limit or exclude pre-emptive rights on ordinary shares, in each case for a period of five years from October 10, 2018.

- Our articles of association include provisions that may make it more difficult for a third party to acquire control over us or effect a change in our board of directors. These provisions include: a provision that directors can only be appointed upon nomination by our board of directors; a provision that directors may only be removed by the General Meeting by a two-thirds majority of votes cast representing more than half of our outstanding share capital (unless the removal was proposed by the board of directors); and a requirement that certain resolutions, including an amendment of our articles of association, may only be adopted by our General Meeting if they are proposed by our board of directors.

Shay Banon (appointed July 20, 2012)
Executive Director & Chief Executive Officer,
August 23, 2019

Jonathan Chadwick (appointed August 14, 2018)
Non-executive Director
August 23, 2019

Michelangelo Volpi (appointed January 25, 2013)
Non-executive Director
August 23, 2019

Peter Fenton (appointed September 26, 2012)
Non-executive Director
August 23, 2019

Chetan Puttagunta (appointed January 10, 2017)
Non-executive Director
August 23, 2019

Steven Schuurman (appointed July 20, 2012)
Non-executive Director
August 23, 2019

Caryn Marooney (appointed April 25, 2019)
Non-executive Director
August 23, 2019

FINANCIAL STATEMENTS

Index to Financial Statements

Elastic N.V.
Consolidated Statements of Financial Position
April 30, 2019 and 2018

(Amounts in thousands US dollars)

	April 30, 2019	April 30, 2018
Assets		
Non-current assets		
Property and equipment (Note 5)	$ 5,448	$ 4,536
Intangible assets (Note 20)	26,568	27,479
Deferred tax assets	1,747	6,101
Prepayments (Note 7)	17,599	12,567
Deposits	4,733	2,015
Total non-current assets	**56,095**	**52,698**
Current assets		
Trade and other receivables (Note 6)	87,714	53,928
Prepayments (Note 7)	42,086	26,933
Cash and cash equivalents	298,000	50,941
Restricted cash	2,280	668
Total current assets	**430,080**	**132,470**
Total assets	**$ 486,175**	**$ 185,168**
Shareholder's equity and Liabilities		
Shareholder's equity		
Share capital	$ 754	$ 77
Share premium	471,232	188,048
Translation reserves	(1,431)	(961)
Other reserves	89,414	38,962
Accumulated losses	(295,765)	(175,781)
Total shareholder's equity (Note 8)	**264,204**	**50,345**
Liabilities		
Non-current liabilities		
Notes payable (Note 11)	-	83
Other long term liabilities (Note 10)	3,008	1,499
Deferred tax	3,718	2,197
Deferred income (Note 9)	12,423	6,632
Total non-current liabilities	**19,149**	**10,411**
Current liabilities		
Trade and other payables (Note 10)	44,488	28,371
Notes payable (Note 11)	90	112
Deferred income (Note 9)	158,244	95,929
Total current liabilities	**202,822**	**124,412**
Total liabilities	**221,971**	**134,823**
Total shareholder's equity and liabilities	**$ 486,175**	**$ 185,168**

The accompanying notes are an integral part of these consolidated financial statements

Elastic N.V.
Consolidated Statements of Comprehensive Income
Years Ended April 30, 2019 and 2018

(Amounts in thousands US dollars)

	2019	2018
Revenue		
Subscriptions	$ 248,254	$ 149,382
Professional services	23,399	10,553
Total revenue (Note 12)	271,653	159,935
Cost of sales		
Subscriptions and support	54,613	29,028
Professional services	26,023	12,774
Total cost of sales	80,636	41,802
Gross profit	191,017	118,133
Research and development	107,754	58,330
Sales and marketing	155,067	86,700
General and administrative	48,479	33,529
Other income (Note 14)	(1,811)	(3,853)
Total operating costs	**309,489**	**174,706**
Operating loss	**(118,472)**	**(56,573)**
Finance costs (Note 15)	609	1,411
Finance income (Note 15)	(4,050)	(52)
Loss before income tax	**(115,031)**	**(57,932)**
Income tax expense (Note 16)	(4,741)	(2,978)
Loss for the period	**$ (119,772)**	**$ (60,910)**
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (2.18)	$ (1.90)
Weighted-average shares used to compute net loss per share attributable to ordinary shareholders, basic and diluted	54,893,365	32,033,792
Other comprehensive income		
Loss for the period	$ (119,772)	$ (60,910)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(470)	366
Total comprehensive loss for the period, net of tax	**$ (120,242)**	**$ (60,544)**

The loss for the year is wholly attributable to the owners of the Company.

The accompanying notes are an integral part of these consolidated financial statements.

Elastic N.V.
Consolidated Statements of Changes in Equity
Years Ended April 30, 2019 and 2018

(Amounts in thousands US dollars)

	Share capital	Share premium	Tranlslation reserve	Other reserve	Accumulated losses	Total equity
Balances at April 30, 2017	**$ 75**	**$ 173,389**	**$ (1,327)**	**$ 16,457**	**$ (114,871)**	**$ 73,723**
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(60,910)	(60,910)
Other comprehensive income						
Foreign currency translation differences	-	-	366	-	-	366
Total comprehensive loss for the period	75	173,389	(961)	16,457	(175,781)	13,179
Transactions with owners recorded directly in equity						
Contributions by owners						
Stock issued in connecton with the acquisition of Opbeat Inc	-	4,018	-	-	-	4,018
Stock issued in connecton with the acquisition of Swiftype Inc.	1	8,392	-	-	-	8,393
Stock issued for Ordinary shares related to exercise of stock options	1	2,336	-	-	-	2,337
Purchase of Treasury Stock	-	-	-	(344)	-	(344)
Purchase of Treasury Stock - adjustment	-	25	-	(25)	-	-
Stock compensation expense	-	-	-	23,048	-	23,048
Foreign currency translation difference adjustment	-	(112)	-	(174)	-	(286)
Balances at April 30, 2018	**$ 77**	**$ 188,048**	**$ (961)**	**$ 38,962**	**$ (175,781)**	**$ 50,345**
Adjustment on initial application of IFRS 9 net of tax	-	-	-	-	(212)	(212)
Balances at April 30, 2018 (Restated)	77	188,048	(961)	38,962	(175,993)	50,133
Change in par value upon conversion from B.V. to N.V.	548	(548)	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-
Loss for the period	-	-	-	-	(119,772)	(119,772)
Other comprehensive income	-	-	-	-	-	-
Foreign currency translation differences	-	-	**(470)**	-	-	(470)
Total comprehensive loss for the period	625	187,500	(1,431)	38,962	(295,765)	(70,109)
Contributions by owners						
Issuance of ordinary shares upon initial public offering, net of underwriting discounts and issuance costs	93	263,749	-	-	-	263,842
Stock issued for Ordinary shares related to exercise of stock options	33	18,518	-	-	-	18,551
Issuance of ordinary shares upon subscription of restricted stock awards	3	(3)	-	-	-	-
Vesting of early exercised stock options	-	1,019	-	-	-	1,019
Vesting of ordinary shares subject to repurchase	-	449	-	-	-	449
Stock compensation expense	-	-	-	50,454	-	50,454
Balances at April 30, 2019	**$ 754**	**$ 471,232**	**$ (1,431)**	**$ 89,416**	**$ (295,765)**	**$ 264,204**

The accompanying notes are an integral part of these consolidated financial statements

Elastic N.V.
Consolidated Statements of Cash Flows
Years Ended April 30, 2019 and 2018

(Amounts in thousands US dollars)

	2019		2018
Cash flows from operating activities			
Loss for the year	(119,772)	$	(60,910)
Adjustments for			
Depreciation (Note 5)	2,740		3,039
Amortization and impairment (Note 20)	2,955		2,095
Loss on disposal of fixed assets	69		1
Stock compensation	57,706		21,253
Amortization of deferred contract acquisition costs	21,374		12,731
Change in deferred tax	3,605		(218)
Cash paid for income taxes	(3,067)		(3,189)
Change in trade and other receivables	(31,445)		(21,191)
Change in deposits	(2,718)		(1,638)
Change in prepayments	(47,062)		(33,953)
Change in trade and other payables	16,832		15,497
Change in deferred income	71,876		45,625
Net cash (used in) from operating activities	**$ (26,907)**	**$**	**(20,858)**
Cash flows from investing activities			
Business acquisitions, net of cash acquired	(1,986)		(3,702)
Maturities of fixed deposits	-		15,000
Acquisition of property, plant and equipment (Note 5)	(3,447)		(2,968)
Restricted cash	(1,612)		(418)
Interest received	2,979		53
Other	(2,850)		-
Net cash (used in) from investing activities	**$ (6,916)**	**$**	**7,965**
Cash flows from financing activities			
Proceeds from issue of share capital, net of issuance costs:			
Proceeds from issuance of ordinary shares in initial public offering	269,514		-
Ordinary shares in connection with exercise of stock options (Note 9)	18,552		2,337
Ordinary shares in connection with early exercise of stock options (Note 9)	-		1,566
Purchase of treasury shares	-		(344)
Repurchase of early exercised options	(500)		-
Payment of deferred offering costs	(5,672)		-
Repayment of loans	(106)		(132)
Interest paid	(9)		(14)
Net cash provided by financing activities	**$ 281,779**	**$**	**3,413**
Net increase/(decrease) in cash and cash equivalents	**$ 247,956**	**$**	**(9,480)**
Cash and cash equivalents at beginning of year	**50,941**	**$**	**59,640**
Effect of exchange losses on cash held	(897)		781
Cash and cash equivalents at end of year	**$ 298,000**	**$**	**50,941**
Noncash investing and financing activities			
Issuance of ordinary shares related to business acquisition	-	$	12,410

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting Entity

Elastic N.V. (formerly Elastic B.V.) (the “Company” or “Elastic”) was founded in 2012 and has its corporate seat in Amsterdam, the Netherlands and is registered at the Amsterdam Chamber of Commerce under number 54655870. Immediately prior to the completion of initial public offering (“IPO”) on October 10, 2018, the Company converted into a public company with limited liability *(naamloze vennootschap)* under Dutch law and changed its name to Elastic N.V.

The address of the Company’s registered office is Keizersgracht 281, 1016 ED, Amsterdam. The consolidated financial statements of the Company as at April 30, 2019 and 2018 and for the years ended April 30, 2019 and 2018 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

Elastic is a search company. It created the Elastic Stack, a powerful set of software products that ingest and store data from any source and in any format, and perform search, analysis, and visualization in milliseconds or less. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. The Company also offers software solutions built on the Elastic Stack that address a wide variety of use cases including app search, site search, enterprise search, logging, metrics, application performance monitoring (“APM”), business analytics, and security analytics. The Elastic Stack and the Company’s solutions are designed to run on premises, in public or private clouds, or in hybrid environments.

Initial Public Offering

In October 2018, the Company completed its Initial Public Offering (“IPO”) in which it issued and sold 8,050,000 ordinary shares at an offering price of $36.00 per share, including 1,050,000 ordinary shares pursuant to the exercise in full of the underwriters’ option to purchase additional shares. The Company received net proceeds of $263.8 million, after deducting underwriting discounts and commissions of $20.3 million and offering expenses of $5.7 million. Immediately prior to the closing of the IPO, all 28,939,466 shares of the then-outstanding convertible preference shares automatically converted into 28,939,466 ordinary shares at their respective conversion ratios. The Company’s articles of association designated and authorized the Company to issue 72 million ordinary shares with a par value of €0.001 per share up until immediately prior to the completion of the IPO at which time the authorized ordinary shares increased to 165 million. In addition, the par value of ordinary shares was changed from €0.001 per share to €0.01 per share as required by Dutch law at the time of the Company’s conversion into a Dutch public limited company *(naamloze vennootschap)* and accordingly $0.5 million was reclassified from share premium to share capital to effect the change in the par value.

Going Concern

Based on the consolidated financial statements the Group incurred a net loss of $119.8 million and $60.9 million during the year ended April 30, 2019 and 2018, respectively.

The Board of Directors has carefully assessed the Group’s ability to continue as a going concern. The Board of Directors has considered the Group’s cash flow projections and believes that the Group’s cash position will be sufficient to meet operating and capital requirements until at least thirteen months from the date of these financial statements, even if the Group does not raise additional financing. Accordingly, the directors are satisfied that the Group will be able to meet its cash requirements through the normal course of operations.

Under IAS 1, an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. Having considered the above, the Board of Directors determined it was appropriate for these consolidated financial statements to be prepared on a going concern basis. Accordingly, the accompanying consolidated financial statements have been prepared assuming the Group will continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) and as endorsed by the European Union and published in the Official Journal of the European Union, in conjunction with Part 9 of Book 2 of the Dutch Civil Code. The same accounting principles may be applied in the Company's Financial Statement and Consolidated Financial Statements. If the accounting principles of the Company's Financial Statements differ from the accounting principles applied in the Consolidated Financial Statements, this is disclosed.

Basis of Measurement

The IFRS financial information has been prepared using the historical cost convention.

Reclassifications

Certain prior period amounts have been reclassified in order to conform to the current period presentation. These reclassifications had no effect on the previously reported net loss.

Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3 and 13 –Share-based payment
Note 3 and 16 – Utilization of tax losses
Note 3 and 12 – Revenue recognition
Note 3 – Deferred contract acquisition costs
Note 3 and 20 – Business combinations
Note 3 – Provisions and contingencies

The Group bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to the future events. Actual results could differ from these estimates.

Cash Flow Statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and bank deposits. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid is reflected as a financing activity and interest received as an investment activity.

Off Balance Sheet Arrangements

The Group has no off-balance sheet arrangements other than those disclosed as operating leases in Note 18.

Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (“CODM”). The Group’s Chief Executive Officer is its CODM. The Group’s CODM reviews financial information presented on a consolidated basis for the purposes of making operating decisions, allocating resources and evaluating financial performance. As such, the Group has determined that it operates in one operating and one reportable segment. Financial information about the Group’s operating segment and its geographical areas is presented in Note 12 to the consolidated financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

Interpretations and amendments to published standards effective for annual periods beginning on or after January 1, 2018:

The following amendments and interpretations were adopted during the year ended April 30, 2019.

- ***IFRS 9 ‘Financial Instruments’:***
  The Group adopted IFRS 9 ‘Financial Instruments’ on May 1, 2018 and applied the new rules in accordance with the transitional provisions. IFRS 9 requires classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in. On May 1, 2018 (the date of initial application of IFRS 9), the Group’s management assessed which business models apply to the financial assets held by the Group and concluded that its financial instruments were already classified into the appropriate IFRS 9 categories and that no reclassification was needed. There was no significant impact to the balance sheet or shareholder’s equity upon applying the classification and measurement requirements of IFRS 9 as the Group currently does not have any “Available for Sale” securities.

  IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis, using the expected credit losses method. The adoption of this model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses, as is the case under IAS 39. The Group applied the simplified approach and recorded lifetime expected losses on all trade and other receivables, calculated using a provision matrix based on its historical observed default rates. This resulted in an increase in the provision for losses against trade receivables which was reflected as an adjustment to accumulated deficit at May 1, 2018 as shown below. Comparatives for Fiscal 2018 have not been restated for this adjustment.

(All amounts in thousands US dollars unless otherwise stated)

	May 1, 2018
Accumulated deficit	
Provision for losses against trade receivables	(212)
Income tax	-
Total impact at May 1, 2018	**(212)**
Current assets	
Trade and other receivables	(212)
Total impact at May 1, 2018	**(212)**

IFRS 9 also introduced a new, simpler hedge accounting model with a principles-based approach to better reflect an entity's risk management activity especially with regard to managing non-financial risks. The Group currently does not have any hedge relationships and there was no impact as a result of applying the IFRS 9 hedge accounting model.

- ***Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2***:
  This amendment clarified the measurement basis for cash-settled, share-based payments and the accounting for modification that change an award from cash-settled to equity-settled. The amendment also introduced an exception to the principles of IFRS 2 that now require an award to be treated as if it was wholly equity-settled, where an employer is obligated to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The adoption of this amendment did not have any impact to the Group.

- ***Interpretation 22 Foreign Currency Transactions and Advance Consideration:***
  This IFRIC addressed foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency denominated contracts and states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognizes the non-monetary asset or liability arising from the advance consideration. The adoption of this amendment did not have any impact to the Group.

The following amendments and interpretations were early adopted during the year ended April 30, 2018.

- ***IFRS 15 'Revenue from contracts with customers' and Amendments to IFRS 15:***
  The group early adopted IFRS 15 Revenue from Contracts with Customers on May 1, 2017 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the Group adopted the new rules retrospectively without using the practical expedients for completed contracts and contract modifications.

The most significant impact of IFRS 15 on the Group's historical financial information related to the timing of revenue recognition for access to the Group's proprietary commercial software, provided to the subscription contract customers, which is now recognized separately at the time of billing and delivery resulting in recognition of additional revenue and an increase in the provision for income taxes. Upfront recognition of revenue related to licenses resulted in a reduction of deferred income and upfront recognition of revenue for certain multi-year subscription contracts resulted in an increase in trade and other receivables driven by unbilled receivables. In addition, prior to the adoption of IFRS, the Group expensed all sales commissions and other incremental costs to acquire contracts as they were incurred, under the new standard, these costs are deferred and expensed commensurate with the recognition of revenue as the underlying performance obligations are satisfied – typically over one to three-years. Related taxation impacts of these impacts resulted in a net increase in deferred tax liabilities driven primarily by deferral of contract acquisition costs.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

A number of other new pronouncements are also effective from May 1, 2018 but they do not have a material impact on the consolidated financial statements. Additional disclosure has been given where relevant.

Standards, interpretations and amendments to published standards that are not yet effective: The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- **IFRS 16 'Leases' and Amendments to IFRS 16:** (Effective Annual periods beginning on or after 1 January 2018): In January 2016, the International Accounting Standards Board (IASB) issued *Leases (IFRS 16)*, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The new guidance becomes effective for the Group for the year ending April 30, 2020.

  The standard provides an optional transition method, the modified retrospective approach, that entities can use when adopting the standard. Upon adoption of the new standard as of May 1, 2019, the Group will recognize a cumulative-effect adjustment to the opening balance of accumulated deficit as of the adoption date. The Group will elect the modified retrospective approach to not apply IFRS 16 in the comparative periods presented.

  Upon adoption, the Group is planning to elect the following:
  - the package of practical expedients which allows for not reassessing (1) whether existing contracts contain leases, (2) the lease classification for existing leases, and (3) whether existing initial direct costs meet the new definition.
  - the practical expedient in IFRS 16:15 to not separate non-lease components from lease components and instead account for each separate lease component and non-lease components associated with that lease component as a single lease component by class of the underlying asset.

- not to recognize ROU assets and lease liabilities for short-term leases, which have a lease term of twelve months or less and do not include an option to purchase the underlying asset that the Group is reasonably certain to exercise.

The Group is not planning to elect the hindsight practical expedient.

The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption. The Group expects that the adoption of IFRS 16 will result in the recognition of total right-of-use assets between $25.0 million and $30.0 million and total lease liabilities between $25.0 million and $30.0 million, with the most significant impact related to office space leases. The Group does not have any finance leases. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Elastic N.V. and its subsidiaries as at April 30 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of the acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Details of the scope of consolidation are provided in Note 27 – Group Entities. All consolidated companies prepared their accounts during the years ended April 30, 2019 and 2018 in accordance with the accounting policies adopted by the Group.

The Group has no interest in associates or jointly controlled entities and the Group does not control any special purpose entities that have not been consolidated.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Foreign Currency

Functional and Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in US Dollars (USD), which is the Group’s presentation currency.

Foreign Currency Transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ‘finance income or costs’.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency translation differences arising on retranslation are recognized in profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Translation from Functional to Presentational Currency
For the financial statements of all the Group’s entities for which the functional currency is different from the presentation currency of the Group, the following methods are applied:

- The assets and liabilities are translated into USD at the rate effective at the end of the period.

- The revenues and costs are translated into USD at the average exchange rate of the period as long as they represent a reasonable approximation of the exchange rates at the dates of the relevant transactions.

Foreign currency differences on translation from functional to presentational currency are recognized in OCI.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

Revenue Recognition

The Group generates revenue primarily from the sale of self-managed subscriptions (which include licenses for proprietary features, support, and maintenance) and SaaS subscriptions. The Group also generates revenue from professional services, which consist of consulting and training.

The Group accounts for revenue in accordance with IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). Under IFRS 15, the Group recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the Group expects to receive in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Group performs the following steps:

i) *identification of the contract with a customer;*

The Group contracts with its customers through order forms, which in some cases are governed by master sales agreements. The Group determines that it has a contract with a customer when the order form has been approved, each party's rights regarding the products or services to be transferred can be identified, the payment terms for the services can be identified, the Group has determined the customer has the ability and intent to pay and the contract has commercial substance. The Group applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, reputation and financial or other information pertaining to the customer. At contract inception the Group evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Group has concluded that its contracts with customers do not contain warranties that give rise to a separate performance obligation.

ii) *determination of whether the promised goods or services are performance obligations;*

Performance obligations promised in a contract are identified based on the products and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the products or services either on their own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the products and services is separately identifiable from other promises in the contract.

The Company's self-managed subscriptions include both an obligation to provide access to proprietary features in its software, as well as an obligation to provide support (on both open source and proprietary features) and maintenance. The Group's SaaS products provide access to hosted software as well as support, which the Group considers to be a single performance obligation.

Services-related performance obligations relate to the provision of consulting and training services. These services are distinct from subscriptions and do not result in significant customization of the software.

iii) *measurement of the transaction price;*

The Group measures the transaction price with reference to the standalone selling price ("SSP") of the various performance obligations inherent within a contract. The SSP is determined based on the prices at which the Group separately sells these products, assuming the majority of these fall within a pricing range. In instances where SSP is not directly observable, such as when the Group does not sell the software license separately, the Group determines the SSP using information that may include market conditions and other observable inputs that can require significant judgment. There is typically more than one SSP for individual products and services due to the stratification of those products and services by quantity, term of the subscription, sales channel and other circumstances. Variable consideration is included in the transaction price if, in the Group's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of the Group's contracts contain a significant financing component.

iv) *allocation of the transaction price to the performance obligations;*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, the Group allocates the transaction price to each performance obligation based on a relative SSP. If one of the performance obligations is outside of the SSP range, the Group allocates SSP considering the midpoint of the range. The Group also considers if there are any additional material rights inherent in a contract, and if so, the Group allocates a portion of the transaction price to such rights based on SSP.

v) *recognition of revenue when the Group satisfies each performance obligation;*

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer. The Group's self-managed subscriptions include both upfront revenue recognition when the license is delivered as well as revenue recognized ratably over the contract period for support and maintenance based on the stand-ready nature of these subscription elements. Revenue on the Group's SaaS product is recognized ratably over the contract period when the Group satisfies the performance obligation.

Consulting services are time-based arrangements and revenue is recognized as these services are performed. Revenue from training services is recognized on the dates these services are complete.

The Group generates sales directly through its sales team and through its channel partners. Sales to channel partners are made at a discount and revenues are recorded at this discounted price once all the revenue recognition criteria above are met. To the extent that the Group offers rebates, incentives or joint marketing funds to such channel partners, recorded revenues are reduced by this amount. Channel partners generally receive an order from an end-customer prior to placing an order with the Group. Payment from channel partners is not contingent on the partner's collection from end-customers.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers. For annual contracts, the Group typically invoices customers at the time of entering into the contract. For multi-year agreements, the Group generally invoices customers on an annual basis prior to each anniversary of the contract start date. The Group records unbilled accounts receivable related to revenue recognized in excess of amounts invoiced as the Group has an unconditional right to invoice and receive payment in the future related to those fulfilled obligations. Contract liabilities consist of deferred income which is recognized over the contractual period. The following table provides information about unbilled accounts receivable, deferred contract acquisition costs, and deferred income from contracts with customers (in thousands):

	2019	2018
Unbilled accounts receivable, included in Trade and other receivables	1,710	1,139
Deferred contract acqulsition costs, included in Prepayments	26,150	18,079
Deferred income	170,666	102,561

Significant changes in the unbilled accounts receivable and the deferred income balances were as follows (in thousands):

	Unbilled Accounts Receivable	
	2019	2018
Beginning balance	$ 1,139	$ 1,114
Amounts transferred to Trade receivable from unbilled accounts receivable presented at the beginning of the period	(1,139)	(1,114)
Revenue recognized during the period in excess of invoices issued	1,710	1,139
Ending balance	$ 1,710	$ 1,139

	Deferred Income	
	2019	2018
Beginning balance	$ 102,561	$ 54,152
Additions through acquisition	-	859
Increases due to invoices issued, excluding amounts recognized as revenue during the period	163,963	96,944
Revenue recognized that was included in deferred revenue balance at beginning of period	(95,858)	(49,394)
Ending balance	$ 170,666	$ 102,561

Deferred Contract Acquisition Costs

Deferred contract acquisition costs, consisting mainly of sales commissions and associated payroll taxes, represent costs that are incremental to the acquisition of customer contracts. These costs are included with Prepayments on the consolidated balance sheets. The Group determines whether costs should be deferred based on sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract. Sales commissions for renewal of a contract are considered commensurate with the commissions paid for the acquisition of the initial contract given there is no substantive difference in commission rates.

Deferred contract acquisition costs are expensed commensurate with the recognition of revenue as performance obligations are satisfied. These performance obligations primarily relate to the Group's subscription contracts which are typically sold for a one to three-year duration. Amortization of deferred contract acquisition costs is recognized in sales and marketing expense in the consolidated statement of operations. The Group periodically reviews the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. The Group did not recognize any impairment of deferred contract acquisition costs during the years ended April 30, 2019 and April 30, 2018.

The following table summarizes the activity of the deferred contract acquisition costs (in thousands):

(All amounts in thousands US dollars unless otherwise stated)

	2019	2018
Beginning balance	$ 18,079	$ 10,135
Capitalization of contract acquisition costs	29,445	20,675
Amortization of deferred contract acquisition costs	(21,374)	(12,731)
Ending balance	$ 26,150	$ 18,079
Deferred contract acquisition costs, current	$ 17,215	$ 12,125
Deferred contract acquisition costs, non-current	8,935	5,954
Total deferred contract acquisition costs	$ 26,150	$ 18,079

Financial Instruments

Non-derivative Financial Assets

The Group has the following non-derivative financial assets: deposits, trade and other receivables, and cash and cash equivalents.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise deposits, trade and other receivables, and other current assets (Note 6).

After initial recognition at fair value, trade receivables are subsequently measured at amortized cost after provision for bad and doubtful debts. Following the adoption of IFRS 9 in fiscal 2019, provisions for bad and doubtful debts are based on the expected credit loss model. The ‘simplified approach’ is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank accounts balances and call deposits with original maturities of three months or less. Deposits with financial institutions for a duration greater than three months are excluded from cash and cash equivalents and classified separately in these financial statements. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative Financial Liabilities

The Group initially recognizes financial liabilities which include long term and short term loans and borrowings, trade and other accounts payables and other noncurrent liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: long term and short term notes payable, trade and other accounts payables, deferred income and other noncurrent liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share Capital

Ordinary Shares
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares or share options are shown in equity as a deduction, net of tax, from proceeds.

The Company's ordinary shares began trading on the NYSE under the symbol "ESTC" on October 5, 2018. Prior to that date, there was no public trading market for our ordinary shares.

Preference Share Capital
Preference share capital is classified as equity if it is nonredeemable, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued. The Group does not have any preference shares outstanding as of April 30, 2019.

Financial Instruments Classification and Fair Value Hierarchy

Financial instruments valued at fair value after initial recognition, that is financial instruments at fair value through profit or loss available-for-sale assets and derivative instruments, are classified according to the following three fair value levels:

Level 1 Quoted prices (unadjusted) in active markets for identical financial assets or liabilities,

Level 2 Inputs other than quoted prices in active markets, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices),

Level 3 Inputs that are not based on observable market data.

The fair values of current assets and liabilities are deemed to approximate carrying amounts due to the short-term nature of these balances.

The gap between the fair values of noncurrent assets and liabilities and their respective carrying amounts is not significant at the end of April 30, 2019 and 2018.

Property and Equipment

Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements: Remainder of expected use of lease term.
- Computer equipment: 3 years.
- Fixtures and fittings: 3 to 5 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. The determination of fair values often requires significant judgements and the use of estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Acquisition-related costs are expenses as incurred in the operating expenses line of the income statement. Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

When the Group issues stock-based or cash awards to an acquired company's shareholders, the Group evaluates whether the awards are consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the acquired company's shareholders beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post- acquisition services and recognized as expense over the requisite service period.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognized to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is higher of fair value less costs of disposal and value in use. If there are no indicators that goodwill may be impaired then no quantitative analysis is performed. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) (or groups of CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Trademarks and Customer Related Intangible Assets

Separately acquired trademarks and customer related intangible assets are shown at historical cost. Trademarks, software and customer-related intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Trademarks, licenses and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks, software and customer related intangible assets over their estimated useful lives, as follows:

- Trade Name 4 years.
- Customer-related intangible assets: 4 years.
- Software and other intangibles: 4-5 years.

Impairment

Financial Assets (Including Receivables)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of twelve month before April 30, 2019 or May 1, 2018, as applicable and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(All amounts in thousands US dollars unless otherwise stated)

On that basis, the loss allowance as at April 30, 2019 and May 1, 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

	2019	2018
April 30 - calculated under IAS 39	$ 779	$ 357
Amounts restated through opening retaining earnings	212	-
Opening loss allowance as at May 1, 2018 - calculated under IFRS 9	991	357
Increase in loan allowance recognised in profit or loss during the year	1,105	1,265
Receivables written off during the year as uncollectible	(470)	(846)
Unsued amount reversed	(865)	-
Other	-	3
At April 30	$ 761	$ 779

April 30, 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.71%	1.62%	3.61%	8.73%	0.94%
Gross carrying amount - accounts receivable	$ 75,456	$ 2,699	$ 1,106	$ 1,654	$ 80,915
Loss allowance	$ 533	$ 44	$ 40	$ 144	$ 761

May 1, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.77%	1.96%	4.17%	31.63%	1.85%
Gross carrying amount - accounts receivable	$ 48,976	$ 2,331	$ 503	$ 1,733	$ 53,543
Loss allowance	$ 376	$ 46	$ 21	$ 548	$ 991

Employee Benefits

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

The Group has a defined-contribution plan in the United States intended to qualify under Section 401 of the Internal Revenue Code (the “401(k) Plan”). The Group has contracted with a third-party provider to act as a custodian and trustee, and to process and maintain the records of participant data. Substantially all the expenses incurred for administering the 401(k) Plan are paid by the Group. This Plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis The Group makes contributions to the plan up to 6% of the participating employee’s W-2 earnings and wages. The Group recorded $5.0 million and $2.8 million of expense related to the plan during the years ended April 30, 2019 and 2018, respectively.

The Group also has defined-contribution plans in certain other countries (Netherlands, the United Kingdom) for which the Group recorded $1.9 million and $1.4 million of expense during the years ended April 30, 2019 and 2018, respectively.

The Group's obligation under these plans is recorded in "Trade and other payables".

Defined Benefit Plans

The Group operates no defined benefit plans.

Termination Benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-Based Payment Transactions

The Group issues equity-settled share-based payments to certain employees. The benefits given to the employees regarding the grant of the stock options consists of an additional compensation to these employees estimated at the grant date by reference to the fair value of the equity instruments granted.

Compensation expense related to stock awards issued to employees, including stock options, restricted stock awards ("RSAs"), and restricted stock units ("RSUs") is measured at the fair value on the date of the grant and recognized over the requisite service period. The fair value of stock options is estimated on the date of the grant using the Black-Scholes option-pricing model. The fair value of RSAs and RSUs is estimated on the date of the grant based on the fair value of the Company's underlying ordinary shares.

Compensation expense for stock options, RSAs and RSUs is recognized on an accelerated attribution method over the requisite service period. Compensation expense for RSAs is amortized over the requisite service period as long as the underlying performance condition is probable to occur. RSAs issued till date included a performance condition in the form of a specified liquidity event. The liquidity event condition was satisfied upon the effectiveness of the Company's IPO on October 5, 2018. On that date, the Company recorded a cumulative stock-based compensation expense of $1.7 million using the accelerated attribution method for all RSAs, for which the service condition had been fully satisfied as of October 5, 2018. The remaining unrecognized stock-based compensation expense related to the RSAs will be recorded over their remaining requisite service periods. The Company recognizes forfeitures as they occur.

Compensation expense for stock options, RSAs and RSUs is recognized in “Other operating expenses” in the profit or loss over the vesting period, with a corresponding adjustment to “other reserves” for equity settled awards.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets, or the arrangement conveys a right to use the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group does not have any finance leases.

Finance Income and Finance Costs

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognized in profit or loss.

Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognized in equity or other comprehensive income, respectively. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes tax provisions when it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement of the application of tax legislation and best estimates of future settlement amounts.

The Group has assessed its income tax positions and recorded tax benefits for all years subject to examination, based upon the Group's evaluation of the facts, circumstances and information available at each period end. For those tax positions where the Group has determined there is a greater than fifty percent likelihood that a tax benefit will be sustained, the Group has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is determined there is less than fifty percent likelihood that a tax benefit will be sustained, no tax benefit has been recognized.

Although the Group believes that it has adequately reserved for its uncertain tax positions, the Group can provide no assurance that the final tax outcome of these matters will not be materially different. As the Group expands internationally, it will face increased complexity, and the Group's unrecognized tax benefits may increase in the future. The Group makes adjustments to its reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

Sales and Marketing Expenses

Sales and marketing expenses consist of costs, including salaries, sales commissions and related expenses, such as travel, of all personnel involved in the sales and marketing process. Sales and marketing expenses also include costs of advertising, sales lead generation programs, cooperative marketing arrangements and trade shows.

Research and Development Expenses

Research and development expenses include all direct costs, primarily headcount costs for the Group's personnel and outside consultants, related to the development of new software products, significant enhancements to existing software products. Indirect costs that can be attributed to the Research and development function, primarily rent and legal expenses in relation to the Intellectual Property, are also included in this expense.

Research and development costs are charged to operations as incurred. An intangible asset resulting from the development of an individual project is only capitalized when it cumulatively meets the criteria for recognition as per the requirements of IAS 38. Software development costs for software to be sold, leased, or otherwise marketed are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life of the product. Technological feasibility is established upon the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. To date, costs to develop software that is marketed externally have not been capitalized as the current software development process is essentially completed concurrently with the establishment of technological feasibility. As such, all related software development costs are expensed as incurred and included in research and development expense in the consolidated statement of operations.

General and Administrative

General and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the sales.

Fiscal Unity tax accounting policy

The company is head of the fiscal unity of for Dutch tax purposes and is, as such, jointly liable for the liabilities of the fiscal unity as a whole. The company holds the tax liability and is responsible for the remittance to the tax authorities on behalf of its subsidiary Elasticsearch B.V. The tax charge of each individual unity member is calculated and shown in their respective accounts. Settlements within the fiscal unity are made via intercompany accounts.

4. Financial Risk Management

All potential areas of financial risk are regularly monitored and reviewed by the Directors and management. Any preventative or corrective measures are taken as necessary.

The Group uses various financial instruments. These primarily include cash and cash equivalents, and trade receivables that arise directly from its operations.

The Group has exposure to the following risks from its use of financial instruments:

- Capital Management.
- Market Risk.
- Credit risk.
- Liquidity risk.
- Currency risk.

Capital Management
The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. For the purpose of the Group’s capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent.

Market Risk
Company is exposed to various kinds of market risks in the ordinary course of business. These risks include:

- Foreign currency exchange rate risks: Refer to currency risk below.
- Interest rate risks: Interest rate risk is the risk that the value of a financial instrument will be affected by changes in the market rate of interest. Currently, the Group does not have debt or loans from banks and hence the interest rate risk is low. The Group had cash, cash equivalents of $298 million, and restricted cash of $2.3 million as of April 30, 2019. The Group's restricted cash constitutes cash deposits with financial institutions in support of letters of credit in favor of landlords for non-cancelable lease agreements. Cash, cash equivalents, and restricted cash are held in cash deposits and money market funds. The primary objectives of Group's investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. The Group does not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, the Group does not believe that an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of its investment portfolio. Declines in interest rates, however, would reduce our future interest income.

The Group has developed policies to deal with these risks. In principle, no derivative instruments are used to hedge against either of these risks. The Company seeks to match and manage intercompany and external foreign currency exposures reported by the various business operations and Group Companies.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group deals with counterparties after having considered their credit rating. In certain circumstances the Group may seek additional security.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence credit risk. The credit quality of customers is assessed by taking into account financial position, past experience and other relevant factors. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. The carrying amounts of financial assets, trade receivables and contract assets represent the maximum credit exposure. Trade receivables and contract assets are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. See note 6 for further details about trade receivables and contract assets including movement in provision for bad and doubtful debts.

As of April 30, 2018 and April 30, 2019, no customer represented 10% or more of net accounts receivable. No customer accounted for more than 10% of the Company's revenue for the years ended April 30, 2018 and April 30, 2019.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

(All amounts in thousands US dollars unless otherwise stated)

	2019	2018
United States	$ 43,330	$ 35,085
Europe	25,592	14,398
Other	11,078	2,611
	$ 80,000	$ 52,094

The revenue by geographic region was as follows:

	2019	2018
United States	$ 155,935	$ 97,006
Rest of the world	115,718	62,929
Total revenues	$ 271,653	$ 159,935

The Group does not consider that any of its clients, business sectors or geographic areas present a significant risk of non-collection that could materially impact the financial position of the Group as a whole.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The group monitors its cash flow requirements on a regular basis with the board to ensure that within a three-month time frame it has sufficient cash to its expected operational expenses that can be reasonably predicted.

Currency Risk
The Group operates in a variety of countries throughout the world, and is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro, USD, Norwegian Kroner and GBP.

The Group's revenue and expenses are primarily denominated in U.S. dollars. For fiscal 2019, the Group recorded a gain of $ 0.2 million and for fiscal 2018 the Group recorded a gain of $1.3 million on foreign exchange transactions. To date, the Group has not had a formal hedging program with respect to foreign currency, but may do so in the future if our exposure to foreign currency should become more significant. For business conducted outside of the United States, the Group may have both revenue and costs incurred in the local currency of the subsidiary, creating a partial natural hedge. Changes to exchange rates therefore have not had a significant impact on the business to date; however, the Group will continue to reassess its foreign exchange exposure as it continues to grow its business globally. A 10% increase or decrease in current exchange rates could have a $2.3 million impact on the Group's consolidated statement of operations.

(All amounts in thousands US dollars unless otherwise stated)

5. Property and Equipment

	Leasehold Inprovements	Computer Equipment	Fixture and Fittings	Construction in progress	Total
Cost					
Balance at April 30,2017	**$ 5,183**	**$ 3,174**	**$ 1,858**	**$ -**	**$ 10,215**
Additions	574	2,080	620	-	3,274
Disposals	-	(7)	-	-	(7)
Effect of movement in exchange rates	(32)	(115)	(35)	-	(182)
Balance at April 30, 2018	**5,725**	**5,132**	**2,443**	**-**	**13,300**
Additions	1,330	407	887	1,243	3,867
Disposals	(780)	(33)	(166)		(979)
Effect of movement in exchange rates	(99)	(113)	(70)	-	(282)
Balance at April 30, 2019	**$ 6,176**	**$ 5,393**	**$ 3,094**	**$ 1,243**	**$ 15,906**
Depreciation					
Balance at April 30,2017	**$ 2,607**	**$ 1,932**	**$ 1,096**	**$ -**	**$ 5,635**
Charge for year	1,416	1,043	580	-	3,039
Disposals	-	(6)	-	-	(6)
Effect of movement in exchange rates	41	37	18	-	96
Balance at April 30, 2018	**4,064**	**3,006**	**1,694**	**-**	**8,764**
Charge for year	1,126	1,080	534	-	2,740
Disposals	(721)	(29)	(144)	-	(894)
Effect of movement in exchange rates	(29)	(67)	(56)	-	(152)
Balance at April 30, 2019	**$ 4,440**	**$ 3,990**	**$ 2,028**	**$ -**	**$ 10,458**
Carrying amounts					
At April 30, 2018	$ 1,661	$ 2,126	$ 749	$ -	$ 4,536
At april 30, 2019	$ 1,736	$ 1,403	$ 1,066	$ 1,243	$ 5,448

Depreciation expense related to property and equipment was $3.0 million and $ 2.7 million for the years ended April 30, 2018 and April 30, 2019, respectively.

6. Trade and Other Receivables

	2019	2018
Trade receivables	$ 80,000	$ 52,094
Unbilled receivables	1,710	1,139
VAT receivable	4,239	113
Other receivables	1,765	582
	$ 87,714	$ 53,928
Non-current	$ -	$ -
Current	87,714	53,928
	$ 87,714	$ 53,928

(All amounts in thousands US dollars unless otherwise stated)

7. Prepayments

	2019	2018
Prepaid hosting costs	$ 20,568	$ 12,344
Deferred contract acquisition costs	26,151	18,079
Prepaid software subscriptions	4,326	4,530
Other	8,640	4,547
	$ 59,685	$ 39,500
Non-current	17,599	12,567
Current	42,086	26,933
	$ 59,685	$ 39,500

8. Capital and Reserves

	Ordinary Shares	Nonredeemable Preference Shares
Balances at April 30, 2016	29,770,625	25,394,234
Stock issued for Series D		3,545,232
Stock issued in connecton with the acquisition of Prelert Inc.	688,975	-
Exercise of stock options	672,447	-
Puchase of Treasury Stock	(2,000)	-
Balances at April 30, 2017	31,130,047	28,939,466
Stock issued in connecton with the acquisition of Opbeat Inc.	488,998	-
Stock issued in connecton with the acquisition of Swiftype Inc.	732,274	-
Stock issued in connecton with the acquisition of Prelert Inc.	98,425	-
Exercise of stock options	817,148	-
Purchase of Treasury shares	(33,937)	-
Balances at April 30, 2018	33,232,955	28,939,466
Conversion of redeemable convertible preference shares upon IPO	28,939,466	(28,939,466)
Stock issued in connection with the IPO	8,050,000	-
Stock issued in connection with subscription of restricted stock awards	244,498	-
Stock issued in connection with the acquisition of Lambda Labs	134,474	-
Exercise of stock options	3,117,320	-
Repurchase of early exercised stock options	(43,630)	-
Balances at April 30, 2019	73,675,083	-

Issuance of Shares

During fiscal 2019, as part of the IPO, 8,050,000 ordinary shares were issued at an offering price of $36 per share. Additionally, 3,117,320 ordinary shares were issued upon exercise of stock options, 244,498 ordinary shares issued upon subscription of RSAs and 134,474 ordinary shares were issued for a business combination.

Ordinary Shares and Preference Shares

The Company's articles of association designated and authorized the Company to issue 72 million ordinary shares with a par value of €0.001 per share up until immediately prior to the completion of the IPO at which time the authorized ordinary shares increased to 165 million. In addition, the par value per ordinary share was changed from €0.001 per share to €0.01 per share as required by

Dutch law at the time of the Company's conversion into a Dutch public limited company *(naamloze vennootschap)*. As of April 30, 2019, no preference shares were issued or outstanding.

At April 30, 2018, the authorized share capital comprised 101,026,193 shares with a nominal value of €0.001 divided as follows: 72,000,000 ordinary shares, 33,232,955 of which were issued,10,228,680 nonredeemable Series A convertible preference shares (all of which were issued and which carry a liquidation value of $10.4 million), 6,071,373 nonredeemable Series B convertible preference shares (all of which were issued and which carry a liquidation value of $23.8 million), 5,820,722 nonredeemable Series C convertible preference shares (all of which were issued and which carry a liquidation value of $70.0 million), 3,360,146 nonredeemable Series C-1 convertible preference shares,3,273,459 of which were issued and which carry a liquidation value of $39.4 million), 3,545,232 of Series D convertible preference shares (all of which were issued and which carry a liquidation value of $58.0 million) and 10 convertible preference shares each for Series W, X, Y and Z (none of which were issued).

The rights, privileges, and preferences of preference shares prior to the conversion in fiscal 2019 were as follows:

Liquidation Preference

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, holders of Series A, Series B, Series C, and Series D convertible preference shares are entitled to receive, from the net proceeds, in preference over the holders of Series C-1 convertible preference shares and the holders of ordinary shares, the greater of the (i) liquidation value identified above and any declared but unpaid dividends on such convertible preference shares if the Company has distributable profits, or (ii) the amount per share payable as if all convertible preference shares were converted into ordinary shares immediately prior to such liquidation or dissolution. If there is any balance remaining thereafter, the holders of Series C-1 convertible preference shares are entitled to receive, from the net proceeds, in preference to the holders of ordinary shares, the greater of (i) the par value paid up on their shares and $12.026 per share (as adjusted for share splits, share dividends, reclassification, and the like), or (ii) the amount per share payable as if all Series C-1 convertible preference shares were converted into ordinary shares immediately prior to such liquidation or dissolution.

If the net proceeds are insufficient to make payment in full to the holders of convertible preference shares as set forth above, then the net proceeds shall be distributed pro-rata to the holders of Series A, Series B, Series C, and Series D convertible preference shares and then to the holders of Series C-1 convertible preference shares. Thereafter, the remaining net proceeds, if any, shall be allocated pro-rata to each holder of ordinary shares.

In accordance with the Company's articles of association, a liquidation event includes a sale, conveyance, or exclusive license or in any other way a disposal by the Company of all or substantially all of its assets, property, or business; a merger or consolidation with another entity; or a liquidation, dissolution or winding up of the Company.

Conversion Rights

The convertible preference shares are convertible at the option of the holder at any time into ordinary shares on a one-for-one basis, subject to certain adjustments for anti-dilution.

Each convertible preference share is convertible at the option of the holder, subject to a resolution by the board of directors to that effect, into such number of ordinary shares as is determined by dividing the original issue price of the applicable series of convertible preference shares by the conversion price of the applicable series of convertible preference shares in effect at the time of the conversion. The conversion price and the original issue price for each series of convertible preference shares is subject to adjustment for certain events, including subdivisions, dividends, stock splits, reclassifications, and exchanges. Each convertible preference share automatically, upon a resolution by the board of directors, converts into ordinary shares at the then effective conversion price upon the affirmative vote of the holders of at least 85% of the convertible preference shares then in issue within such class of shares or immediately prior to the closing of an underwritten public offering of the Company’s ordinary shares at an aggregate gross offering price of not less than $30 million, net of the underwriting discounts and commissions (“qualifying IPO”). The holders of convertible preference shares shall benefit from broad-based weighted-average anti-dilution adjustments in the event the Company issues shares at a per share price lower than the respective issuance price of each series of convertible preference shares.

Voting

Each holder of convertible preference shares is entitled to the number of votes equal to the number of ordinary shares into which such shares of convertible preference shares could be converted at the record date.

Dividends Policy

Dividends are payable to Series A, Series B, Series C, and Series D convertible preference shareholders, only when and if declared by the board of directors, and only out of profits that are legally available for distribution. If a dividend is declared, it shall be 6% of the sum of the respective par value and share premium of each convertible preference share. If the profits available for distribution in any year are not sufficient to make the declared dividend distribution, the ability of the board of directors to declare dividends in future years shall apply only after such shortfall has been made up. The shareholders of the Company at a General Meeting are also authorized to appropriate profits of the Company. The holders of Series C-1 convertible preference shares are not entitled to participate with the Series A, Series B, Series C, and Series D convertible preference shares in a distribution of dividends. If, after the distribution of dividends to Series A, Series B, Series C, and Series D convertible preference shares, any profits remain, these may be distributed to the holders of all the convertible preference shares and holders of ordinary shares on an as-converted pro rata basis. No dividends were declared or paid by the Company in the year ended April 30, 2018 or any of the prior years.

Redemption

The Groups convertible preference shares are not mandatorily or currently redeemable, however are contingently redeemable upon certain events outside of the Company’s control, including a greater than 50% change in control or the Company’s liquidation. The carrying values of preference shares have not been accreted to their redemption values as these events are not considered probable of occurring. Subsequent adjustments of the carrying values to redemption values will be made only if and when it becomes probable the preference shares will become redeemable.

Translation Reserve

Translation reserve comprises the translation of participations from a foreign currency to the functional currency.

(All amounts in thousands US dollars unless otherwise stated)

9. Deferred Income

The Group's deferred revenues consist primarily of the following;

- Support revenues recognized ratably over the term of the contract, beginning on the commencement date of each contract,
- Consulting services revenue that contains acceptance language or other terms that require that the revenues be deferred until all revenue recognition criteria are met, and
- Consulting and training services revenues that have been prepaid but for which services have not yet been performed.

Remaining Performance Obligations
As of April 30, 2019, the Group had $352.5 million of remaining performance obligations, which is comprised of product and services revenue not yet delivered. As of April 30, 2019, the Company expects to recognize approximately 88% of its remaining performance obligations as revenue over the next 24 months and the remainder thereafter.

10. Trade and Other Payables

	2019	2018
Trade payables	4,450	$ 2,176
Payroll and social charges liabilities	22,147	14,536
Income tax liability	441	2,647
Other taxes	4,235	2,536
Other liabilities	16,224	7,975
	$ 47,497	$ 29,870
Non-current	3,008	$ 1,499
Current	44,488	28,371
	$ 47,496	$ 29,870

11. Notes Payable

	2019	2018
Notes payable	$ 90	$ 195
	$ 90	$ 195
Non-current	$ -	$ 83
Current	90	112
	$ 90	$ 195

The notes relate to tenant improvements at the Group's offices in Mountain View, California and are designated in US Dollars.

12. Revenue

	2019	2018
License	$ 39,474	$ 25,759
Self-managed subscription	162,945	98,139
SaaS	45,835	25,484
Total subscription	248,254	149,382
Services	23,399	10,553
Total revenue	$ 271,653	$ 159,935

The following table summarizes the Company's total revenue by geographic area based on the billing address of the customers (in thousands):

	2019	2018
United States	155,935	97,006
Rest of the world	115,718	62,929
Total revenue	$ 271,653	$ 159,935

Other than the United States, no other individual country exceeded 10% or more of total revenue during the periods presented.

13. Share-Based Payment

Share Option Program (Equity-Settled)
The shareholders have approved the issuance of options to certain key employees to purchase ordinary shares in the Group. Information with respect to stock awards available and outstanding is as follows:

	Options Outstanding			
	Outstanding Stock Options	Weighted-Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as of April 30, 2017	**12,928,320**	**$ 5.80**	**7.65**	**$ 45,303**
Stock options grants	11,264,179	$ 11.71		
Stock options exercised	(817,148)	$ 4.78		
Stock options cancelled	(1,137,867)	$ 9.39		
Balance as of April 30, 2018	**22,237,484**	**$ 8.65**	**8.31**	**$ 98,365**
Stock options grants	4,722,404	$ 23.27		
Stock options exercised	(3,117,320)	$ 5.95		
Stock options cancelled	(976,130)	$ 11.78		
Balance as of April 30, 2019	**22,866,438**	**$ 11.90**	**7.98**	**$ 1,684,106**
Exercisable as of April 30, 2019	9,767,010	$ 7.67	7.07	$ 760,696

Options exercisable include 724,600 options that were unvested as of April 30, 2019.

In September 2012, the Company's board of directors adopted and the Company's shareholders approved the Stock Option Plan (the "2012 Plan"). Under the 2012 Plan, the board of directors may grant stock options and other equity-based awards to eligible employees, directors, and consultants to promote the success of the business. Stock options granted under the 2012 Plan generally vest over four years with 25% of the option shares vesting one year from the vesting commencement date and then ratably over the following 36 months. Refresh grants to existing employees generally vest monthly over four years. Options expire ten years after the date of grant. During the year ended April 30, 2018, the Company started issuing RSAs and RSUs under the 2012 Plan. Stock options, RSAs and RSUs that are canceled under certain conditions shall become available for future grant or sale under the 2012 Plan unless the 2012 Plan is terminated.

(All amounts in thousands US dollars unless otherwise stated)

The residual weighted average remaining life (in years) of the outstanding options at April 30, 2019 and 2018 is years and 8.3 years, respectively.

Range of Exercise Prices			Options Outstanding	Options Exercisable
$0.31	-	$1.34	920,004	920,004
$4.26	-	$5.46	4,328,258	3,725,313
$7.25	-	$9.30	3,403,509	1,597,501
$10.15	-	$13.07	9,597,002	3,076,766
$16.67	-	$19.87	3,155,699	407,886
$27.00	-	$27.50	1,104,216	35,249
$36.00	-	$36.00	155,750	-
$69.12	-	$69.12	129,250	4,291
$84.38	-	$84.38	72,750	-
			22,866,438	9,767,010

The fair value of the stock is estimated at the date of issuance using the Black Scholes option pricing model with the following assumptions:

	2019	2018
Expected term (in years)	4	4
Expected stock price volatility	45%-50%	45%-50%
Risk-free interest rate	2.43%-3.01%	1.51%-2.48%
Dividend yield	0%	0%

Impact on the Financial Statements

Compensation cost for employee stock-based awards is based on the grant-date fair value estimated in accordance with the provisions of IFRS 2 and is recognized over the vesting period of the applicable award on an accelerated basis, typically four to five years. For the years ended April 30, 2019 and 2018, the Group recorded stock based compensation expense related to issuance of stock options of $39.7million and $20.8 million, respectively. The residual amount to be amortized between 2019 and 2023 with respect to the active option grants is $41.6 million.

Early Exercised Options

Certain ordinary share option holders have the right to exercise unvested options, subject to a repurchase right held by the Company at the original exercise price, in the event of voluntary or involuntary termination of employment of the shareholder. As of April 30, 2019 and April 30, 2018, there were no shares and 148,630 shares, respectively, of unvested ordinary shares that had been early exercised and were subject to repurchase. The proceeds related to unvested ordinary shares are recorded as liabilities until the stock vests, at which point they are transferred to additional paid-in capital.

(All amounts in thousands US dollars unless otherwise stated)

Shares issued for the early exercise of options are included in issued and outstanding shares as they are legally issued and outstanding.

Restricted Stock Awards(RSAs)

In October 2017, in connection with the acquisition of Swiftype, the Company granted RSAs to certain employees with both service-based and performance-based vesting conditions. The performance-based vesting condition is satisfied on the earlier of: (1) a change of control transaction or (2) the expiration of the lock-up period after the effective date of the IPO, subject to continued service through the end of the lock-up period. The service-based vesting condition is generally satisfied based on one of two vesting schedules: (i) vesting of 50% of the shares upon the closing of the Swiftype acquisition, 25% of the shares on the one-year anniversary of the closing, and 25% of the shares on the two-year anniversary of the closing, or (ii) vesting of 50% of the shares on the one-year anniversary of the closing of the Swiftype acquisition and 50% of the shares on the two-year anniversary of the closing.

The performance-based vesting condition related to these awards was deemed probable upon the effectiveness of the Company's IPO on October 8, 2018. On that date, the Company recorded a cumulative stock-based compensation expense of $1.7 million using the accelerated attribution method for the RSAs that had satisfied the applicable service-based vesting condition on that date with the remaining expense to be recognized over the remaining requisite service period. Total stock-based compensation expense related to the RSAs for the year ended April 30, 2019 was $2.6 million.

The issuance of shares underlying the RSAs was contingent upon payment of the subscription price by the employees. As of April 30, 2018, the subscription price had not been paid and therefore the RSAs remained outstanding and the shares remained unissued. During the year ended April 30, 2019, the subscription price for these awards was paid and the underlying ordinary shares were issued. Ordinary shares issued upon payment of the subscription price are subject to repurchase by the Company until the underlying performance-based and service-based vesting conditions are satisfied.

A summary of RSAs outstanding and unvested under the 2012 Plan for the year ended April 30, 2019 was as follows:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding at April 30, 2017	-	-
RSAs granted	244,498	$ 11.46
Outstanding at April 30, 2018	244,498	$ 11.46
RSAs subscribed	(244,498)	$ 11.46
Outstanding at April 30, 2019	-	

Restricted Stock Units (RSUs)

During the year ended April 30, 2019, the Company granted 732,701 RSUs at a weighted average grant date fair value of $64.55 per unit, including 120,299 RSUs at a weighted average grant date fair value of $24.53 per unit that are cash settled. Cash settled RSUs will generally be paid as a cash bonus equal to the difference between the grant date fair value of the applicable RSU award and the 45-day weighted average closing price of ordinary shares subject to the RSU award at the time of vesting and settlement. The cash settled RSUs vest upon the satisfaction of both service-based and performance-based vesting conditions. The service-based vesting condition is generally over four years with 25% vesting on the one-year anniversary of the award and the remainder vesting quarterly over the next 36 months, subject to the grantee's continued service to the Company. The performance-based vesting condition is defined as (i) a change in control where the consideration paid to the Company's equity security holders is cash, publicly traded stock, or a combination of both, or (ii) the expiration of any lock-up period of the IPO, subject in each instance to the grantee's continued service through such date. As a result of the Company's IPO, the performance-based vesting condition was deemed probable and the Company recorded cumulative stock-based compensation expense of $0.8 million related to the cash settled RSUs in October 2018. As of April 30, 2019, the Company had a liability of $1.5 million related to the cash settled RSUs recorded in accrued compensation and benefits on the consolidated balance sheet.

(All amounts in thousands US dollars unless otherwise stated)

Stock-based compensation expense related to RSUs for the year ended April 30, 2019 was $13.5million. As of April 30, 2019, the Company had unrecognized stock-based compensation expense of $30million related to equity settled RSUs that the Company expects to recognize over a weighted-average period of 3.83 years.

A summary of RSUs outstanding and unvested under the 2012 Plan for the year ended April 30, 2019 was as follows:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding an unvested at April 30, 2018	57,000	$ 13.07
RSUs granted	732,701	$ 64.55
RSUs released	(26,048)	$ 14.84
RSUs cancelled	(23,186)	$ 59.93
Outstanding an unvested at April 30, 2019	740,467	$ 62.48

14. Other income

	2019	2018
Proceeds from user conference	$ 1,241	$ 2,273
Sublease income	570	1,580
Other income	$ 1,811	$ 3,853

Sublease income relates to income from real estate that the Group has sublet as it was surplus to the Company's needs. Income generated from sponsorship and registration fees for the Group's annual user conference is classified as other income.

(All amounts in thousands US dollars unless otherwise stated)

15. Finance Income and Costs

		2019		2018
Interest income on bank deposits	$	(3,475)	$	(52)
Miscellaneous other		(574)	$	-
Finance income		(4,050)		(52)
Interest expense		264		14
Net foreign exchange gain (loss)		213		1,329
Miscellaneous other		133		68
Finance expense		609		1,411
Net finance costs	$	(3,441)	$	1,359

16. Income Tax Expense

		2019	
Expected tax recovery on net loss before income tax	$	(28,758)	25.00%
Difference in tax rates between foreign jurisdictions and the Netherlands		203	(0.18%)
Share based compensation		7,572	(6.58%)
Deferred tax assets not recognized		24,866	(21.62%)
Miscellaneous		858	(0.75%)
Effective taxation rate	$	4,741	4.12%

		2018	
Expected tax recovery on net loss before income tax	$	(14,483)	25.00%
Difference in tax rates between foreign jurisdictions and the Netherlands		(864)	1.49%
Share based compensation		4,702	(8.12%)
Deferred tax assets not recognized		13,803	(23.83%)
Miscellaneous		(180)	0.31%
Effective taxation rate	$	2,978	5.14%

As of April 30, 2019, the Company has a tax loss carry forward (TLCF) of approximately $251.3 million (April 30, 2018 – approximately $158.0 million). These are for the Dutch fiscal unity.

Trading losses will reverse against future taxable profits in the Company. The asset has not been recognized due to uncertainties over the timing and nature of such future trading profits in accordance with IAS 12. The majority of the TLCF's are in the Netherlands. Losses in the Netherlands have not been recognized in the balance sheet and have expiry dates between 2022 and 2028.

Deferred tax assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Management assesses whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management makes estimates and judgements about future taxable income based on assumptions that are consistent with the Group's plans and estimates. Based on current management estimates substantially all of the deferred tax assets are expected to be realized or settled after more than twelve months.

Significant components of the Group's deferred tax assets are summarized as follows (in thousands):

		2019		2,018
Deferred tax assets:				
Accrued compensation	$	1,685	$	795
Intangible assets	$	2,321		
NOL carryforwards		-		3,581
Deferred Income		-		931
Share based compensation		182		2,959
Other		1,251		1,141
Total deferred assets	$	5,439	$	9,407
Deferred tax liabilities:				
Intangible assets	$	-	$	(1,264)
Deferred contract acquisition costs		(5,878)		(3,356)
Deferred Income		(858)		-
Other		(674)		(883)
Total deferred liabilities	$	(7,410)	$	(5,503)
Net deferred tax assets (liabilities)	$	(1,971)	$	3,904

Dutch income taxes and non-Dutch withholding taxes associated with the repatriation of earnings or for temporary differences related to investments in non-Dutch subsidiaries, excluding the U.S subsidiaries, have not been provided for, as the Company intends to reinvest the earnings of such subsidiaries indefinitely or the Company has concluded that no additional tax liability would arise on the distribution of such earnings. Earnings from the Company's U.S. subsidiaries are being treated as being currently repatriated back to the Netherlands though no Dutch income taxes nor U.S. withholding taxes in regard to such repatriations are being recorded due to the Dutch participation exemption provisions and exemption from withholding taxes under the income tax treaty between the Netherlands and the United States.

17. Average Number of People Employed

	Average		As of April 30,	
	2019	2018	2019	2018
Number				
Sales & Marketing	451	265	565	336
R&D	370	225	458	282
Service delivery	81	42	102	59
Support	109	69	129	89
G&A	145	76	188	101
	1,156	677	1,442	867
Average Netherlands	65	43	76	53
Average outside	1,091	635	1366	814

The average number of employees employed outside of the Netherlands averaged 1,091 and 635 for the year ended April 30, 2019 and April 30, 2018, respectively. As of April 30, 2019 and April

(All amounts in thousands US dollars unless otherwise stated)

30, 2018 number of employees employed outside of the Netherlands was 1,366 and 827, respectively.

18. Operating Leases and Other Commitments

Operating Leases
The Group has entered into non-cancelable operating leases, primarily related to rental of office space, expiring through 2025. The Group recognizes operating lease costs on a straight-line basis over the term of the agreement, taking into account adjustments for market provisions such as free or escalating base monthly rental payments or deferred payment terms such as rent holidays that defer the commencement date of the required payments. The Group may receive renewal or expansion options, leasehold improvement allowances or other incentives on certain lease agreements.

Hosting Infrastructure Commitments
In December 2017, the Company entered into non-cancelable capacity commitments with a hosting infrastructure vendor for a total minimum commitment of $12.5 million in each of the subsequent three years. In December 2018, the agreement was amended to establish total minimum commitments of $17.0 million for calendar year 2019, $20.0 million for calendar year 2020 and $23.0 million for calendar year 2021. As of April 30, 2019, the Company had paid $15.7 million toward the calendar year 2019 commitment.

Future minimum lease payments under non-cancelable office leases and hosting infrastructure commitments as of April 30, 2019 were as follows:

	Minimum Lease Payments	Hosting Infrastructure Commitments	Total
Less than one year	$ 6,455	$ 7,962	$ 14,417
Between one and five years	20,419	36,333	56,752
More than five years	7,020	-	7,020
	$ 33,894	$ 44,295	$ 78,189

Future minimum lease payments under non-cancelable office leases and hosting infrastructure commitments as of April 30, 2018 were as follows:

	Minimum Lease Payments	Hosting Infrastructure Commitments	Total
Less than one year	$ 5,993	$ 5,998	$ 11,991
Between one and five years	21,244	19,792	41,036
More than five years	12,990	-	12,990
	$ 40,227	$ 25,790	$ 66,017

19. Business Combinations

Lambda Lab corp.
In July 2018, the Company acquired 100% of the share capital of Lambda Lab Corp. (“Lambda Lab”), a privately held company headquartered in the United States. Lambda Lab was a code

search company whose product was built on top of Elasticsearch and focused on building semantic understanding of code, exposed through powerful search features.

Purchase consideration for the acquisition was $2.0 million in cash. Excluded from the purchase consideration are 134,474 ordinary shares of Elastic of $2.2 million issued to certain employees of Lambda Lab. These shares are subject to repurchase until the two-year anniversary of the close of the acquisition and are contingent upon these employees' continued employment with the Company.

The repurchase option lapses as to fifty percent of the ordinary shares on each anniversary of the close of the acquisition. The Company will record stock-based compensation expense of $2.2 million over the two-year vesting term. During the year ended April 30, 2019, the Company recorded stock-based compensation expense of $1.4 million. As of April 30, 2019, a share repurchase liability, included in accrued expenses and other accrued liabilities and in other liabilities, non-current, was $1.1 million and $1.1 million, respectively. As of April 30, 2019, the deferred stock-based compensation expense included in prepaid expenses and other current assets was $0.8 million and in other assets was $0.1 million.

The following table summarizes the components of the Lambda Lab purchase price and the preliminary allocation of the purchase price at fair value (in thousands):

Cash paid	$	1,997
Total purchase consideration	$	1,997
Developed technology	$	1,339
Tradename		15
Goodwill		1,038
Net assets acquired		(395)
Total purchase consideration	$	1,997

Net assets acquired consist of:

Assets acquired		
Cash	$	11
Assets- other		23
Total assets		34
Liabilities acquired		
Deferred tax liabilities		429
Total liabilities		429
Net liabilities acquired	$	(395)

The amount allocated to developed technology was $1.3 million. The fair value assigned to developed technology was determined primarily using the multi-period excess earnings model, which estimates the revenue and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. The acquired developed technology is being amortized on a straight-line basis over four years, which approximates the pattern in which these assets are utilized.

(All amounts in thousands US dollars unless otherwise stated)

Goodwill of $1.0 million, none of which is deductible for tax purposes, was recorded in connection with the Lambda Lab acquisition, which is primarily attributed to synergies arising from the acquisition and the value of the acquired workforce.

Acquisition costs of $0.2 million were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2019.

Lambda Lab has been included in the Company's consolidated results of operations since the acquisition date. Lambda Lab's results were immaterial to the Company's consolidated results for the year ended April 30, 2019.

Swiftype, Inc.
In October 2017, the Group acquired 100% of the share capital of Swiftype, Inc. ("Swiftype"), a privately held company headquartered in the United States. Swiftype provided enterprise search and search engine platforms for organizations, websites and applications. The acquisition has been accounted for as a business combination and the Group has included the financial results of Swiftype in the consolidated financial statements from the date of the acquisition.

Purchase consideration consisted of 732,274 ordinary shares valued at $8.4 million and cash payment of $1.7 million. The following table summarizes the components of the Swiftype purchase price and the allocation of the purchase price at fair value:

Cash paid	$	1,724
Ordinary shares		8,392
Total purchase consideration	$	10,116
Developed technology	$	5,392
Trade name		97
Customer relationships		158
Goodwill		1,885
Net assets acquired		2,584
Total purchase consideration	$	10,116

Net assets acquired consist of:

Assets acquired		
Cash	$	1,072
Trade and other receivables		635
Deferred tax asset		4,702
Assets- other		228
		6,637
Liabilities acquired		
Trade and other payables		717
Deferred tax liabilities		2,477
Deferred income		859
		4,053
Net assets acquired	$	2,584

(All amounts in thousands US dollars unless otherwise stated)

Fifteen percent of the equity consideration, or 109,842 ordinary shares issued to the former shareholders, is subject to repurchase on the fifteen-month anniversary of the close of the acquisition for any indemnity claims that may arise during the indemnification period.

The amounts allocated to developed technology, customer relationships and trade name (the acquired intangible assets) total $5.6 million. The fair value assigned to developed technology was determined using the multi-period excess earnings model, which estimates the revenue and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. The fair value of the Company's customer relationships was determined using the income approach, which discounts expected future cash flows to present value using estimates and assumptions determined by management. The fair value assigned to trade name was determined using the relief from royalty method, where the owner of the asset realizes a benefit from owning the intangible asset rather than paying a rental or royalty rate for use of the asset. The acquired identifiable intangible assets are being amortized on a straight-line basis over four years, which approximates the pattern in which these assets are utilized.

Goodwill of $1.9 million, none of which is deductible for tax purposes, was recorded in connection with the Swiftype acquisition, which is primarily attributed to synergies arising from the acquisition and the value of the acquired workforce.

Acquisition costs of $0.3 million were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2018.

Opbeat, Inc.
In May 2017, the Group acquired 100% of the share capital of Opbeat, Inc. ("Opbeat"), a privately-held company headquartered in the United States. Opbeat was an Application Performance Monitoring ("APM") company that helped developers find and fix issues faster by monitoring the end-to-end performance impact of changes to the application code.

Purchase consideration consisted of 488,998 ordinary shares valued at $4.0 million and cash payment of $3.1 million. The following table summarizes the components of the Opbeat purchase price and the allocation of the purchase price at fair value:

Cash paid	$	3,123
Ordinary shares		4,019
Total purchase consideration	$	7,142
Developed technology	$	1,846
Goodwill		4,925
Net assets acquired		371
Total purchase consideration	$	7,142

(All amounts in thousands US dollars unless otherwise stated)

Net assets acquired consist of:

Assets acquired		
Cash	$	73
Deferred tax asset		1,118
Assets- other		18
		1,209
Liabilities acquired		
Trade and other payables		346
Deferred tax liabilities		492
		838
Net assets acquired	$	371

Fifteen percent of the equity consideration, or 73,349 ordinary shares, is subject to repurchase on the fifteen-month anniversary of the close of the acquisition for any indemnity claims that may arise during the indemnification period.

The amount allocated to developed technology was $1.8 million. The fair value assigned to developed technology was determined primarily using the multi-period excess earnings model, which estimates the revenue and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. The acquired developed technology is being amortized on a straight-line basis over four years, which approximates the pattern in which these assets are utilized.

Goodwill of $4.9 million, none of which is deductible for tax purposes, was recorded in connection with the Opbeat acquisition, which is primarily attributed to synergies arising from the acquisition and the value of the acquired workforce.

Acquisition costs of $0.3 million were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2018.

Founders consideration holdback
Founders of Opbeat will receive an aggregate cash payment of $0.7 million at each of the one and two-year anniversary of the close of the acquisition. These payments are contingent upon continued employment with the Company and therefore have been excluded from the purchase consideration. As of April 30, 2018, the Company had accrued for $0.7 million of the contingent cash payment which is included in accrued expenses and other accrued liabilities on the balance sheet. Excluded from the purchase consideration are 93,052 ordinary shares of $0.9 million issued to the founders of Opbeat as these are subject to repurchase until the two-year anniversary of the close of the acquisition and are contingent upon these founders' continued employment with the Company. The repurchase option lapses as to fifty percent of the ordinary shares on each anniversary of the close of the acquisition. The Company will record stock-based compensation expense of $0.9 million over the two-year vesting term. For the years ended April 30, 2019 and 2018, the Company recorded stock-based compensation expense of $0.5 million and $0.4 million, respectively. As of April 30, 2019, a share repurchase liability, included in accrued expenses and other accrued liabilities, was $0.5 million, respectively. As of April 30, 2019, the deferred stock-based compensation expense, included within prepaid expenses and other current assets, was less than $0.1 million.

(All amounts in thousands US dollars unless otherwise stated)

Fair Value of Ordinary Shares Used for Purchase Consideration
The fair value of the ordinary shares issued as part of the consideration paid for the above acquisitions was determined by the Company's board of directors based on numerous subjective and objective factors, including, but not limited to, a contemporaneous valuation performed by an independent third-party valuation firm. Because the Company is not publicly traded, the Company's board of directors considers valuations of comparable companies, sales of redeemable convertible preference shares, sales of ordinary shares to unrelated third parties, operating and financial performance, the lack of liquidity of the Company's ordinary shares, and general and industry-specific economic outlook, among other factors.

20. Intangible Assets

	Goodwill	IPR&D	Developed Technology	Customer Relationships	Trade Name	Total
Non-current assets						
Cost						
Balances at April 30, 2017	**$ 12,502**	**$ 1,523**	**$ 2,028**	**$ 240**	**$ 860**	**$ 17,153**
Acquisition of Opbeat, Inc	4,925	-	1,846	-	-	6,771
Acquisition of Swiftype Inc.	1,885	-	5,392	158	97	7,532
Transfer of IPR&D to developed technology	-	(1,523)	1,523	-	-	-
Other	(130)	-	2	(8)	(19)	(155)
Balance as at April 30, 2018	**$ 19,182**	**$ -**	**$ 10,791**	**$ 390**	**$ 938**	**$ 31,301**
Acquisition of Lambda Lab	1,038	-	1,339	-	15	2,392
Other	(374)	-	26	-	-	(348)
Balance as at April 30, 2019	**$ 19,846**	**$ -**	**$ 12,156**	**$ 390**	**$ 953**	**$ 33,345**
Non-current assets						
Accumulated Amortization						
Balances at April 30, 2017	**$ -**	**$ -**	**$ 930**	**$ 38**	**$ 759**	**$ 1,727**
Amortization and impairment	-	-	1,908	137	50	2,095
Balances at April 30, 2018	**$ -**	**$ -**	**$ 2,838**	**$ 175**	**$ 809**	**$ 3,822**
Amortization and impairment			2,808	93	54	2,955
Balances at April 30, 2019	**$ -**	**$ -**	**$ 5,646**	**$ 268**	**$ 863**	**$ 6,777**
Carrying amounts						
At April 30, 2018	$ 19,182	$ -	$ 7,953	$ 215	$ 129	$ 27,479
At April 30, 2019	**$ 19,846**	**$ -**	**$ 6,510**	**$ 122**	**$ 90**	**$ 26,568**

The group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Developed technology 4-5 years
- Customer relationships 4 years
- Trade name 4 years

Goodwill is allocated to cash-generating units (CGUs) (or groups of CGUs) and evaluated for impairment at the CGU level, which is defined as an operating segment or one level below an operating segment. Goodwill is tested at least annually for impairment. Other than goodwill there are no intangible assets with indefinite lives.

Goodwill has been generated through the acquisition of various companies. Acquired technologies have been embedded into the Elastic stack and therefore form part of the software that is used by the Group's user base and included within the Group's subscription offerings leading to one revenue stream associated with the sales of Elastic products. The Group, has therefore, determined that it has one CGU.

(All amounts in thousands US dollars unless otherwise stated)

The recoverable amount of the CGU is based on fair value less costs of disposal.

At April 30, 2019, the recoverable amount of the CGU exceeded its carrying value and therefore no impairment was recorded in fiscal 2019. The fair value of the CGU, based on quoted market prices at the end of the reporting period, was $6.3 billion. The quoted market price used for impairment test held by the Group is the current bid price of $85.55 as of April 30, 2019.

21. Earnings per share

Basic
Basic earnings per share is calculated by dividing the profit/loss attributable to equity shareholders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit/loss attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

	2019	2018
Numerator		
Loss attributable to the ordinary equity holders of the company used in	$ (119,772)	$ (60,910)
Denominator		
Weighted-average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	54,893,365	32,033,792
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (2.18)	$ (1.90)

The following outstanding potentially dilutive ordinary shares were excluded from the computation of diluted net loss per share attributable to ordinary shareholders for the periods presented because the impact of including them would have been antidilutive:

	2019	2018
Convertible preference shares	-	28,939,466
Stock options	22,866,438	22,237,484
RSUs	595,503	-
Contingently issuable shares	-	-
Shares subject to repurchase	254,350	276,243
Early exercised stock options	-	148,630
Total	23,716,291	51,601,823

22. Audit Fees and non-Audit Fees

The following audit fees were expensed in the income statement in the reporting period:

(All amounts in thousands US dollars unless otherwise stated)

2019	**PricewaterhouseCoopers Accountants N.V.**	**Other PwC network firms**	**Total**
Audit of the financial statements	$ 145	$ 1,370	$ 1,515
Tax services	129	102	231
Other non-audit services	-	178	178
	$ 274	$ 1,650	$ 1,924

2018	**PricewaterhouseCoopers Accountants N.V.**	**Other PwC network firms**	**Total**
Audit of the financial statements	$ 90	$ 984	$ 1,074
Tax services	505	48	553
Other non-audit services	-	659	659
	$ 595	$ 1,691	$ 2,286

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (‘Wet toezicht accountantsorganisaties - Wta’) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2019 and 2018 financial statements, regardless of whether the work was performed during the financial year.

Fees incurred in connection with the IPO aggregating to $1.2 million, were netted against proceeds from the IPO.

23. Capital Commitments

During the years ended April 30, 2019 and 2018 the Group did not make any capital commitments.

24. Contingencies

Legal Matters
From time to time, the Group has become involved in claims and other legal matters arising in the ordinary course of business. The Group investigates these claims as they arise. Although claims are inherently unpredictable, the Group is currently not aware of any matters that, if determined adversely to the Group, would individually or taken together have a material adverse effect on its business, results of operations, financial position or cash flows.

The Group accrues estimates for resolution of legal and other contingencies when losses are probable and estimable.

Indemnification
The Group enters into indemnification provisions under its agreements with other companies in the ordinary course of business, including business partners, landlords, contractors and parties performing its research and development. Pursuant to these arrangements, the Group agrees to indemnify, hold harmless, and reimburse the indemnified party for certain losses suffered or incurred by the indemnified party as a result of the Group’s activities. The terms of these indemnification agreements are generally perpetual. The maximum potential amount of future payments the Group could be required to make under these agreements is not determinable. The Group has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Group believes the fair value of these agreements is not material. The Group maintains commercial general liability insurance and product liability insurance to offset certain of the Group’s potential liabilities under these indemnification provisions.

(All amounts in thousands US dollars unless otherwise stated)

In addition, the Group indemnifies its officers, directors and certain key employees while they are serving in good faith in their respective capacities. To date, there have been no claims under any indemnification provisions.

25. Expense by Nature

By nature the costs can be analyzed as follows:

	2019	2018
Employee benefits expense	$ 220,319	$ 129,212
Share-based compensation	57,706	21,253
Equipment and systems charges	39,336	16,288
Travel expenses	23,101	13,441
Marketing expenses	15,047	12,415
Depreciation and amortization expense	5,695	5,133
Legal and professional	8,535	7,161
Office rent and related charges	8,145	6,099
Miscellaneous other expenses	10,610	10,718
Other income	(1,811)	(3,853)
	$ 386,683	$ 217,867

The above costs are shown in the income statement as follows:

	2019	2018
Cost of sales	$ 80,635	$ 41,802
Expenses and other income	306,048	176,065
	$ 386,683	$ 217,867

26. Related Parties

Ultimate Controlling Party
The Group does not have an ultimate controlling party.

Key Management Personnel Compensation
In addition to their salaries, the Group also provides noncash benefits to directors and executive officers, and contributes to a defined contribution plan on their behalf. Executive officers also participate in the Group's share option program (Note 14).

Key Management Personnel Compensation Comprised:

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Share - Based Payment ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($)	Total ($)
Shay Banon							
Chief Executive Officer	2019	330,000	-	2,999,224	169,760	-	3,498,984
	2018	400,000	-	2,216,040	-	306,494 (3)	2,922,534
Janesh Moorjani							
Chief Financial Officer	2019	330,000	-	1,019,155	135,808	6,602 (4)	1,491,565
	2018	272,820.0 (5)	$ 200,000 (6)	1,169,014	-	23,600 (4)	1,665,434

(1) The amounts shown represent the aggregate share-based payment expense in fiscal year 2019 and 2018 pursuant to the provisions of IFRS 2 Such amounts do not represent amounts paid to or realized by the key management personnel. See Note 13, "Share-Based Payments" regarding assumptions underlying valuation of equity awards.

(All amounts in thousands US dollars unless otherwise stated)

(2) The amounts reported represent the amounts earned based upon achievement of certain performance goals under the Company's Executive Incentive Compensation Plan. Messrs. Banon and Moorjani participated in our Executive Incentive Compensation Plan during fiscal year 2019. Payments under our Executive Incentive Compensation Plan were payable semi-annually based on achievement of certain company financial targets. For fiscal year 2019, the performance metrics were based on calculated billings and non-GAAP operating margin targets.
(3) The amount disclosed represents a $164,413 moving and relocation allowance and $142,080 as gross-up payments for income taxes payable by Mr. Banon on such allowance.
(4) The amount disclosed represents company contributions made under the Company's 401(k) plan.
(5) Mr. Moorjani joined as Chief Financial Officer in August 2017 and received a prorated base salary based on his annual base salary of $400,000.
(6) The amount disclosed represents a cash bonus awarded to Mr. Moorjani under the terms of his initial offer letter with the Company.

The following table sets forth information regarding outstanding equity awards held by key management personnel as of April 30, 2019:

	Option Awards					
Name	**Grant date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**		**Number of Securities Underlying Unerercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**
Shay Banon	April 19, 2016	605,250	(1)	-	5.46	April 19, 2026
	September 7, 2017	432,159	(2)	432,159	10.15	September 7, 2027
	September 7, 2017	314,297	(3)	-	10.15	September 7, 2027
	April 2, 2018	100,000	(4)	300,000	13.07	April 2, 2028
Janesh Moorjani	September 7, 2017	602,169	(5)	-	10.15	September 7, 2027
	April 2, 2018	-	(6)	50,000	13.07	April 2, 2028
					-	

(1) The option is subject to an early exercise provision and is immediately exercisable. Shares subject to the option vest in 48 equal monthly installments beginning on January 1, 2016 subject to continued service to the Company through the applicable vesting date.
(2) Shares subject to the option vest in 48 equal monthly installments beginning on May 1, 2017 subject to continued service to the Company through the applicable vesting date.
(3) Shares subject to the option are fully vested and immediately exercisable.
(4) Shares subject to the option vest in 48 equal monthly installments beginning on May 2, 2018 subject to continued service to the Company through the applicable vesting date.
(5) The option is subject to an early option exercise provision and is immediately exercisable. One-fourth of the shares subject to the option vested on August 28, 2018 and 1/48th of the shares subject to the option vest monthly thereafter, subject to continued service to the Company through each applicable vesting date.
(6) Shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019 subject to continued service to the Company through the applicable vesting date.
(7) One-fourth of the shares subject to the option vested on July 4, 2016 and 1/48 vest monthly thereafter subject to continued service to the Company through the applicable vesting date.

(All amounts in thousands US dollars unless otherwise stated)

The following table sets forth information regarding outstanding equity awards held by key management personnel as of April 30, 2018:

Name	Grant date	Number of Securities Underlying Unexercised Options (#) Exercisable		Number of Securities Underlying Unerercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares That Have Not Vested (#)		Market Value of Shares That Have Not Vested ($) (1)
Shay Banon	04/19/2016	605,250	(2)	-	5.46	04/19/2026	-		-
	7/9/17	216,079	(3)	648,239	10.15	7/9/27	-		-
	7/9/17		(4)	314,297	10.15	7/9/27	-		-
	2/4/18		(5)	400,000	13.07	2/4/28	-		-
Janesh Moorjani	7/9/17	602,169	(6)	-	10.15	7/9/27			
	2/4/18	-	(7)	50,000	13.07	2/4/28			
		-		-	-		105,000	(8)	1,750,350

(1) This amount reflects the fair market value of our ordinary shares of $16.67 as of April 30, 2018 (the determination of the fair market value by the Company's board of directors as of the most proximate date) multiplied by the amount shown in the column for the number of shares that have not vested.
(2) The option is subject to an early exercise provision and is immediately exercisable. Shares subject to the option vest in 48 equal monthly installments beginning on January 1, 2016 subject to continued service to us through the applicable vesting date.
(3) Shares subject to the option vest in 48 equal monthly installments beginning on May 1, 2017 subject to continued service to the Company through the applicable vesting date.
(4) All of the shares subject to the option vest upon the closing of our initial public offering subject to continued service to the Company through the applicable vesting date.
(5) Shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019 subject to continued service to the Company through the applicable vesting date.
(6) The option is subject to an early option exercise provision and is immediately exercisable. One-fourth of the shares subject to the option vest on August 28, 2018 and 1/48th of the shares vest monthly thereafter, subject to continued service to the Company through each applicable vesting date.
(7) Shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019 subject to continued service to the Company through the applicable vesting date.
(8) The shares were acquired pursuant to an early exercise provision and are subject to a right of repurchase the Company holds as of April 30, 2018. All of these shares vest on August 28, 2018.

Key Management Personnel Transactions
Other than compensation disclosed above there were no other transactions with key management personnel and directors in the years ended April 30, 2019 and 2018.

Non-executive board compensation

The table below shows the total compensation awarded to our non-executive directors during fiscal 2019:

(All amounts in thousands US dollars unless otherwise stated)

Name	Fees Earned or Paid in Cash ($)	Share- based payment (1) ($)	Total ($)
Jonathan Chadwick (2)	31,685	672,438	704,123
Peter Fenton	26,500	-	26,500
Caryn Marooney (3)	573	-	573
Elizabeth Nelson(4)	-	-	-
Chetan Puttagunta	30,304	-	30,304
Steven Schuurman	17,283	-	17,283
Michelangelo Volpi(5)	-	-	-
	106,345	672,438	778,783

(1) The amounts shown represent the aggregate share-based payment expense recorded in in fiscal year 2019 pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. Note 13, “Share-Based Payments” regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs and/or stock options awarded to or held by each non-executive director on the last day of fiscal year 2019 is set forth in the footnotes below.
(2) Mr. Chadwick was granted 200,000 stock options at an exercise price of $19.87 on August 17, 2018. As of April 30, 2019, 200,000 options were exercisable and 0 options were vested. None of these stock options were exercised during Fiscal 2019.
(3) Ms. Marooney joined the Company’s board of directors in April 2019. As of April 30, 2019, Ms. Marooney holds 1,037 shares represented by restricted stock units.
(4) Ms. Nelson resigned from the Company’s board of directors in June 2018.
(5) In May 2019, Mr. Volpi waived his right to receive payments of director fees for fiscal 2019.

No compensation was paid to the non-executive board in the year ended April 30, 2018.

No loans, advance payments and guarantees granted to or on behalf of Executive and Non-executive directors in Fiscal 2019 or 2018.

(All amounts in thousands US dollars unless otherwise stated)

27. Group Entities

Details of the Group's wholly owned subsidiaries at the end of the reporting period is listed below. All of these subsidiaries are 100% owned and fully consolidated. There are no partially consolidated subsidiaries or non-participating interests owned by the Company.

Name	Statutory seat	Registered office	Incorporation date
Elasticsearch B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	February 9, 2012
Elasticsearch Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	August 7, 2012
Elasticsearch Limited	London, UK	5 Southampton Street London WC2E 7HA United Kingdom	January 16, 2013
Elasticsearch GmbH	Berlin, Germany	Fidicinstrasse 12, 10965 Berlin, Germany	January 16, 2013
Elasticsearch Federal Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	May 29, 2013
Elasticsearch SARL	Paris, France	42 rue Monge, 75005 Paris, France	November 18, 2013
Elasticsearch Pty Ltd.	New South Wales, Australia	Level 36/60 Margaret Street Sydney NSW 2000	September 3, 2014
Elasticsearch BC Ltd.	Canada	1600 – 925 West Georgia Street, Vancouver BC V6C 3L2 Canada	November 5, 2014
Elasticsearch KK	Japan	GINZA SIX 13F, 6-10-1 Ginza Chuo-ku Tokyo 104-0061 Japan	September 12, 2014
Elasticsearch AB	Sweden	Malmskillnadsgatan 32, Stockholm , 111 51, Sweden	November 5, 2012
Elasticsearch AS	Norway	Torvveien 9 1383 Asker Norway	September 1, 2009
Elasticsearch HK Ltd.	China	5/F., Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong	June 29, 2015
Elasticsearch Pte Ltd.	Republic of Singapore	10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315	June 8, 2015
Elasticsearch Korea Ltd	Seoul, Korea	10F, 507 Teheran-ro. Gangnam-gu, Seoul, Korea 06168	October 19, 2015
Elasticsearch CH AG	Zug, Switzerland	c/o Lenzlinger Advokatur Alpenstrasse 12 6302 Zug, Switzerland	October 30, 2015
Elasticsearch Finance B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	June 6, 2014
Elasticsearch Government, Inc,	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	June 13, 2017
Elasticsearch S.L.U.	Spain	c/o Vistra Madrid Calle Prim, número 19, bajos derecho 28004 Madrid	September 16, 2016
Prelert, Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	September 8, 2016
Opbeat ApS	Denmark	Nørre Farimagsgade 11, 2. tv. 1364 København K Denmark	May 1, 2012
Opbeat, LLC	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	May 19, 2017
Swiftype Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	September 25, 2017
Elasticsearch (Beijing) Information Technology Co., Ltd.	Beijing, China	Room 302, Floor 3, Building 3, No. 28 Guandongdian, Chaoyang District, Beijing, People's Republic of China	September 5, 2018

28. Subsequent Events

On June 5, 2019, the Company entered into an Agreement and Plan of Reorganization (the "Merger Agreement") with Avengers Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of the Company ("Merger Sub"), Endgame, Inc., a Delaware corporation ("Endgame"), and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the representative, agent and attorney-in-fact of the securityholders of Endgame ("Securityholder Representative"), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into Endgame (the "Merger") whereupon the separate corporate existence of Merger Sub shall cease and Endgame shall continue as the surviving corporation of the Merger as a direct wholly-owned subsidiary of Elastic.

Pursuant to the terms of the Merger Agreement, the Company will acquire Endgame for a total purchase price of $234 million, subject to customary adjustments, including the establishment of an indemnity escrow fund. The Company will pay the purchase price through (i) the issuance of ordinary shares, (ii) the repayment of Endgame's outstanding indebtedness (expected to be approximately $14 million), (iii) the assumption of Endgame's outstanding options, and (iv) a cash deposit to fund an expense fund for the fees and expenses of the Securityholder Representative.

The Merger Agreement contains customary termination rights for both the Company and Endgame and further provides that the Company must pay Endgame a termination fee of $3.5 million upon termination of the Merger Agreement under certain specified circumstances.

Company Financial Statements

Elastic N.V.
Company Balance Sheets
April 30, 2019 and 2018

(Amounts in thousands US dollars)

After appropriation of results

	2019	2018
Assets		
Noncurrent assets		
Financial fixed assets (Note 1)	$ 259,335	$ 50,705
Deposits	2,598	-
Total noncurrent assets	261,933	50,705
Current assets		
Prepayments	1,986	-
Cash and cash equivalents	1,159	474
Total current assets	3,145	474
Total assets	**$ 265,078**	**$ 51,179**
Equity		
Share capital	$ 754	$ 77
Share premium	471,232	188,048
Translation reserves	(1,431)	(961)
Other reserve - stock based compensation	89,414	38,963
Other reserve - accumulated losses	(295,765)	(175,780)
Total equity (Note 3)	**264,204**	**50,347**
Liabilities		
Current liabilities		
Trade and other payables	874	832
Total current liabilities	874	832
Total liabilities	874	832
Total equity and liabilities	**$ 265,078**	**$ 51,179**

Elastic N.V.
Company Income Statements
For the Year Ended April 30

(Amounts in thousands US dollars)

	2019	2018
Share of results of investments after tax	$ (110,396)	$ (57,410)
Other income and expense after tax	(9,374)	(3,500)
Loss for the year	$ (119,770)	$ (60,910)

1. Notes to the Company Financial Statements

Accounting Information and Policies

Basis of Preparation

The Company financial statements of Elastic N.V., have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2 of the Dutch Civil Code to prepare the Company's financial statements, using the same accounting policies as the consolidated financial statements. The Company presents a condensed income statement, using the facility of Article 402, Book 2, of the Dutch Civil Code. Elastic N.V.'s investments in Group companies are stated using the 'net asset value method' *('netto vermogens waarde methode'*) as further outlined in Note 2.

For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated statement of financial position and comprehensive income. Following the adoption of IFRS 9 by the Group, and based on interpretation of the Dutch Accounting Standard 100.107A, the company shall, upon identification of a credit loss on an intercompany loan and/or receivable, eliminate the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

All amounts are presented in thousands USD, unless stated otherwise.

The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Reclassifications

Certain prior period amounts have been reclassified in order to conform to the current period presentation. Other income and expense after tax, presented in the Company income statement for Fiscal 2018, has been updated to reflect the recognition of the share-based payment expense in the subsidiary accounts in accordance with IFRIC 11. Corresponding increase to the Share of results of investments after tax has also been reflected in the Company income statement for Fiscal 2018.

2. Financial Fixed Assets

Investments in Consolidated Subsidiaries

Investments in consolidated subsidiaries are entities (including intermediate subsidiaries and special purpose entities) over which the Company has control, i.e., the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights, Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities, they are derecognized from the date that control ceases.

The Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

(All amounts in thousands US dollars unless otherwise stated)

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is re-measured to fair value on the date of acquisition, the re-measurement against the book value is accounted for in the income statement.

When the Company ceases to have control over a subsidiary, any retained interest is re-measured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

Investments; Recognition of Losses
When the Company's share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured noncurrent receivables, being part of the net investment), the Company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment, in such case the company will recognize a provision.

Investments; Unrealized Gains and Losses
Unrealized gains on transactions between the company and its investments in consolidated subsidiaries are eliminated in full, based on the consolidation principles, unrealized gains on transactions between the company and its investments in associates are eliminated to the extent of the company's stake in these investments.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Financial Fixed Assets
Movements in financial fixed assets are as follows:

	Investments in Consolidated Subsidiaries	Loans to Investments in Consolidated Subsidiaries	Total
At April 30, 2017			
Net book value	$ -	$ 73,597	$ 73,597
Movements in book value 2018			
Investments	$ 3,787	$ 9,561	$ 13,348
Capital contribution	20,804	-	20,804
Share of results of investments	(57,410)	-	(57,410)
Translation results	(3,279)	3,645	366
Prior year provision for losses	-	-	-
Reclassification of accumulated provision	36,098	(36,098)	-
	-	(22,892)	(22,892)
At April 30, 2018			
Net book value	$ -	$ 50,705	$ 50,705
Movements in book value 2019			
Investments	$ -	$ 267,202	$ 267,202
Capital contribution	52,294	-	52,294
Share of results of investments	(110,396)	-	(110,396)
Translation results	5,409	(5,879)	(470)
Prior year provision for losses	-	-	-
Reclassification of accumulated provision	52,693	(52,693)	-
	-	208,630	208,630
At April 30, 2019			
Net book value	$ -	$ 259,335	$ 259,335

(All amounts in thousands US dollars unless otherwise stated)

Amounts Due from Investments

Amounts due from investments are stated initially at fair value and subsequently at amortized cost, Amortized cost is determined using the effective interest rate. The participants are included in Note 28.

Loans to Investments in Consolidated Subsidiaries

As at year-end 2019, the loans relate to $419.6, issued in 2014-2019. The loans are identified as an increase in the net investments in consolidated subsidiaries. No securities, guarantees or repayment arrangements have been agreed. Interest on loans issued prior to Fiscal 2019 is based on short-term Applicable Federal Rate (AFR), as provided under Internal Revenue Code Section 1274(d). During Fiscal 2019, the Company issued a loan to Elasticsearch Finance BV for an amount of $269.5 million. Interest rate on this loan is the amount of income Elasticsearch Finance BV receives from its short term investments with external third party banks minus the handling fees.

As part of the adoption of IFRS 9 in Fiscal 2019, management performed an assessment of the intercompany loan positions and concluded that no impairment provision was needed. The intercompany loans are repayable on demand and the subsidiaries are either in a surplus cash position for a full repayment of the outstanding balance upon demand or are in a position to liquidate assets to meet the repayment obligation. There are no external or other intercompany loans held by these subsidiaries that would need to be repaid prior to repayment to the Company.

3. Movements in Company Equity

	Share capital	Share premium	Tranlslation reserve	Other reserve	Accumulated losses	Total equity
Balances at April 30, 2017	**$ 75**	**$ 173,389**	**$ (1,327)**	**$ 16,457**	**$ (114,871)**	**$ 73,723**
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(60,910)	(60,910)
Other comprehensive income						
Foreign currency translation differences	-	-	366	-	-	366
Total comprehensive loss for the period	75	173,389	(961)	16,457	(175,781)	13,179
Transactions with owners recorded directly in equity						
Contributions by owners						
Stock issued in connecton with the acquisition of Opbeat Inc	-	4,018	-	-	-	4,018
Stock issued in connecton with the acquisition of Swiftype Inc.	1	8,392	-	-	-	8,393
Stock issued for Ordinary shares related to exercise of stock options	1	2,336	-	-	-	2,337
Purchase of Treasury Stock	-	-	-	(344)	-	(344)
Purchase of Treasury Stock - adjustment	-	25	-	(25)	-	-
Stock compensation expense	-	-	-	23,048	-	23,048
Foreign currency translation difference adjustment	-	(112)	-	(174)	-	(286)
Balances at April 30, 2018	**$ 77**	**$ 188,048**	**$ (961)**	**$ 38,962**	**$ (175,781)**	**$ 50,345**
Adjustment on initial application of IFRS 9 net of tax	-	-	-	-	(212)	(212)
Balances at April 30, 2018 (Restated)	77	188,048	(961)	38,962	(175,993)	50,133
Change in par value upon conversion from B.V. to N.V.	548	(548)	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-
Loss for the period	-	-	-	-	(119,772)	(119,772)
Other comprehensive income	-	-	-	-	-	-
Foreign currency translation differences	-	-	**(470)**	-	-	(470)
Total comprehensive loss for the period	625	187,500	(1,431)	38,962	(295,765)	(70,109)
Contributions by owners						
Issuance of ordinary shares upon initial public offering, net of underwriting discounts and issuance costs	93	263,749	-	-	-	263,842
Stock issued for Ordinary shares related to exercise of stock options	33	18,518	-	-	-	18,551
Issuance of ordinary shares upon subscription of restricted stock awards	3	(3)	-	-	-	-
Vesting of early exercised stock options	-	1,019	-	-	-	1,019
Vesting of ordinary shares subject to repurchase	-	449	-	-	-	449
Stock compensation expense	-	-	-	50,454	-	50,454
Balances at April 30, 2019	**$ 754**	**$ 471,232**	**$ (1,431)**	**$ 89,416**	**$ (295,765)**	**$ 264,204**

Issuance of Shares

During fiscal 2019, as part of the IPO, 8,050,000 ordinary shares were issued at an offering price of $36 per share. Additionally, 3,117,320 ordinary shares were issued upon exercise of stock options, 244,498 ordinary shares issued upon subscription of RSAs and 134,474 ordinary shares were issued for a business combination.

Ordinary Shares and Preference Shares

The Company’s articles of association designated and authorized the Company to issue 72 million ordinary shares with a par value of €0.001 per share up until immediately prior to the completion of the IPO at which time the authorized ordinary shares increased to 165 million. In addition, the par value per ordinary share was changed from €0.001 per share to €0.01 per share as required by Dutch law at the time of the Company's conversion into a Dutch public limited company (*naamloze vennootschap)*. As of April 30, 2019, no preference shares were issued or outstanding.

At April 30, 2018, the authorized share capital comprised 101,026,193 shares with a nominal value of €0.001 divided as follows: 72,000,000 ordinary shares, 33,232,955 of which were issued,10,228,680 nonredeemable Series A convertible preference shares (all of which were issued and which carry a liquidation value of $10.4 million), 6,071,373 nonredeemable Series B convertible preference shares (all of which were issued and which carry a liquidation value of $23.8 million), 5,820,722 nonredeemable Series C convertible preference shares (all of which were issued and which carry a liquidation value of $70.0 million), 3,360,146 nonredeemable Series C-1 convertible preference shares,3,273,459 of which were issued and which carry a liquidation value of $39.4 million), 3,545,232 of Series D convertible preference shares (all of which were issued and which carry a liquidation value of $58.0 million) and 10 convertible preference shares each for Series W, X, Y and Z (none of which were issued).

The rights, privileges, and preferences of preference shares are as follows:

Liquidation Preference

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, holders of Series A, Series B, Series C, and Series D convertible preference shares are entitled to receive, from the net proceeds, in preference over the holders of Series C-1 convertible preference shares and the holders of ordinary shares, the greater of the (i) liquidation value identified above and any declared but unpaid dividends on such convertible preference shares if the Company has distributable profits, or (ii) the amount per share payable as if all convertible preference shares were converted into ordinary shares immediately prior to such liquidation or dissolution. If there is any balance remaining thereafter, the holders of Series C-1 convertible preference shares are entitled to receive, from the net proceeds, in preference to the holders of ordinary shares, the greater of (i) the par value paid up on their shares and $12.026 per share (as adjusted for share splits, share dividends, reclassification, and the like), or (ii) the amount per share payable as if all Series C-1 convertible preference shares were converted into ordinary shares immediately prior to such liquidation or dissolution.

If the net proceeds are insufficient to make payment in full to the holders of convertible preference shares as set forth above, then the net proceeds shall be distributed pro-rata to the holders of Series A, Series B, Series C, and Series D convertible preference shares and then to the holders of Series C-1 convertible preference shares. Thereafter, the remaining net proceeds, if any, shall be allocated pro-rata to each holder of ordinary shares.

In accordance with the Company's articles of association, a liquidation event includes a sale, conveyance, or exclusive license or in any other way a disposal by the Company of all or substantially all of its assets, property, or business; a merger or consolidation with another entity; or a liquidation, dissolution or winding up of the Company.

Conversion Rights
The convertible preference shares are convertible at the option of the holder at any time into ordinary shares on a one-for-one basis, subject to certain adjustments for anti-dilution.

Each convertible preference share is convertible at the option of the holder, subject to a resolution by the board of directors to that effect, into such number of ordinary shares as is determined by dividing the original issue price of the applicable series of convertible preference shares by the conversion price of the applicable series of convertible preference shares in effect at the time of the conversion. The conversion price and the original issue price for each series of convertible preference shares is subject to adjustment for certain events, including subdivisions, dividends, stock splits, reclassifications, and exchanges. Each convertible preference share automatically, upon a resolution by the board of directors, converts into ordinary shares at the then effective conversion price upon the affirmative vote of the holders of at least 85% of the convertible preference shares then in issue within such class of shares or immediately prior to the closing of an underwritten public offering of the Company's ordinary shares at an aggregate gross offering price of not less than $30.0 million, net of the underwriting discounts and commissions ("qualifying IPO"). The holders of convertible preference shares shall benefit from broad-based weighted-average anti-dilution adjustments in the event the Company issues shares at a per share price lower than the respective issuance price of each series of convertible preference shares.

Voting
Each holder of convertible preference shares is entitled to the number of votes equal to the number of ordinary shares into which such shares of convertible preference shares could be converted at the record date.

Redemption
The Groups convertible preference shares are not mandatorily or currently redeemable, however are contingently redeemable upon certain events outside of the Company's control, including a greater than 50% change in control or the Company's liquidation. The carrying values of preference shares have not been accreted to their redemption values as these events are not considered probable of occurring. Subsequent adjustments of the carrying values to redemption values will be made only if and when it becomes probable the preference shares will become redeemable.

Dividends Policy
Dividends are payable to Series A, Series B, Series C, and Series D convertible preference shareholders, only when and if declared by the board of directors, and only out of profits that are legally available for distribution. If a dividend is declared, it shall be 6% of the sum of the respective par value and share premium of each convertible preference share. If the profits available for distribution in any year are not sufficient to make the declared dividend distribution, the ability of the board of directors to declare dividends in future years shall apply only after such shortfall has been made up. The shareholders of the Company at a General Meeting are also authorized to appropriate profits of the Company. The holders of Series C-1 convertible preference shares are not entitled to participate with the Series A, Series B, Series C, and Series D convertible preference shares in a distribution of dividends. If, after the distribution of dividends to Series A, Series B, Series C, and Series D convertible preference shares, any profits remain, these may be distributed to the holders of all the convertible preference shares and holders of ordinary shares on an as-converted pro rata basis. No dividends were declared or paid by the Company in the year ended April 30, 2018 or any of the prior years.

Translation Reserve
This amount comprises the translation of participations from a foreign currency to the functional currency.

(All amounts in thousands US dollars unless otherwise stated)

4. Employees

During the year, the average number of employees, based on full time equivalents, was 0.

5. Directors' Remuneration

Non-executive board compensation

The table below shows the total compensation awarded to our non-executive directors during fiscal 2019:

Name	Fees Earned or Paid in Cash ($)	Share-based payment (1) ($)	Total ($)
Jonathan Chadwick (2)	31,685	672,438	704,123
Peter Fenton	26,500	-	26,500
Caryn Marooney (3)	573	-	573
Elizabeth Nelson(4)	-	-	-
Chetan Puttagunta	30,304	-	30,304
Steven Schuurman	17,283	-	17,283
Michelangelo Volpi(5)	-	-	-
	106,345	**672,438**	**778,783**

(1) The amounts shown represent the share-based payment expense in fiscal year 2019 pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. Note 13, "Share-Based Payments" regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs and/or stock options awarded to or held by each non-executive director on the last day of fiscal year 2019 is set forth in the footnotes below.
(2) A Mr. Chadwick was granted 200,000 stock options at an exercise price of $19.87 on August 17, 2018. As of April 30, 2019, 200,000 options were exercisable and 0 options were vested. None of these stock options were exercised during Fiscal 2019.
(3) Ms. Marooney joined the Company's board of directors in April 2019. As of April 30, 2019, Ms. Marooney holds 1,037 shares represented by restricted stock units.
(4) Ms. Nelson resigned from the Company's board of directors in June 2018.
(5) In May 2019, Mr. Volpi waived his right to receive payments of director fees for fiscal 2019.

No compensation was paid to the non-executive board in the year ended April 30, 2018.

No loans, advance payments and guarantees granted to or on behalf of Executive and Non-executive directors in Fiscal 2019 or 2018.

6. Proposed Appropriation of Result

The Directors of the Company propose that the net loss for the year is added to the Other reserve-accumulated losses.

7. Events After the Balance Sheet Date

On June 5, 2019, the Company entered into an Agreement and Plan of Reorganization (the "Merger Agreement") with Avengers Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of the Company ("Merger Sub"), Endgame, Inc., a Delaware corporation ("Endgame"), and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the representative, agent and attorney-in-fact of the securityholders of Endgame ("Securityholder Representative"), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into Endgame (the "Merger") whereupon the separate corporate existence of Merger Sub shall cease and Endgame shall continue as the surviving corporation of the Merger as a direct wholly-owned subsidiary of Elastic.
Pursuant to the terms of the Merger Agreement, the Company will acquire Endgame for a total purchase price of $234 million, subject to customary adjustments, including the establishment of an indemnity escrow fund. The Company will pay the purchase price through (i) the issuance of ordinary shares, (ii) the repayment of Endgame's outstanding indebtedness (expected to be approximately $14 million), (iii) the assumption of Endgame's outstanding options, and (iv) a cash deposit to fund an expense fund for the fees and expenses of the Securityholder Representative. The Merger Agreement contains customary termination rights for both the Company and Endgame and further provides that the Company must pay Endgame a termination fee of $3.5 million upon termination of the Merger Agreement under certain specified circumstances.

The financial statements were approved by the board and authorized for issue on August 23, 2019 and signed by:

Shay Banon (appointed July 20, 2012)
Executive Director & Chief Executive Officer,
August 23, 2019

Jonathan Chadwick (appointed August 14, 2018)
Non-executive Director
August 23, 2019

Michelangelo Volpi (appointed January 25, 2013)
Non-executive Director
August 23, 2019

Peter Fenton (appointed September 26, 2012)
Non-executive Director
August 23, 2019

Chetan Puttagunta (appointed January 10, 2017)
Non-executive Director
August 23, 2019

Steven Schuurman (appointed July 20, 2012)
Non-executive Director
August 23, 2019

Caryn Marooney (appointed April 25, 2019)
Non-executive Director
August 23, 2019

Elastic N.V.
Keizersgracht 281, 1016 ED, Amsterdam.
1016 ED, Amsterdam
The Netherlands

Other Information

Appropriation of Result According to the Articles of Association

In accordance with Article 10.1.4 of the Company's Articles of Association, the board of directors of the Company has determined that the net loss for the fiscal year 2019 be added to the Other reserve-accumulated losses.

Independent Auditor's Report

The report of the independent auditor, PricewaterhouseCoopers Accountants N.V., is set forth on the following page.

Independent Auditor's Report

Independent auditor's report

To: the general meeting and the board of directors of Elastic N.V.

Report on the financial statements 2018/2019

Our opinion

In our opinion:

- Elastic N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at April 30, 2019 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- Elastic N.V.'s company financial statements give a true and fair view of the financial position of the Company as at April 30, 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018/2019 of Elastic N.V., Amsterdam (hereafter: 'the Company'). The financial statements include the consolidated financial statements of Elastic N.V. together with its subsidiaries (hereafter: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at April 30, 2019;
- the following statements for 2018/2019: the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at April 30, 2019;
- the company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Independence

We are independent of Elastic N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

Elastic N.V. was founded in 2012. The Company created a set of software products that ingest and store data to allow users to search, analyse, and visualize this data. In October 2018, the Company listed its shares on the New York Stock Exchange raising $263.8 million of net IPO proceeds. Revenues for 2018-2019 amount to $271.7 million, an increase of 70% compared to 2017-2018. The Company invests in its products and support which resulted in a loss before income tax of $115.0 million for the period 2018-2019 (as compared to $57.9 million for the period 2017-2018). This resulted in an increase in our materiality compared to prior year as outlined in the section 'Materiality'. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to certain areas of focus driven by the operations of the Group, as set out below.

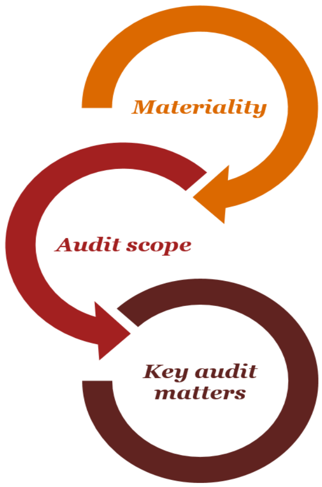
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In note 2 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant judgement associated with the determination of the stand-alone selling price of term licenses on self-managed subscription and the related higher inherent risks of material misstatement in revenue recognition, we particularly considered this as a key audit matter as set out in the section 'Key audit matters' of this report.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud. Other areas of focus, that were not considered as key audit matters, were the assessment of the utilisation of tax losses, share based payment calculations and accounting for deferred contract acquisition cost.

We ensured that the audit team had the appropriate skills, competences, included specialists, and experts in the area of tax, IT and valuations in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: $4,200,000

Audit scope

- We conducted our audit work in the United States and in the Netherlands.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 97% of the consolidated loss before income tax.

Key audit matters

- Estimation of standalone selling price of term licenses on self-managed subscriptions

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	$ 4.200.000 (2017/2018: $ 2.500.000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of the loss before income tax based on the accounting principles generally accepted in the United States of America (U.S. GAAP) consolidated financial statements as filed on Form 10-K.
Rationale for benchmark applied	We believe that the loss before income tax is one of the important metrics for the financial performance of the Company and used this as the primary benchmark. The entity was expected to make considerable losses and such losses may be indicative of future contributions to fund the business. The Company uses two accounting frameworks for calculating loss before income tax: • The International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) and as endorsed by the European Union and published in the Official Journal of the European Union ('EU IFRS').

	• The U.S. GAAP applied for the quarterly and annual earnings releases and the financial statements filed with the United States Securities and Exchange Commission. This framework is the basis for and is applied in the operational accounting records and are predominately used by most of the stakeholders. In our judgment, the users of financial information of the Company are primarily interested in the U.S. GAAP financial information. Any user of these financial statements (EU IFRS) would likely not review this information in isolation; if users did review this information it would be in supplement to the U.S. GAAP financial information. Therefore, we applied the benchmark of 5% on the loss before income tax based on U.S. GAAP for the audit of these financial statements. We also tested the appropriateness of the reconciling items from U.S. GAAP to EU IFRS.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between $596,000 and $3,100,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the audit committee of the board of directors that we would report to them misstatements identified during our audit above $300,000 (2017/2018: $185,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Elastic N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of Elastic N.V. We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. As all accounting processes, with the exception of the payroll process, are centrally managed and accounted for, the group audit team was able to conduct the audit procedures centrally in the Netherlands and the United States. We performed all audit procedures on a consolidated level except for the audit of payroll related balances. For the audit of payroll related balances we identified seven components, to which we allocated a component materiality (see above). We did not make use of other auditors.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Loss before income tax	97%

By performing the procedures above, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the audit committee of the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Key audit matter	*Our audit work and observations*
Estimation of standalone selling price of term licenses on self-managed subscriptions *Refer to note 3 "Significant Accounting Policies – Revenue Recognition")* As discussed in note 12 to the consolidated financial statements, \$202.4 million of the Group's total revenues for the year ended April 30, 2019 was generated from self-managed subscription. For the self-managed subscriptions revenues, the Group identified two main separate performance obligations: licenses and subscriptions & support. For licenses control transfers and revenue is recognized at a point in time when the license is delivered. With respect to subscriptions & support, revenue is recognized rateably over the contract period. Total revenues for licenses and subscriptions and support for the year ended April 30, 2019 were \$39.5 million and \$162.9 million, respectively. The Group does not sell licenses separately to its customers. Therefore, the allocation of the transaction price between license and subscriptions & support requires management judgment and estimates. Management based those estimates on the selected available observable data, such as the subscriptions level selling price, subscription level features and market industry benchmarks. We consider this a key audit matter as management's estimates in this area led to significant auditor judgment and effort in performing procedures to evaluate the estimates of the license allocation, including the assessment of management's judgment in using the available observable data and applying it to the Company's subscriptions.	We evaluated management's process for determining the estimated allocation to the license performance obligation and the subscription & support performance obligation. We substantively tested the reasonableness of significant assumptions, such as the starting point split between license and subscriptions & support. We validated the appropriateness of the application of industry benchmarks to the Group's products. For each assumption in the estimated selling price, we tested the reliability of underlying data. On a sample basis, we tested transactions by reconciling amounts to supporting documents, including sales orders. Our procedures also included testing the mathematical accuracy of management's calculations as well as evaluating how management has considered alternative assumptions and addressed estimation uncertainty in making the accounting estimate. Based on our procedures performed, we found that the available evidence supported management's conclusions. We also evaluated management's disclosures of significant judgements in relation to the Group's revenue recognition (note 3). Based on our procedures we considered the disclosures made in these notes to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Dutch Statutory Board Report;

- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors are responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Elastic N.V. following the passing of a resolution by the shareholders at the annual meeting held on September, 28, 2018. Our appointment as auditor of Elastic N.V. and its predecessor ElasticSearch Global B.V. has been renewed annually representing a total period of uninterrupted engagement appointment of seven years.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors are responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors are responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going-concern in the financial statements.

The non-executive directors are responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, August 23, 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W. Voorthuijsen RA

Appendix to our auditor's report on the financial statements 2018/2019 of Elastic N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the audit committee of the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.