Elastic N.V.

Dutch Statutory Board Report and Financial Statements
April 30, 2022
Amsterdam

Page

DUTCH STATUTORY REPORT

INTRODUCTION

Unless the context otherwise indicates, references in this report to the terms “Elastic”, “the Company,” “Group,” “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 (the “Report”) has been prepared by Elastic’s management and has been approved by Elastic’s board of directors (the “Board” or the “board of directors”) 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 Accountants N.V., is included in section “Other Information”.

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), 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,” “might”, “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 (which include 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;
- customer acceptance and purchase of our existing offerings and new offerings, including the expansion and adoption of our cloud-based offerings;
- the impact of Russia’s invasion of Ukraine on our business and on the businesses of our customers and partners, including their spending priorities;
- the impact of the 2019 coronavirus disease, including any current and future variants thereof (“COVID-19”), on our business, operations, hiring and financial results, and on the businesses of our customers and partners, including their spending priorities, the effect of governmental lockdowns, restrictions, new regulations and vaccine distribution and efficacy;
- the impact that increased adoption of consumption-based arrangements could have on our revenue or operating results;
- the impact of changes to our licensing of our products, specifically Elasticsearch and Kibana;
- our assessments of the strength of our solutions and products;
- our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches or incidents, including by bad actors;
- our ability to maintain and expand our user and customer base;
- the market for our products continuing to develop;
- competition from other products and companies with more resources, recognition and presence in our industry;
- 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, including any changes to our pace of hiring;
- 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;
- the impact of acquisitions on our future product offerings;
- our beliefs and objectives for future operations;
- our relationships with and reliance on 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 execute our go-to-market strategy, including the positioning of our solutions and products, and 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 United States and internationally;
- our ability to attract and retain qualified employees and key personnel;
- our ability to onboard, provide training to and integrate new employees;
- the effect of the loss of key personnel;
- our expectations about the impact of natural disasters and public health epidemics and pandemics, on our business, results of operations and financial condition;
- expectations about seasonality;
- the future trading prices of our ordinary shares;
- inflation;
- our ability to service our debt obligations; and
- general market, political, geopolitical, economic and business conditions (including developments and volatility arising from the ongoing COVID-19 pandemic and the ongoing military conflict between Russia and Ukraine).

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. Any additional or unforeseen effect from the ongoing COVID-19 pandemic may exacerbate these risks. 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 data analytics company built on the power of search. Our platform, which is available as both a hosted, managed service across public clouds as well as self-managed software, allows our customers to almost instantly find insights from large amounts of data and take action. We offer three search-powered solutions – Enterprise Search, Observability, and Security – that are built into the platform. We help organizations, their employees, and their customers find what they need faster, while keeping mission-critical applications running smoothly, and protecting against cyber threats.

As digital transformation and cloud adoption drive mission critical business functions online and to the cloud, we believe that every company will need to build around a search-based data analytics platform, one which brings speed, scale, and relevance to the vast volumes of data being generated.

Our platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. At the core of the Elastic Stack is Elasticsearch - a highly scalable document store and search engine, and the only data store for all of our solutions and use cases. Another key component of the Elastic Stack is Kibana, which delivers a single user interface across all of our solutions, with powerful drag-and-drop visual analytics, and centralized management of the platform. Our out-of-the-box solutions for fast time to value, paired with our developer-centric platform that is extensible and customizable, all built around a core data store and single user experience that we control, allow us to innovate fast and differentiate our offerings at every level.

We make our platform available as a hosted, managed service across major cloud providers (Amazon Web Services (“AWS”), Google Cloud Platform (“GCP”), and Microsoft Azure) in more than 50 public cloud regions globally. Customers can also deploy our platform across hybrid clouds, public or private clouds, and multi-cloud environments.

Our business model is based primarily on a combination of a paid Elastic-managed hosted service offering and paid and free proprietary self-managed software. Our paid offerings for our platform are sold via subscription through resource-based pricing, and all customers and users have access to all solutions. In Elastic Cloud, our family of cloud-based offerings under which we offer our software as a hosted, managed service, we offer various subscription tiers tied to different features. For users who download our software, we make some of the features of our software available for free, allowing us to engage with a broad community of developers and practitioners and introduce them to the value of the Elastic Stack. We believe in the importance of an open software development model, and we develop the majority of our software in public repositories as open code under a proprietary license. Unlike some companies, we do not build an enterprise version that is separate from our free distribution. We offer a single code base across both our self-managed software and Elastic-hosted services. All of these actions help us build a powerful commercial business model that we believe is optimized for product-led growth.

Our customers often significantly expand their usage of our products and services over time. Expansion includes increasing the number of developers and practitioners 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 this type of expansion within our customer base, both within as well as across solutions. Because our business model provides access to all solutions with resource-based pricing, we make it easy for customers to expand across use cases.

Our business has experienced rapid growth around the world. As of April 30, 2022, we had over 18,600 customers compared to over 15,000 customers and over 11,300 customers as of April 30, 2021 and 2020, respectively. Our revenue was $862.4 million in the year ended April 30, 2022 (“fiscal 2022”), $608.5 million in the year ended April 30, 2021 (“fiscal 2021”), and $427.6 million in the year ended April 30, 2020 (“fiscal 2020”), representing year-over-year growth of 42% for each of the years ended April 30, 2022 and 2021. Subscriptions accounted for 93%, 93% and 92% of our total revenue in the years ended April 30, 2022, 2021 and 2020, respectively. Revenue from outside the Netherlands accounted for 96.7% of our total revenue for each of the years ended April 30, 2022 and 2021 and 97.3% for the year ended April 30, 2020.

In the years ended April 30, 2022 and 2021, we incurred net losses of $272.4 million, and $170.1 million, respectively. Our net cash provided by operations was $ 15.8 million and $30.9 million for the year ended April 30, 2022 and 2021, respectively. We expect we will continue to incur net losses for the foreseeable future.

Our Products

Our products enable our customers and users to instantly find relevant information and insights in large amounts of data across a broad range of business and consumer use cases.

We offer the Elastic Stack, a powerful set of software products that ingest and store data from any source, in any format, and perform search, analysis, and visualization, usually in milliseconds. The Elastic Stack can be used by developers to power a variety of use cases. We also offer software solutions built in the Elastic Stack that address a wide variety of use cases. The Elastic Stack and our solutions are designed to run in public or private clouds, in hybrid environments, or in multi-cloud environments.

The Elastic Stack

The Elastic Stack is primarily composed of the following products:

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

The Elastic Stack also supports data ingest with a number of supporting products

- **Elastic Agent.** Elastic Agent is a single, unified way to add monitoring for logs, metrics, and other types of data to each host. Elastic Agent includes integrated host protection and central management.
- **Beats.** Beats is the family of lightweight, single-purpose data shippers for sending data from edge machines to Elasticsearch or Logstash.
- **Logstash.** Logstash is the dynamic data processing pipeline for ingesting data into Elasticsearch or other storage systems from a multitude of sources simultaneously.

Paid proprietary features in the Elastic Stack enable capabilities such as automating anomaly detection on time series data at scale through machine learning, facilitating compliance with data security and privacy regulations, supporting search across low cost cold and frozen data tiers, and allowing real-time notifications and alerts. The source code of features in the Elastic Stack is generally visible to the public in the form of “open code.”

Our Solutions

We have built a number of solutions into the Elastic Stack to make it easier for organizations to use our software for common use cases. Our solutions include:

- **Enterprise Search.** Our Enterprise Search solution provides powerful search for documents and results living in applications, websites, and workplaces. Key use cases for Enterprise Search include: search applications, a foundation for building search experiences to support websites and portals, e-commerce, mobile app search, and customer support; and workplace search, an out-of-the-box search solution for the workplace that seamlessly connects to the most widely used enterprise systems and tools.
- **Observability.** Our Observability solution enables unified analysis across the IT ecosystem of applications, networks, and infrastructure. Observability includes: Logs, to search and analyze petabytes of structured and unstructured logs; Metrics, to search and analyze numeric and time series data; application performance monitoring (“APM”), to deliver insight into application performance and health metrics and provide developers with confidence in their code; and Synthetic Monitoring, to proactively monitor the availability and functionality of user journeys.
- **Security.** Our Security solution provides unified protection to prevent, detect, and respond to threats. Security includes: SIEM, with integrations to network, host, user, and cloud data sources, as well as workflow and operations, shareable analytics, incident

management, and investigations; Endpoint Security, for prevention, detection and response with a single, stack-integrated agent; Extended Detection and Response ("XDR"), providing protection across infrastructure from SIEM to Endpoint; and Cloud Security, providing cloud posture assessment and protecting cloud workloads with one integrated solution.

Our Deployment Options

The Elastic Stack and our solutions can be deployed in public or private clouds, in hybrid environments, or in multi-cloud environments, to satisfy various user and customer needs. Elastic Cloud, our family of cloud-based offerings, is hosted on major public cloud providers. We also partner with other cloud providers who offer our software to users on their cloud platform as a hosted offering.

Users can also download and manage their own deployments of the Elastic Stack and our solutions. To help with more complex deployment scenarios, we offer paid proprietary products to deliver centralized provisioning, management, and monitoring across multiple deployments.

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 broad 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 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 usage of Elastic Cloud.** We believe that Elastic Cloud represents a significant growth opportunity. We plan to expand Elastic Cloud geographically. We plan to continue to invest resources in increasing the adoption of Elastic Cloud.
- **Increase product adoption by improving ease of use and growing our user 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, our user conferences, which we call ElasticON, and engagement on our website, user forums, and code repositories, to grow our user community.

- **Expand our customer base by acquiring new customers.** Through Elastic Cloud, we provide the fastest and easiest way to get started with a free trial. However, there is no free subscription tier in Elastic Cloud. Self-managed users can easily download our software directly from our website and access many features free of charge, which also facilitates 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 products and services to extend into new use cases, industries, geographies, and customers.
- **Expand our strategic and regional partnerships.** Our partners assist us in driving awareness of Elastic and our products, using 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 strategic acquisitions**. Since inception, we have selectively pursued strategic acquisitions to drive product and market expansion. The focus of our most recent acquisitions has been to enhance the technology underlying our Security and Observability offerings. We intend to continue to pursue acquisitions selectively.

Customers

Organizations of all sizes, across many industries, both private and public, purchase our products for a variety of use cases. As of April 30, 2022, we had over 18,600 customers compared to over 15,000 customers and over 11,300 customers as of April 30, 2021 and 2020, respectively. No customer represented more than 10% of our total revenue for the years ended April 30, 2022, 2021 and 2020.

Engineering

Our engineering organization focuses on enhancing existing products and developing new features that are easy to use and can be run in any environment including in public or private clouds, in hybrid environments, or in multi-cloud 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 of the Elastic Stack. 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.

We intend to continue to invest in our research and development capabilities to extend our products. Research and development expense totaled $300.7 million and $212.5 million, in the years ended April 30, 2022 and 2021, respectively. We plan to continue to devote significant resources to research and development.

Sales and Marketing

We make it easy for users to begin using our products in order to drive rapid adoption. Users can either sign up for a free trial on Elastic Cloud or download our software directly from our website without any sales interaction, and immediately begin using the full set of features. Users can also sign up for Elastic Cloud through public cloud marketplaces.

With our business model, where users can download and use many of our features for free, our sales prospects are often already familiar with or using our platform. We conduct low-touch campaigns to keep users and customers engaged once they have begun using Elastic Cloud or downloaded our software. This includes providing high-quality content, documentation, webinars, videos, and blogs through our website. We also drive high-touch engagement with qualified prospects and customers to drive further awareness, adoption, and expansion of our products with paid subscriptions. The majority of our new customers use Elastic Cloud. Many of these customers start with limited initial spending, but can significantly grow their spending.

Our sales teams are organized primarily by geography and secondarily by customer segments. We rely on inside sales development representatives to qualify leads based on their likelihood to make a purchase. We pursue sales opportunities both through a direct sales motion and assisted by partners, including through cloud marketplaces. 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.

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 Amazon, Google, and Microsoft to offer Elastic Cloud on AWS, GCP, and Microsoft Azure, through direct purchase from us or their respective marketplaces. We also partner with other cloud providers to offer our free and paid proprietary features to users on their cloud platforms.
- **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 (“OEM”) and managed service provider (“MSP”) partners embed an Elastic subscription into the products or services they offer to their customers. OEM or MSP partners are able to include Elastic’s 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. Technology partners represent a deeper collaboration than community contributions and are distinct from distribution-oriented relationships like OEMs and MSP partners.

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 users to download, install, deploy and use the Elastic Stack and our solutions. To this end, our user community functions as a source of support and enables users 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 consists of highly technical support engineers who provide support experiences including troubleshooting, technical audits, cluster tuning, and upgrade assistance. Our support team is distributed across over 25 countries and provides coverage 24 hours per day, 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 platform consists of the Elastic Stack, our solutions, and software that supports our various deployment alternatives. Because our solutions are built into the Elastic Stack, innovations and new capabilities in the Elastic Stack may benefit many of our solutions. Our customers can customize and extend our solutions to fit their needs by leveraging the power of the Elastic Stack and our developer capabilities.

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 languages.** 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.
- **Vector search.** Elastic natively supports vector search, which enables a wide range of advanced search use cases that improve relevance, including sophisticated search ranking, image search, question answering, and more. Vector search relies on a next generation of machine learning models that can represent many types of content as vectors, including text, images, events, and more. As data volumes and formats explode, this sophisticated approach to search and relevance is becoming important for use cases where delivering maximum relevance is critical.
- **Developer friendliness.** Elasticsearch has consistent, well-documented 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.
- **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.
- **Home for Solutions**. Kibana is where our users and customers access the user interfaces for our Enterprise Search, Observability, and Security solutions. Kibana provides core services, like security, alerting, and data visualization components. This makes it easy for users to discover all of the capabilities our solutions provide, and enables solution users to benefit from the core capabilities of Kibana.
- **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.

Elastic Agent, 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. Elastic Agent is a single, unified way to add monitoring for logs, metrics, and other types of data to each host, and also includes integrated host protection and central management. Beats are lightweight agents purpose-built for collecting data on devices, servers, and inside containers. Key features include the following:

- **Data shippers**. Elastic Agent introduces a new single agent architecture across hosts that simplifies management and deployment. Elastic Agent is based on the architecture of Beats, 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 90 Beats have been shared by the community via Elastic documentation and many more are available through code sharing platforms such as GitHub.
- **Host protection.** Specifically with Elastic Agent, we extend protection to hosts in addition to data transfer. Elastic Agent stops malware and ransomware and enables environment-wide visibility and advanced threat detection.

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, 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 data stores. We develop and support more than 80 plugins for many common integrations.
- **Logstash extensibility and community plugins.** A vibrant community of users extends our reach through hundreds of 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 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.

Enterprise Search gives users the tools to bring search experiences to customers, partners and teams quickly and scale them seamlessly.

- **Search applications.** Customers can bring the focused power of Elasticsearch to their company website, ecommerce site, or applications with a refined set of APIs and intuitive dashboards. Elastic delivers seamless scalability, tunable relevance controls, thorough documentation, well-maintained clients, and robust analytics to build a leading search experience. Customers can build rich applications directly on top of Elasticsearch, or they can use our Application Search framework to rapidly build and customize search applications.
- **Workplace search.** Customers can deploy internal workplace search to bring modern search to collaborative decisions and experiences. Elastic seamlessly connects to some of the world's most widely adopted productivity tools, customer relationship management platforms, cloud storage platforms, collaboration tools, operation management platforms, and content management systems. Custom sources provide an elegant set of APIs that lets customers and users ingest any type of content from even more sources while preserving access control information.

Observability combines analysis across the IT ecosystem of IT applications, networks, and infrastructure to deliver actionable insights into performance, availability, usability, adoption, and anomalous behavior.

- **Logs.** Logs indexes, searches, and analyzes structured and unstructured logs at large scale to monitor the health and performance of an organization's services, infrastructure, and applications. Users can analyze and visualize information extracted from logs to understand system behavior and trends to optimize performance and preemptively address potential issues. By querying logs in ad hoc ways, users can triage, troubleshoot, and resolve performance issues.
- **Metrics.** Metrics ingests, searches, visualizes, and analyzes numeric and time series data from IT systems, including applications, data stores, hosts, containers, cloud infrastructure, and more. Users can review performance and utilization trends to optimize and plan for future needs. Metrics helps users deliver on infrastructure service level objectives ("SLOs"), and resolve downtime or performance issues by understanding how the state of individual components fits into the bigger picture.
- **APM.** APM delivers insight into application performance at the code level. Developers can instrument apps and see the lifecycle of a transaction across services from front end to back end. This can give developers confidence in the code they ship, and can give operational

teams visibility into code-level errors and performance bottlenecks to accelerate root cause analysis and resolution during an investigation.
- **Synthetic Monitoring.** Customers and users leverage Synthetic Monitoring to track and monitor the availability of the hosts, websites, services, and application endpoints that support business operations. Through proactive monitoring, customers can detect troublesome components before they are reported by end users.

Security delivers unified protection to prevent, detect, and respond to a variety of threats across the IT ecosystem.

- **SIEM.** Elastic SIEM automates threat detection and remediation, reducing mean time to detect ("MTTD") and mean time to respond ("MTTR"). With prebuilt Elastic Agent and Beats integrations, SIEM can ingest data from cloud, network, endpoints, applications, and other systems. With Elastic Common Schema ("ECS"), users can centrally analyze information like logs, flows, and contextual data from disparate data sources. SIEM provides an interactive workspace for security teams to detect and respond to threats. Teams can triage events and perform investigations, gathering evidence on an interactive timeline. SIEM also streamlines opening and updating cases, forwarding potential incidents to security operations workflows and IT ticketing systems.
- **Endpoint Security.** Endpoint Security combines prevention, detection, and response into a single, autonomous agent that can even run in isolated environments. It is designed for ease of use and for speed, and can help stop threats in early stages of an attack. Endpoint Security includes protection against ransomware, malware, phishing, exploits, fileless attacks, and more.
- **XDR.** XDR extends detection and response across the entire attack surface. When deployed together, SIEM and Endpoint Security provide a strong security posture with broad visibility on potential threats. XDR delivers a unified security stack, protecting across endpoints, cloud, and the broader environment, letting customers minimize vendor sprawl, harness actionable data, and provide defense in depth to minimize time to resolution.
- **Cloud Security.** Cloud Security protects cloud deployments with rich visibility into cloud posture paired with runtime protection for cloud workloads with prevention, detection, and response capabilities, all in one integrated solution.

Community

Our team extends beyond our employee base. It includes all the users who download our software. Our users interact with us on our website forums and on Twitter, GitHub, Stack Overflow, 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—including both free and paid capabilities —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, quickly evolving, fragmented, and subject to rapid changes in technology, shifting customer needs, and frequent introductions of new offerings. Our principal competitors include:

- For Enterprise Search: offerings such as Solr (open source offering) and Lucidworks Fusion, search tools including Google Programmable Search Engine, and workplace search tools including Coveo, and Endeca (owned by Oracle).

- For Observability: software vendors with specific observability solutions to analyze logging data, metrics, APM data, or infrastructure uptime, such as Splunk, New Relic, Dynatrace, AppDynamics (owned by Cisco Systems) and Datadog.
- For Security: security vendors such as Splunk, Azure Sentinel (by Microsoft), CrowdStrike, Carbon Black (owned by VMware), McAfee and Symantec (owned by Broadcom).
- Certain cloud hosting providers and managed service providers, including Amazon Web Services, that offer products based on a forked version of the Elastic Stack. 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 and execution of sales and marketing strategies;
- flexible deployment model across public or private clouds, hybrid environments, or multi-cloud environments;
- productized solutions engineered to be rapidly adopted to address specific applications;
- mindshare with developers and IT and security executives;
- adoption of products by many types of users and decision makers (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 and presence, more established relationships with current or potential customers and partners, 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 search applications and workplace 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

We rely on 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 to safeguard our core technology and other intellectual property assets. In addition, we maintain a policy requiring our employees, contractors, and consultants to enter into confidentiality and invention assignment agreements. As of April 30, 2022, we had a number of active patents, issued in both the United States and outside of the United States, with expirations ranging from 2031 to 2039. In addition, as of April 30, 2022, we had numerous U.S. and international trademark registrations.

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. For additional information, see the section titled “Risk Factors—Risks Related to the Business.”

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 (“Apache 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.

Environmental, Social and Governance Matters

In July 2022, we released our inaugural environmental, social, and governance (“ESG”) report. Our ESG report is available on our website. The report details the ways in which we are addressing today's challenges with transparency and accountability to enhance the lives of our employees, customers, and society at large, and it also reviews our progress against the Sustainability Accounting Standards Board (SASB) standards for the Software and IT Services industry. We also align with select United Nations Sustainable Development Goals (UN SDGs), where we believe we can have the greatest impact. We rally around four core ESG pillars: social impact, governance, environmental impact, and our products' societal impact. We believe that operating Elastic in an environmentally and socially responsible manner, while employing principled, effective and transparent governance practices, will help drive long-term value for all of our stakeholders, including our shareholders, employees, customers, creditors and communities.

ESG Oversight
The Nominating and Corporate Governance Committee of the Board oversees our ESG activities, programs, and public disclosure. Additionally, we established an ESG steering committee consisting of our Chief Financial Officer and Chief Operating Officer; Senior Vice President, Global Human Resources; Chief Legal Officer; and Chief Marketing Officer. The ESG steering committee’s responsibility is to provide applicable approvals and strategic direction to our cross-functional ESG working group, which implements ESG initiatives throughout Elastic and contributes to developing ESG disclosures. The ESG steering committee also provides updates to the Nominating and Corporate Governance Committee and the Board.

Environment

We believe that environmentally responsible operating practices are important to generating value for our stakeholders, being a good partner to our customers, and being a good employer to our employees.

As a company distributed by design we have a distributed workforce, which helps reduce our environmental footprint by decreasing long commutes and the corresponding environmental impact, energy usage and waste that can come with operating numerous large physical offices that would typically be needed to house a traditional in-office workforce. While we do have physical office spaces throughout the world, the space is limited (as shown by our in-office people-to-desk ratio of 3:1) and we strive to limit the amount of space used to what is necessary to support our operations globally, and as noted previously, we support a distributed workforce by providing reimbursements for home office equipment. Additionally, our workplace team runs several in-office initiatives to positively impact our environmental efforts on a daily basis, including plastic water bottle removal, packaging reduction, in-office recycling, bio-waste reduction and water management.

Social Impact

Our employees (whom we call “Elasticians”) and our culture are vital to Elastic’s long-term success. We invest in our people by focusing on:

- Attracting, engaging and retaining talent;
- Maintaining our strong company culture;
- Enhancing our diversity, equity and inclusion (“DEI”);
- Continuing strong employee engagement;
- Facilitating continuous employee learning and development; and
- Offering effective total rewards, including employee well-being.

Our management regularly updates our board of directors and its committees on human capital trends and employee-focused activities and initiatives.

As of April 30, 2022, we had a total of 2,978 employees in over 40 countries globally. In addition, over 30% of our workforce encompasses women and non-binary employees. None of our employees are 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.

Our Culture

We describe our culture by the Elastic "source code," the things that make Elastic, Elastic. Our source code guides our culture, business, product development, people practices and brand. The guiding ideas are:

- **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.

Elastic was born a distributed company and continues to be distributed by design. We have designed our processes, systems, and teams so that employees can generally perform their jobs without needing to be physically present in the same room or even in the same time zone. Just as distributed systems are more resilient, we believe that being distributed helps build a strong company that can scale and adapt as new challenges arise. Having a distributed workforce gives us a global candidate pool, which gives us the opportunity to cast a wider recruiting net, a critical aspect of helping open our pipelines to a broader set of diverse talent.

Diversity, Equity and Inclusion

Our focus on DEI is critical to how we develop, strengthen and sustain a sense of belonging and inclusion among all Elasticians.

- **Balanced Teams.** We strive to be an employer of choice for a diverse and inclusive workforce through our talent brand, talent attraction, development, and retention efforts. Our recruiting approach is underpinned by the desire to create balanced teams at Elastic, which includes considering broad aspects of diversity from race and gender mix as well as diversity of thought, experience and tenure when recruiting new team members. In fiscal 2022, the created-by-women-for-women workplace review site, Fairygodboss, once again recognized

Elastic as number one in the Best Technology Company for Women category, and as one of the best workplaces for women in two additional categories: Best Company for Women, and Best Company Where CEOs Support Gender Diversity.

- **Elastician Resource Groups**. We strive to embed DEI deep within our culture through various initiatives, projects and programs, the centerpiece of which is the Elastician Resource Groups, which are organizationally sponsored, self-organized, Elastician-run groups. Aligned to specific shared identities, interests, affinity or allyship, such as Latinx, parent(s), disability or accessibility, Black, LGBTQ+ and others, each group identifies goals and objectives with executive sponsorship to ensure that they provide tangible benefits and result in all Elasticians feeling a sense of belonging.
- **Fair Pay**. We have fair and consistent compensation practices through our use of local third-party market data specific to each country, where available, so that we understand local compensation and cost of labor levels. We retain external experts to review our compensation outcomes on an ongoing basis to ensure they are bias-free and fairly reward employee performance and contributions. We take great pride in our focus on fair pay and the positive results we've established. Our external review continues to validate that we have gender-based pay parity between male and female Elasticians globally.
- **Code of Conduct.** All of our employees must adhere to a code of business conduct and ethics that sets standards for appropriate behavior and, as mentioned above, are required to complete annual training on the code of business conduct and ethics and training to help prevent, identify and report any type of discrimination and harassment.

Employee Engagement

We are committed to ensuring that Elasticians have a voice in how we can collectively make Elastic a better place to work.

- **New Employee Onboarding.** Our new employee onboarding experience is centered around attending "X-School", our extensive new-hire orientation program, which enables new Elasticians to meet and collaborate with other new Elasticians from around the globe and to learn about our products and solutions.
- **Engagement Surveys.** We maintain a regular pulse on how our employees are feeling through two primary feedback mechanisms – an annual employee engagement survey and a mid-year pulse survey check-in. The results of these surveys are reviewed at the company, functional, team and manager level, with action plans put in place annually. Elasticians were highly engaged in providing feedback in fiscal years 2022 and 2021, with very high participation rates for the mid-year and annual surveys as well as high engagement scores across a spectrum of questions.

Learning and Development

Our Learning & Organizational Development team's mission to enable Elasticians to pursue their purpose, in work and life, makes for a better Elastic. To that end, we have a variety of ways in which we support the continuous learning and development of all Elasticians, including access to on-demand video based learning.

We also conduct specific programs to develop managers and leaders at Elastic, including our flagship leadership development program - *Leading Strategically,* an externally-led program focused on high-performing leaders who have the potential to have a significant strategic impact on the achievement of our long-term objectives.

Total Rewards

- **Compensation, Benefits and Well-being.** We provide market competitive compensation which typically includes cash compensation as well as equity awards. Reflecting our interest in the whole person, we provide programs designed to enable Elasticians to meet their well-being goals, from starting a family to being at their physical and emotional best. These programs include market competitive medical and dental programs, in addition to focus on mental health and holistic well-being. We provide market competitive paid time off programs, including offering 16 weeks of paid leave to all new parents, life-planning benefits and other travel reimbursements for certain healthcare services. In addition, we provide retirement and income protection plans, which include a 401k plan with a dollar-for-dollar match by Elastic up to 6% of eligible earnings up to a plan-limit maximum for U.S.-based Elasticians as well as similar competitive plans outside of the United States.

- **Flexible Work Environment.** Since inception, we have provided most Elasticians with the ability to work from where they are as they are. We know that being face-to-face is important too, and we have physical offices around the world to provide a space for employees to work from if they wish.
- **Involvement in the Community.** Through Elastic Cares, employees can support the charitable organizations that matter the most to them on a local and global level. Elastic Cares is a program consisting of donation matching, our nonprofit organization program which provides our technology for free to certain nonprofit organizations, and our volunteer time off ("VTO") initiative. Employees are encouraged to volunteer for charitable organizations throughout the year using our VTO program which provides our employees with 40 hours of volunteer time each year.

COVID-19 Response

During the COVID-19 pandemic, our primary focus was and continues to be on the safety and well-being of our employees and their families while also providing them with the flexibility and support needed for the frequently-changing COVID-19 landscape. Given the significant personal and professional impact of the COVID-19 pandemic, we provided reimbursements for home office equipment, pandemic-specific learning opportunities for our employees and fun virtual activities to help teams bond. To allow employees to deal with and alleviate the physical, mental, and emotional effects of the pandemic on themselves and loved ones, we continued offering digital mental health services, COVID leave and company-wide days off called "Shut It Down Days," generally twice per month. During fiscal 2022, we gradually reopened offices and invited our employees to return to work on a voluntary basis if they wished to do so, reduced travel restrictions, and opened up small in-person events, determined on a regional basis.

Governance

Our board of directors sets high standards for itself and the officers and employees of the Company. Implicit in this philosophy is the importance of sound corporate governance. We believe it is the duty of the board of directors to serve all our stakeholders, including our shareholders, and to oversee the management of the Company's business. To fulfill its responsibilities, the board of directors follows the procedures and standards set forth in our corporate governance guidelines, board rules, code of business conduct and ethics and other governance policies. To further promote better governance and a higher standard of ethical and professional conduct across the entire company, we have mandatory trainings and policy acknowledgments for employees with respect to our code of business conduct and ethics and other significant compliance policies. We also maintain an ethics hotline where employees and third parties can confidentially report any concerns about possible violations of our code of business conduct and ethics and compliance policies. We thoroughly investigate any compliance-related reports we receive through the hotline or other reporting channels and take appropriate remedial action when warranted. You can find certain of our governance documents and compliance policies on our website at www.elastic.co.

We believe that good corporate governance provides a strong foundation for operating our business in a manner that is fair, ethical and responsible and is therefore essential to the long-term success of our company. Our board of directors and its committees participate in setting the tone for our company in this regard, as they regularly review and, as appropriate, update various corporate governance and other key policy documents in light of current regulations and best practices, and monitor and strive to ensure compliance with such corporate governance and key policy documents.

We recognize the importance of diversity within our board of directors and we believe that our business benefits from a board of directors with a wide range of skills and a variety of different backgrounds and that a diverse composition contributes to a well-balanced decision-making process by the board of directors. As such, we have a diversity policy that identifies the importance of considering potential director candidates' diversity, including nationality, age, gender, race, ethnicity, education and experience. Currently, 33.3% of our directors are female, and 33.3% of our self-identify as being racially, ethnically, or nationally diverse.

We believe that our efforts for effective corporate governance are illustrated by, among others, the following practices:

- Seven out of nine continuing directors and director nominees standing for appointment at the Annual Meeting are independent under the applicable rules and regulations of the SEC and the listing requirements and rules of the NYSE.

- The Chairman of our board of directors is independent.
- Our board of directors has both a Lead Independent Director and a Vice-Chairman, both of whom are independent.
- All of our board committees are comprised of independent directors.
- The functioning of our board of directors and board committees is evaluated at least annually.
- The leadership structure of our board of directors is reviewed regularly.
- Our key corporate governance and compliance policies are reviewed regularly.
- Our board of directors and its committees may hire outside advisors independently of management.
- Our insider trading policy contains anti-hedging and anti-pledging provisions.

Global Data Privacy
We are committed to the highest ethical standards and dedicated to complying with all applicable laws and safeguarding all data entrusted to us. Working to maintain the trust and confidence of our customers is at the center of our global privacy and information security program. Elastic's data protection program and policies (i.e. global privacy statement and cookie policy) leverage technology and robust governance practices in an effort to protect data. We have dedicated teams that include privacy and compliance counsel, our chief information security officer, our European data protection officer, and experienced security operations teams working to protect data. We invest in technical, organizational, and administrative measures throughout our infrastructure, including our cloud offerings. Elastic's program includes transparency, physical and logical controls, vulnerability monitoring, data availability, supply-chain risk management and a legal compliance framework designed to address applicable laws and regulations relating to privacy and information security. Further, our services have been independently audited and are the subject of numerous certifications and attestations relating to specified privacy and security standards.

Vendor Code of Conduct
We also recognize the foundational value that promoting an ethical business environment brings to all market participants and strive to support a business environment that allows us and our suppliers to flourish. We have adopted and make publicly available a global vendor code of conduct and are working to develop programs using several industry standards such as, among others, International Standards Organization and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

Product Societal Impact

Elastic is committed to building products that create a positive societal impact. The Elastic Search Platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. The company's open source roots allow Elastic to provide its solutions to a large community of users for free. This encourages innovation and efficiency to operate at scale for both non-profit organizations and for-profit customers. Elastic's solutions have allowed our customers to positively impact society in various ways, including but not limited to enabling human security and combating trafficking, reducing carbon footprint, and providing energy-savings through efficient and reduced power consumption.

Elastic Community Engagement
At Elastic, community matters. We recognize that our team extends beyond our employees to our community of users, which includes all the users who download our software. Our users interact with us on our website and forums and on Twitter, GitHub, Stack Overflow, Quora, Facebook, and more. In order to build products that best meet our users' needs, we focus on, and invest in, continuing to build 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 more than code and it is core to our identity, binding our products closely together with our users.

To recognize the contributions of our community members, we have an Elastic Contributor Program to recognize the hard work of our awesome contributors, encourage knowledge sharing within the Elastic community and to build friendly competition around contributions. Further, we created the Elastic Excellence Awards program, which celebrates philanthropic, innovative and transformative projects and the people behind them. Through our engagement with our community through programs such as the Elastic Contributor Program and Elastic Excellence Awards, we aim to acknowledge and recognize our valued community members who have brought us to where we are now.

Government Regulations

Our worldwide business activities are subject to various laws, rules, and regulations of the United States as well as of foreign governments. Compliance with these laws, rules, and regulations has not had, and is not expected to have, a material effect upon our capital expenditures, results of operations, or competitive position. Nevertheless, compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, business acquisitions, consumer and data protection, and taxes, could have a material impact on our business. Refer to Item, “Risk Management and Risk Factors” of this Report for a discussion of these potential impacts.

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.

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 +1 (650) 458-2620. We are registered with the trade register of the Dutch Chamber of Commerce under number 54655870. 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 U.S. Securities and Exchange Commission ("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.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Report. As discussed in the section titled "Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such difference include, but are not limited to, those identified below and those discussed in the section titled "Risk Management and Risk Factors" included elsewhere in this Report. Our fiscal year end is April 30.

Overview

Elastic is a data analytics company built on the power of search. Our platform, which is available as both a hosted, managed service across public clouds as well as self-managed software, allows our customers to almost instantly find insights from large amounts of data and take action. We offer three search-powered solutions – Enterprise Search, Observability, and Security – that are built into the platform. We help organizations, their employees, and their customers find what they need faster, while keeping mission-critical applications running smoothly, and protecting against cyber threats.

Our platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. At the core of the Elastic Stack is Elasticsearch - a highly scalable document store and search engine, and the only data store for all of our solutions and use cases. The Elastic Stack can be used by developers to power a variety of use cases. It is a distributed, real-time search and analytics engine and data store for all types of data including textual, numerical, geospatial, structured, and unstructured.

We make our platform available as a hosted, managed service. Customers can also deploy our platform across hybrid clouds, public or private clouds, and multi-cloud environments. As digital transformation and cloud adoption drive mission critical business functions online and to the cloud, we believe that every company will need to build around a search-based data analytics platform, one which brings speed, scale, and relevance to the vast volumes of data being generated. During the year ended April 30, 2022, we acquired 100% of the share capital of cmdWatch Security Inc. ("Cmd"), Build Security Ltd. ("build.security") and Optimyze.cloud Inc. ("Optimyze") for a combined total consideration of $135.0 million. With these acquisitions, we will be able to extend cloud security protections for our customers from endpoint to cloud workload and provide our customers with cloud security protections from build-time, to deployment-time, to runtime, and extend our Observability solution to enable "always on" continuous profiling for infrastructure, applications, and services.

Our business model is based primarily on a combination of a paid Elastic-managed hosted service offering and paid and free proprietary self-managed software. Our paid offerings for our platform are sold via subscription through resource-based pricing, and all customers and users have access to all solutions. In Elastic Cloud, our family of cloud-based offerings under which we offer our software as a hosted, managed service, we offer various subscription tiers tied to different features. For users who download our software, we make some of the features of our software available for free, allowing us to engage with a broad community of developers and practitioners and introduce them to the value of the Elastic Stack. We believe in the importance of an open software development model, and we develop the majority of our software in public repositories as open code under a proprietary license. Unlike some companies, we do not build an enterprise version that is separate from our free distribution. We offer a single code base across both our self-managed software and Elastic-hosted services. All of these actions help us build a powerful commercial business model that we believe is optimized for product-led growth.

We generate revenue primarily from sales of subscriptions to our platform. We offer various paid subscription tiers that provide different levels of rights to use proprietary features and access to support. We do not sell support separately. Our subscription agreements typically have terms of one to three years and we usually bill for them annually in advance. Elastic Cloud customers may also purchase subscriptions on a month-to-month basis without a commitment, with usage billed at the end of each month. Subscriptions accounted for 93%, 93% and 92% of total revenue for the years ended April 30, 2022, 2021, and 2020, respectively. We also generate revenue from consulting and training services.

We make it easy for users to begin using our products in order to drive rapid adoption. Users can either sign up for a free trial on Elastic Cloud or download our software directly from our website without any sales interaction, and immediately begin using the full set of features. Users can also sign up for Elastic Cloud through public cloud marketplaces. We conduct low-touch campaigns to keep users and customers engaged once they have begun using Elastic Cloud or downloaded our software. As of April 30, 2022, we had over 18,600 customers compared to over 15,000 customers and over 11,300 customers as of April 30, 2021 and 2020, respectively. The majority of our new customers use Elastic Cloud. We define a customer as an entity that generated revenue in the quarter ending on the measurement date from an annual or month-to-month subscription. Affiliated entities are typically counted as a single customer.

Many of these customers start with limited initial spending, but can significantly grow their spending. We drive high-touch engagement with qualified prospects and customers to drive further awareness, adoption, and expansion of our products with paid subscriptions. Expansion includes increasing the number of developers and practitioners using our products, increasing the utilization of our products for a particular use case, and applying our products to new use cases. The number of customers who represented greater than $100,000 in annual contract value ("ACV") was over 960, over 730, and over 610 as of April 30, 2022, 2021 and 2020, respectively. The ACV of a customer's commitments is calculated based on the terms of that customer's subscriptions, and represents the total committed annual subscription amount as of the measurement date. Month-to-month subscriptions are not included in the calculation of ACV.

Our sales teams are organized primarily by geography and secondarily by customer segments. They focus on both initial conversion of users into customers and additional sales to existing customers. In addition to our direct sales efforts, we also maintain partnerships to further extend our reach and awareness of our products around the world.

We have experienced significant growth, with revenue increasing to $862.4 million for the year ended April 30, 2022 from $608.5 million for the year ended April 30, 2021 and $427.6 million for the year ended April 30, 2020, representing year-over-year growth of 42% for each of the years ended April 30, 2022 and 2021. For the year ended April 30, 2022, revenue from outside the Netherlands accounted for 96.7% of our total revenue. For our non-U.S. operations, the majority of our revenue and expenses are denominated in currencies such as the Euro and British pound. No customer represented more than 10% of our total revenue for the years ended April 30, 2022, 2021, and 2020. We have not been profitable to date. For the years ended April 30, 2022, 2021 and 2020, we incurred net losses of $272.4 million, $170.1 million and $191.7 million, respectively. Our net cash provided by operating activities was $15.8 million and $30.9 million for the years ended April 30, 2022 and 2021, respectively. We have experienced losses in each year since our incorporation and as of April 30, 2022, had an accumulated deficit of $930.0 million. We expect we will continue to incur net losses for the foreseeable future. There can be no assurance as to when we may become profitable.

We continue to make substantial investments in developing the Elastic Stack and our solutions and expanding our global sales and marketing footprint. With a distributed team spanning over 40 countries, we are able to recruit, hire, and retain high-quality, experienced technical and sales personnel and operate at a rapid pace to drive product releases, fix bugs, and create and market new products. We had 2,978 employees as of April 30, 2022.

In July 2021, we issued $575.0 million aggregate principal amount of 4.125% Senior Notes due July 15, 2029 (the "Senior Notes") in a private placement. We intend to continue to use the net proceeds from the offering of the Senior Notes for general corporate purposes, which may include capital expenditures, investments and working capital. In addition, in the past we have considered, and may continue to consider, acquisitions and strategic transactions, and we may use the net proceeds of this offering for such purposes.

COVID-19

The ongoing COVID-19 pandemic continues to evolve and negatively impact worldwide economic activity. Efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in many of the regions in which we sell our products and services and conduct our business operations, negatively impacting worldwide economic activity. The impact of the COVID-19 pandemic has varied significantly across different industries with certain industries experiencing increased demand for their products and services, while others have struggled to maintain demand for their products and services consistent with historical levels. The ongoing impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the virus, success of preventative measures to contain or mitigate the spread of the virus and emerging variants, effectiveness, distribution and acceptance of COVID-19 vaccines, impact on our customers and our sales cycles, impact on our customer, employee or industry events, effect on our vendors, and the uneven impact of the COVID-19 pandemic on certain industries, all of which continue to remain uncertain and cannot be predicted.

Notwithstanding the potential and actual adverse impacts described above, as the pandemic has caused more of our customers to shift to a virtual workforce or accelerate their digital transformation efforts, we believe the value of our solutions has become even more evident. In addition, we have benefited from lower spending on travel by our employees due to COVID-19 travel restrictions and from holding events virtually, however we expect live events and travel costs to trend back higher in the near-term.

In response to the COVID-19 pandemic and in an effort to focus on maintaining business continuity and preparing for the future and long-term success of our business, we have taken precautionary measures intended to help minimize the risk of the virus to our employees, customers, and the communities in which we operate, including modifying our business practices, such as suspending employee travel, adapting employee work locations, and holding events and trainings virtually. Further, we also temporarily reduced the pace of investments in our business in response to the COVID-19 pandemic in the first quarter of fiscal 2021, but began to gradually increase our investments in our business in subsequent quarters. We intend to continue to make additional investments in the business in fiscal 2023. We continue to monitor the major impacts of the COVID-19 pandemic and make changes in our business as appropriate, in response to such impacts. See Risk Management and Risk Factors of this Report for a discussion of additional risks.

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.

- **Increasing adoption of Elastic Cloud.** Elastic Cloud, our family of cloud-based offerings is an important growth opportunity for our business. Organizations are increasingly looking for hosted deployment alternatives with reduced administrative burdens. In some cases, users of our source available software that have been self-managing deployments of the Elastic Stack subsequently become paying subscribers of Elastic Cloud. For the years ended April 30, 2022, 2021 and 2020, Elastic Cloud contributed 35%, 27% and 22% of our total revenue, respectively. We believe that offering Elastic Cloud 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, we expect that an increase in the relative contribution of Elastic Cloud to our business will have a modest adverse impact on our gross margin as a result of the associated third-party hosting costs.
- **Growing the Elastic community.** Our strategy consists of providing access to source available software, on both a paid and free basis, 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. 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 for the Elastic Stack.** The Elastic Stack is applied to various use cases by customers, including through the solutions we offer. Our revenue is derived primarily from subscriptions of Enterprise Search, Observability and Security built into the Elastic Stack. We believe that releasing additional features of the Elastic Stack, including our solutions, 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. 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 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 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.

- We believe that a useful indication of how our customer relationships have expanded over time is through our Net Expansion Rate, which is based upon trends in the rate at which customers increase their spend with us. To calculate an expansion rate as of the end of a given month, we start with the annualized spend from all such customers as of twelve months prior to that month end, or Prior Period Value. A customer's annualized spend is measured as their ACV, or in the case of customers charged on usage-based arrangements, by annualizing the usage for that month. We then calculate the annualized spend from these same customers as of the given month end, or Current Period Value, which includes any growth in the value of their subscriptions or usage and is net of contraction or attrition over the prior twelve months. We then divide the Current Period Value by the Prior Period Value to arrive at an expansion rate. The Net Expansion Rate at the end of any period is the weighted average of the expansion rates as of the end of each of the trailing twelve months. The Net Expansion Rate includes the dollar-weighted value of our subscriptions or usage that expand, renew, contract, or attrit. For instance, if each customer had a one-year subscription and renewed its subscription for the exact same amount, then the Net Expansion Rate would be 100%. Customers who reduced their annual subscription dollar value (contraction) or did not renew their annual subscription (attrition) would adversely affect the Net Expansion Rate. Our Net Expansion Rate was slightly below 130% for the year ended April 30, 2022.
- As large organizations expand their use of the Elastic Stack across multiple use cases, projects, divisions and users, they often begin to require centralized provisioning, management and monitoring across multiple deployments. To satisfy these requirements, our Enterprise subscription tier provides access to key orchestration and deployment management capabilities. We will continue to focus some of our direct sales efforts on driving adoption of our paid offerings.

Financial Results

Revenue

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Revenue				
Subscription	$ 798,770	$ 567,339	$ 231,431	41%
Professional services	63,604	41,150	22,454	55%
Total revenue	$ **862,374**	**$ 608,489**	**$ 253,885**	**42%**

Total subscription revenue increased $231.4 million, or 41%, in the year ended April 30, 2022 compared to the prior year. The increase in revenue was primarily caused by volume-driven increases from new business, as existing customers purchased additional subscriptions, and we grew our subscription customer base to over 18,600 customers in the year ended April 30, 2022 compared to over 15,000 customers in the prior year.

Professional services revenue increased by $22.5 million, or 55%, in the year ended April 30, 2022 compared to the prior year. The increase in professional services revenue was attributable to increased adoption of our professional services consulting offerings.

Cost of Sales and Gross Margin

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Cost of Revenue				
Subscription	$ 179,008	$ 125,327	$ 53,681	43%
Professional services	55,581	40,698	14,883	37%
Total cost of revenue	$ **234,589**	**$ 166,025**	**$ 68,564**	**41%**
Gross profit	$ **627,785**	**$ 442,464**	**$ 185,321**	**42%**

Total cost of subscription revenue increased by $53.7 million, or 43%, for the year ended April 30, 2022 compared to the prior year. This increase was primarily due to an increase of $42.1 million in cloud infrastructure costs and an increase of $5.8 million in personnel and related charges. In addition, third-party consulting and partner costs increased by $2.9 million and amortization of acquired intangible assets increased by $1.9 million. The increase in personnel and related costs includes an increase of $4.9 million in salaries and related taxes and an increase of $0.3 million in stock-based compensation expense. Total subscription margin remained flat at 78% for the year ended April 30, 2022 compared to the prior year.

Cost of professional services revenue increased by $14.9 million, or 37%, for the year ended April 30, 2022 compared to the prior year. This increase was primarily due to an increase of $7.1 million in personnel and related costs, including increases of $5.2 million in salaries and related taxes and $1.1 million in stock-based compensation driven by an increase in headcount in our professional services organization. In addition, subcontractor costs increased by $6.4 million and travel costs increased by $0.6 million.

Gross margin for professional services revenue was 13% for the year ended April 30, 2022 compared to 1% for the prior year. The increase in margin is primarily due to the increase in revenue, and a lower than proportionate increase in cost of professional services revenue. We continue to invest in headcount for our professional services organization that we believe will be needed as we continue to grow and expect travel related costs will increase in the future as COVID-19 risks and travel restrictions abate. Our gross margin for professional services may fluctuate, decline or be negative in the near-term as we seek to expand our professional services business.

Operating Expenses

Research and development

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Research and development	$ 300,701	$ 212,511	$ 88,190	41%

Research and development expense increased by $88.2 million, or 41%, for the year ended April 30, 2022 compared to the prior year as we continued to invest in the development of new and existing offerings. Personnel and related costs increased by $78.6 million as a result of growth in headcount. In addition, cloud infrastructure costs related to our research and development activities increased by $3.1 million, consulting costs increased by $3.1 million, and travel costs increased by $2.6 million. The increase in personnel and related costs includes an increase of $29.7 million in salaries and related taxes, an increase of $38.3 million in stock-based compensation expense, an increase of $6.1 million in acquisition related compensation, and an increase of $2.8 million in employee benefits expense.

Sales and marketing

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Sales and marketing	$ 427,317	$ 284,543	$ 142,774	50%

Sales and marketing expense increased by $142.8 million, or 50%, for the year ended April 30, 2022 compared to the prior year. This increase was primarily due to an increase of $119.9 million in personnel related costs and a $4.1 million increase in software and equipment charges due to growth in headcount. In addition, marketing expenses increased by $9.3 million and travel costs increased by $7.4 million. The increase in personnel and related costs includes an increase of $60.1 million in salaries and related taxes, an increase of $23.8 million in commission expense, an increase of $23.9 million in stock-based compensation expense and an increase of $7.4 million in employee benefits expense.

General and administrative

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
General and administrative	$ 142,310	$ 114,045	$ 28,265	25%

General and administrative expense increased by $28.3 million, or 25%, for the year ended April 30, 2022 compared to the prior year. This increase was primarily due to an increase of $18.5 million in personnel related costs and a $1.1 million increase in software and equipment charges due to headcount growth. In addition, legal and professional fees increased by $7.0 million, consulting expense increased by $1.2 million and travel costs increased by $1.1 million. These increases were partially offset by a $2.2 million decrease in bad debt expense related to expected credit losses on accounts receivable and write-off of uncollectible balances. The increase in personnel and related costs includes an increase of $14.0 million in stock-based compensation expense, an increase of $4.3 million in salaries and related taxes, an increase of $1.1 million in employee benefits expense which were partially offset by a decrease of $1.4 million in recruiting costs.

Other Income

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Other income	$ (1,937)	$ (236)	$ (1,701)	721%

Other income was $1.9 million for the year ended April 30, 2022 compared to $0.2 million in the prior year. This increase was primarily due to an increase in sublease income by $1.5 million.

Provision for/(Benefit from) Income Taxes

	Year Ended April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Provision for/(benefit) from income taxes	$ 6,058	$ 7,720	$ (1,662)	(22%)

The provision for income taxes decreased $1.7 million, or 22%, for the year ended April 30, 2022 compared to the prior year. The decrease in tax expense is primarily due to a decrease in income taxes from foreign subsidiaries. Tax benefits from stock-based compensation were partially offset by a valuation allowance for deferred tax assets in the United States, the Netherlands, and the United Kingdom. Our effective tax rate was (2.27)% and (4.75)% of our net loss before taxes for the years ended April 30, 2022 and 2021, respectively.

Liquidity and Capital Resources

As of April 30, 2022, we had cash and cash equivalents, and restricted cash of $860.9 million and $2.7 million, respectively, and working capital of $568.8 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.

We have generated significant operating losses from our operations as reflected in our accumulated deficit of $930.0 million as of April 30, 2022. We have historically incurred, and expect to continue to incur, operating losses and may 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, despite the uncertainty in the current market and economic conditions. 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. In July 2021, we issued long-term debt of $575.0 million, and 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 April 30,		Change	
	2022	2021	$	%
	(in thousands)			
Net cash provided by (used in) operating activities	$ 15,841	$ 30,894	$ (15,053)	(49%)
Net cash provided by (used in) investing activities	$ (127,133)	$ (1,511)	$ (125,622)	8,314%
Net cash provided by financing activities	$ 592,026	$ 68,316	$ 523,710	767%

Net Cash Provided By (Used in) Operating Activities

Net cash provided by operating activities during the year ended April 30, 2022 was $15.8 million, which resulted from a net loss of $272.4 million adjusted for non-cash charges of $306.4 million, net cash outflow of $14.2 million from changes in operating assets and liabilities, and cash paid for income taxes of $4.0 million. Non-cash charges primarily consisted of $208.3 million for stock-based compensation expense, $60.7 million for amortization of deferred contract acquisition costs, $19.9 million of depreciation and intangible asset amortization expense, $10.6 in amortization of operating lease right-of-use (“ROU”) asset, short-term and variable lease payments of $3.3 million, net foreign currency transaction loss of $2.0 million, amortization of debt issuance costs of $0.8 million, and $0.9 million of miscellaneous other items. The net cash outflow from changes in operating assets and liabilities was the result of an increase of $62.4 million in accounts receivable due to higher billings and timing of collections from our customers, an increase in deferred contract acquisition costs of $96.8 million as our sales commissions increased due to increased business volume, an increase of $2.1 million in prepayments, an increase of $0.7 million in deposits and a decrease of $ 0.9 million in net deferred taxes liabilities. These outflows were partially offset by an $83.8 million increase in deferred revenue due to higher billings, a net increase of $56.6 million in trade and other payables due to growth in our business and higher headcount, an increase of $7.0 million in income tax liabilities and an increase in $1.2 million in operating lease liabilities.

Net cash provided by operating activities during the year ended April 30, 2021 was $30.9 million, which resulted from a net loss of $170.1 million adjusted for non-cash charges of $193.7 million, net cash inflow of $7.7 million from changes in operating assets and liabilities, and cash paid for income taxes of $0.4 million. Non-cash charges primarily consisted of $132.3 million for stock-based compensation expense, $41.0 million for amortization of deferred contract acquisition costs, $17.2 million of depreciation and intangible asset amortization expense and $9.7 million in amortization of operating lease right-of-use (“ROU”) assets; $2.8 million of short-term and variable lease payments, partially offset by net foreign currency transaction gains of $9.5 million. The net cash inflow from changes in operating assets and liabilities was the result of a $115.9 million increase in deferred revenue due to higher billings, a decrease of $1.5 million in deposits, an increase of $2.2 million in income tax liabilities and a decrease of $3.0 million in deferred taxes, and a decrease in lease liabilities of $0.8 million. These inflows were partially offset by an increase of $31.6 million in accounts receivable due to higher billings and timing of collections from our customers, an increase in deferred contract acquisition costs of $81.1 million as our sales commissions increased due to the addition of new customers and expansion of our existing customer subscriptions, an increase of $2.6 million in prepayments, and a decrease of $0.5 million in trade and other payables.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities of $127.1 million during the year ended April 30, 2022 was primarily due to cash used in acquisitions of $119.9 million, $5.3 million of internal-use software and $2.5 million of capital expenditures during the period, partially offset by cash provided by other investing activities of $0.5 million.

Net cash used in investing activities of $1.5 million during the year ended April 30, 2021 was primarily due $3.9 million of capital expenditures during the period, partially offset by cash provided by other investing activities of $2.7 million.

Net Cash Provided by Financing Activities
Net cash provided by financing activities of $592.0 million during the year ended April 30, 2022 was due to the proceeds of $575.0 million from the issuance of our Senior Notes and $36.4 million of proceeds from stock option exercises, partially offset by $9.3 million payments of debt issuance costs, payment of lease liabilities of $10.1 million.

Net cash provided by financing activities of $68.3 million during the year ended April 30, 2021 was due to $77.3 proceeds from option exercises during the period which was partially offset by payment of lease liabilities of $8.9 million.

Off Balance Sheet Arrangements
We did not have, during the periods presented, nor do we currently have any off balance sheet financing arrangements or any relationships with any unconsolidated entities or financial partnerships, including entities referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes.

Events after the balance sheet date
On July 7, 2022, the Company appointed Sohaib Abbasi to its Board of Directors, effective July 13, 2022. Pursuant to Dutch law, the Board of Directors has also nominated Mr. Abbasi for appointment to the Board of Directors at the annual general shareholder meeting in October 2022 (the "2022 AGM"). Mr. Abbasi will serve as Vice-Chairman of the Board and a member of the Company's Compensation Committee. Mr. Abbasi was appointed to serve until the earlier of (i) the vacancy created by Mr. Volpi's resignation being filled, which will occur if Mr. Abbasi is appointed upon conclusion of the Annual Meeting in accordance with voting proposal no. 1, (ii) the board appointing another person to temporarily fill such vacancy or (iii) the vacancy has been cancelled.

Up until the day of authorization for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as of April 30, 2022.

RISK MANAGEMENT AND RISK FACTORS

A description of the risks and uncertainties associated with our business, industry and ownership of our ordinary shares is set forth below. You should carefully consider the following risks, together with all of the other information in this Report, including our consolidated financial statements and the related notes thereto, before making a decision to invest in our ordinary shares. 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. In that event, the price of our ordinary shares could decline, and you could lose part or all of your investment. In addition, the impact of the COVID-19 pandemic and any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us and additional impacts that are currently not known to us may arise.

Summary of Risk Factors

The following is a summary of the key risks and uncertainties associated with our business, industry and ownership of our ordinary shares. The below summary does not contain all of the information that may be important to you, and you should read this summary together with the more detailed description of each risk factor contained in the subheadings below.

- If we do not appropriately manage future growth or are unable to improve our systems and processes, our business and results of operations will be adversely affected.
- We have a history of losses and may not be able to achieve profitability on a consistent basis or at all or positive cash flows on a consistent basis.
- Our ability to grow our business will significantly depend on the expansion and adoption of our Elastic Cloud offerings.
- Our future growth, business and results of operations will be harmed if we are not able to keep pace with technological and competitive developments, increase sales of our subscriptions to new and existing customers, renew existing customers' subscriptions, increase adoption of our cloud-based offerings, respond effectively to evolving markets or offer high quality support services.
- Russia's invasion of Ukraine and resulting international political crisis could have significant negative economic consequences on the businesses of our customers and partners and negatively impact their spending on our offerings.
- Any actual or perceived failure by us to comply with regulations or any other obligations relating to privacy, data protection or information security could adversely affect our business.
- Due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our third-party vendors and service providers are vulnerable to a heightened risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches from nation-state and affiliated actors.
- The ongoing COVID-19 pandemic could harm our business and results of operations.
- Our operating results may fluctuate from quarter to quarter.
- Our decision to no longer offer Elasticsearch and Kibana under an open source license may harm the adoption of Elasticsearch and Kibana.
- We could be negatively impacted if the Elastic License or the Server Side Public License under which some of our software is licensed is not enforceable.
- Because of the permissive rights accorded to third parties under our open source and source available licenses, there are limited technological barriers to entry into the markets in which we compete.
- We may not be able to effectively develop and expand our sales and marketing capabilities.
- Because we recognize the vast majority of the revenue from subscriptions, either based on actual consumption or monthly, over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.
- We do not have an adequate history with a consumption-based arrangements for our Elastic Cloud offerings to accurately predict the long-term rate of customer adoption or renewal, or the impact it will have on our near-term or long-term revenue or operating results.
- 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.
- Incorrect implementation or use of our software could negatively affect our business, operations, financial results, and growth prospects.
- Third parties may offer inadequate or defective implementations of software that we have previously made available under an open source license and our reputation could be harmed.

- Breaches of security measures or unauthorized access to, or other processing of, confidential information, including personal data, may result in our software being perceived as not secure, customers reducing or stopping usage of our products, and we may incur significant liabilities.
- Interruptions or performance problems, and our reliance on technologies from third parties may adversely affect our business operations and financial results.
- If our partners, including cloud providers, systems integrators, channel partners, referral partners, OEM and MSP partners, and technology partners, fail to perform or we are unable to maintain successful relationships with them, our ability to market, sell and distribute our solution will be more limited, and our results of operations could be harmed.
- Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.
- We could incur substantial costs as a result of any claim of infringement, misappropriation or violation of another party's intellectual property rights, including as a result of the indemnity provisions in various agreements.
- Our use of third-party open source software within our products could negatively affect our ability to sell our products and subject us to possible litigation.
- One of our marketing strategies is to offer some of our product features for free and to provide free trials to some of our paid features, and we may not be able to realize the benefits of this strategy.
- Our international business exposes us to several risks, and if we are not successful in sustaining and expanding our international business, we may incur additional losses and our revenue growth could be harmed.
- A portion of our revenue is generated by sales to government entities, and this creates a number of challenges and risks.
- Our business is subject to a variety of government and industry regulations, as well as other obligations, including compliance with export control, trade sanctions, anti-bribery, anti-corruption, and anti-money laundering laws.
- The market price for our ordinary shares has been and is likely to continue to be volatile.
- The concentration of our share ownership with insiders will likely limit your ability to influence corporate matters.
- Dutch law and our articles of association include certain anti-takeover provisions, which may impact the value of our ordinary shares.
- Claims of U.S. civil liabilities may not be enforceable against us.
- We have a substantial amount of indebtedness and may not be able to generate sufficient cash to service all of our indebtedness.
- 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.
- We may fail to maintain an effective system of disclosure controls and internal control over financial reporting.

Risks Related to our Business and Industry

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. For example, our total number of customers has grown from over 2,800 as of April 30, 2017 to over 18,600 as of April 30, 2022. Further, while our employee headcount has grown as we have been implementing our growth plans, we may modify our pace of hiring to align with our growth plans. The growth and expansion of our business and offerings places a continuous and 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 may not be able to hire, train and retain enough qualified employees, and we may not be able to hire, train and onboard new employees fast or effectively enough, to maintain our growth plans. We must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems, 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, 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 on a consistent basis or at all, and may not be able to achieve positive cash flows on a consistent basis. As a result, 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 $272.9 million and $170.1 million in the years ended April 30, 2022 and 2021, respectively. As a result, we had an accumulated deficit of $930.5 million as of April 30, 2022. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our offerings, broaden our customer base and pursue larger transactions, 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, increasing competition, or economic downturns, including as a result of the COVID-19 pandemic. You should not consider our revenue growth in recent periods as indicative of our future performance. Any failure to increase our revenue or grow our business could prevent us from achieving profitability at all or on a consistent basis, which would cause our business, financial condition, and results of operations to suffer. Additionally, although we generated positive cash flow in fiscal 2022, any failure to grow our business could prevent us from achieving positive cash flow on a consistent basis, which would cause our business, financial condition, and results of operations to suffer.

Our ability to grow our business will significantly depend on the expansion and adoption of our Elastic Cloud offerings.

We believe our future success will significantly depend on the growth in the adoption of Elastic Cloud, our family of cloud-based offerings. We have and will continue to incur substantial costs to develop, sell and support our Elastic Cloud offerings. We have also entered into non-cancelable multi-year cloud hosting capacity commitments with certain third-party cloud providers, which require us to pay for such capacity irrespective of actual usage. We believe that we must offer a family of cloud-based products to address the market segment that prefers a cloud-based solution to a self-managed solution and that there will be increasing demand for cloud-based offerings of our products. For the years ended April 30, 2022, 2021 and 2020, Elastic Cloud contributed 35%, 27% and 22% of our total revenue, respectively. However, as the use of cloud-based computing solutions is rapidly evolving, it is difficult to predict the potential growth, if any, of general market adoption, customer adoption and retention rates of our cloud-based offerings. There could be decreased demand for our cloud-based offerings due to reasons within or outside of our control, including, among other things, lack of customer acceptance, technological challenges with bringing cloud offerings to market and maintaining those offerings, information security, data protection, or privacy concerns, our inability to properly manage and support our cloud-based offerings, competing technologies and products, weakening economic conditions, and decreases in corporate spending. If we are not able to develop, market or deliver cloud-based offerings that satisfy customer requirements technically or commercially, or if our investments in cloud-based offerings do not yield the expected return, or if we are unable to decrease the cost of providing our cloud-based offerings, our business, competitive position, financial condition and results of operations may be harmed.

We may not be able to compete successfully against current and future competitors.

The market for our products is highly competitive, quickly evolving, fragmented and subject to rapid changes in technology, shifting customer needs, and frequent introductions of new offerings. 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 and execution of sales and marketing strategies;
- flexible deployment model across public or private clouds, hybrid environments, or multi-cloud environments;
- productized solutions engineered to be rapidly adopted to address specific applications;
- mindshare with developers and IT and security executives;
- adoption of products by many types of users and decision makers (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 Enterprise Search: offerings such as Solr (open source offering) and Lucidworks Fusion, search tools including Google Programmable Search Engine, and workplace search tools including Coveo, and Endeca (owned by Oracle).
- For Observability: software vendors with specific observability solutions to analyze logging data, metrics, APM data, or infrastructure uptime, such as Splunk, New Relic, Dynatrace, AppDynamics (owned by Cisco Systems) and Datadog.
- For Security: security vendors such as Splunk, Azure Sentinel (by Microsoft), CrowdStrike, Carbon Black (owned by VMware), McAfee and Symantec (owned by Broadcom).
- Certain cloud hosting providers and managed service providers, including Amazon Web Services, that offer products based on a forked version of the Elastic Stack. 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, technical, marketing and other resources, stronger brand recognition, broader global distribution and presence, more established relationships with current or potential customers and partners, 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 and successful sales and marketing campaigns, have more experienced sales professionals, execute more successfully on their go-to-market strategy and have greater access to more markets and decision makers, 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 with the current scale of our business 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 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 at the current scale of our business, 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, including enterprise search, observability and security, 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, anticipate and 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 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 Enterprise Search, Observability and Security solutions, are evolving and our products are relatively new in these markets. Accordingly, it is difficult to predict continued 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 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.

In connection with the operation of our business, we collect, store, transfer and otherwise process certain personal data. 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. Any actual or perceived failure by us to comply with such regulations or any other obligations relating to privacy, data protection or information security could adversely affect our business.

In the operation of our business, we collect, store, transfer and otherwise process personal data. As a result, we are subject to a variety of federal, state, local and foreign laws and regulations governing privacy, data protection, information security and the collection, storage, transfer, use, retention, sharing, disclosure, protection and processing of personal data. Privacy, data protection and information security are significant issues in various jurisdictions where we offer our products. The regulatory frameworks for these 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, California (California Consumer Privacy Act and the California Privacy Rights Act), Colorado (Colorado Privacy Act), Connecticut (An Act Concerning Personal Data Privacy and Online Monitoring), Utah (Utah Consumer Privacy Act) and Virginia (Virginia Consumer Data Protection Act) have enacted such legislation. Certain such legislation may include a private right of action for certain data breaches, may provide for penalties and other remedies, and may require us to incur substantial costs and expenses and liabilities in connection with our compliance. Other U.S. states and the U.S. federal government are considering or have enacted privacy legislation. Some of these laws and legislative proposals provide for penalties, private rights of action and other remedies, which may increase our costs of compliance and potential liability. Many obligations under these laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. Further, industry organizations 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.

Additionally, 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 privacy statements and other documentation regarding our practices concerning the processing, use and disclosure of personal data, however, we may fail, or be alleged to have failed, to comply with such statements, and we could be subject to potential state and federal action if they are found to be unfair or misrepresentative of our actual practices.

Internationally, most jurisdictions in which we operate have established their own privacy, data protection and information security legal frameworks with which we or our customers must comply. Within the European Union, the General Data Protection Regulation ("GDPR") became fully effective on May 25, 2018, and applies to the processing (which includes the collection and use) of personal data. The GDPR imposes significant obligations and risk upon our business, including imposing limitations on our marketing efforts, and provides for substantial 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. Further, the United Kingdom has implemented legislation that substantially implements the GDPR in the United Kingdom, which legislation provides for penalties for violations of up to the greater of 17.5 million British pounds or four percent of the group's annual global turnover. Following the exit of the United Kingdom from the European Union, however, aspects of United Kingdom data protection law and the relationship of the United Kingdom and the European Union in the medium to longer term remain unclear, including with respect to how data transfers to and from the United Kingdom will be regulated. On June 28, 2021, the European Commission announced a decision of "adequacy" concluding that the United Kingdom ensures an equivalent level of data protection to the GDPR, which permits continued personal data flows from the European Economic Area ("EEA") to the United Kingdom. Some uncertainty remains, however, as this adequacy determination must be renewed after four years and may be modified or revoked in the interim.

Among other requirements, the GDPR regulates transfers of personal data to third countries that have not received "adequacy" status, including the United States. Some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of delivering our services.

The regulatory environment applicable to handling of EEA residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs. We have undertaken certain efforts to conform transfers of personal data from the EEA, to the United States and other jurisdictions based on our understanding of current regulatory obligations and the guidance of data protection authorities, including using standard contractual clauses approved by the European Commission (the "SCCs") and performing certain international transfer impact assessments, however, international data transfers may still be challenged in countries that have not received "adequacy" status from the European Commission. In the Schrems II decision issued by the Court of Justice of the European Union ("CJEU") on July 16, 2020, the CJEU, among other things, imposed additional obligations on companies when relying on the SCCs. EEA regulators since have provided guidance regarding use of the SCCs, and on June 4, 2021, the European Commission issued new SCCs. On February 2, 2022, the United Kingdom's Information Commissioner's Office issued new standard contractual clauses to support personal data transfers out of the United Kingdom ("UK SCCs"), which went into effect on March 21, 2022. In light of these and other developments relating to cross-border data transfer, we may, in addition to other impacts, experience additional costs associated with increased compliance burdens and be required to engage in new contract negotiations with third parties that aid in processing personal data on our behalf or localize certain personal data. As a result of these developments, we and our customers may face regulators in the EEA, Switzerland, and the United Kingdom applying different standards to certain data transfers or requiring additional steps in connection with data transfers, and may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf, and we may be required to implement additional contractual and technical safeguards for the lawful transfer of personal data. We may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the EEA, Switzerland and the United Kingdom and may experience hesitancy, reluctance, or refusal by customers to continue to use our products due to the potential risk exposure to such customers as a result of sentiment in the EEA, Switzerland and the United Kingdom regarding international data transfers and data protection obligations imposed on them. We may be unsuccessful in maintaining conforming means for transferring personal data from the EEA, Switzerland, and the United Kingdom, and our customers may face a risk of enforcement actions by European data protection authorities relating to such transfers. These and the other risks described above could result in harm to our business, operating results and financial condition.

In addition to government regulation, industry groups have established or may establish new and different self-regulatory standards that may legally or contractually apply to us or our customers. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard (“PCI DSS”), which relates to the processing of payment card information. Further, our customers increasingly expect us to comply with more stringent privacy, data protection and information 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. Any failure to meet our customers’ requirements may adversely affect our revenues and prospects for growth.

We also expect that there will continue to be changes in interpretations of existing or new laws and regulations, proposed laws, and other obligations, which could impair our or our customers’ ability to process personal data, which could decrease demand for our offerings, impact our marketing efforts, 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 and regulations may be interpreted and applied in manners that are, or are alleged to be, inconsistent with our 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, any of which could have an adverse effect on our business. Data protection authorities in the European Union increasingly are focused on the use of online tracking tools and have issued or indicated that they plan to issue rulings which may impact our marketing practices. Any restrictions on using online analytics and tracking tools could lead to substantial costs, require significant changes to our policies and practices, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, and subject us to additional liabilities.

We have incurred substantial expense in complying with data protection legal frameworks and we may be required to make significant changes in our business operations, which may adversely affect our business. Because these new regimes lack a substantial enforcement history, we are unable to predict how emerging standards may be applied to us, and thus, a regulator may subject us to certain actions, fines or public censure. Any actual or perceived inability to adequately address or failure to comply with data protection requirements, even if unfounded, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business.

The ongoing COVID-19 pandemic could harm our business and results of operations.

The ongoing COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in many of the regions in which we sell our products and services and conduct our business operations, negatively impacting worldwide economic activity. We have taken precautionary measures intended to help minimize the risk of the virus to our employees, our customers, and the communities in which we operate. The continued spread of the COVID-19 pandemic and the resurgence of infection rates in certain regions has caused us to continue to modify our business practices (including imposing restrictions on employee travel, adapting employee work locations, and holding events and trainings virtually), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities. The full extent to which COVID-19 and our precautionary measures may continue to impact our business will depend on future developments, which continue to be uncertain and cannot be predicted at this time, including but not limited to, the duration and geographic spread of the pandemic, its severity, the actions to contain the virus or treat its impact, future spikes of COVID-19 infections resulting in additional preventative measures to contain or mitigate the spread of the virus, the effectiveness, distribution and acceptance of COVID-19 vaccines, including the vaccines’ efficacy against emerging and more transmissible COVID-19 variants or mutant strains, and how quickly and to what extent normal economic and operating conditions can resume. It has been and, until the COVID-19 pandemic is contained and global economic activity stabilizes, will continue to be more difficult for us to forecast our operating results. The magnitude and duration of the disruption and resulting decline in business activity remains uncertain and could negatively impact our sales and marketing efforts, our ability to enter into customer contracts in a timely manner, our international expansion efforts, our ability to deliver professional services, our ability to recruit employees across the organization which, in turn, could have longer term effects on our sales pipeline, or create operational or other challenges, any of which could harm our business.

We are moving toward normal operations on a market-by-market basis in accordance with local guidelines. Our approach may vary among geographies depending on local guidelines, and may change at any time, including in response to new or reimposed precautionary measures as the pandemic evolves. We may incorporate into our ongoing business operations certain business practice modifications implemented in response to the COVID-19 pandemic. These business modifications have and may continue to result in inefficiencies, delays and additional costs, including increased tax compliance obligations, that may adversely affect our business. In regions where we permit our employees to return to our offices and we resume in-person meetings and events, we may face additional challenges and incur additional costs, including those associated with workplace safety protocols, disparate regional safety guidelines and workplace or labor disputes or claims related to COVID-19, which could also negatively impact our business.

In addition, the COVID-19 pandemic has disrupted, and may continue to disrupt, the operations of our customers, vendors, channel partners and government entities for an indefinite period of time, including in specific regions of the world or sectors of the economy and as a result of travel restrictions and/or business shutdowns, all of which could negatively impact our business and results of operations, including cash flows. Further, the impact of the COVID-19 pandemic has varied significantly across different industries with certain industries experiencing increased demand for their products and services as the needs of the economy shift, while others have struggled to maintain demand for their products and services consistent with historical levels. Because we have a limited history in understanding these impacts, our ability to adapt our sales and marketing initiatives to such changes may be uncertain and our ability to forecast rates of customer retention and expansion may be negatively impacted. Meanwhile, a shift towards more consumption-based arrangements for our Elastic Cloud offerings, where the timing of revenue recognition is tied to our customers' actual usage of our products, may further exacerbate such uncertainty as well as the difficulty to forecast customer retention and expansion rates.

Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession, economic downturn, or increased unemployment that has occurred or may occur in the future. There has been increased scrutiny of business (including technology) spending by our customers and prospective customers, particularly in industries most impacted by the COVID-19 pandemic, longer sales cycles, as well as reduced demand for our solutions, customers failing to pay us under the terms of our agreements, increased cyber threats, lower renewal rates by our customers and increased competition, all of which could result in a material adverse impact on our business operations and financial condition.

While we have developed and continue to develop plans intended to help mitigate the negative impacts of the pandemic on our business, these efforts may not be effective and a protracted economic downturn may limit the effectiveness of our mitigation efforts.

Our operating results are likely to fluctuate from quarter to quarter, *and our financial results in any one quarter should not be relied upon as indicative of future performance.*

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. These variations may be further impacted as more of our Elastic Cloud customers adopt consumption-based arrangements. 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 new customers and retain existing 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;
- actual or perceived breaches of, or failures or incidents relating to, privacy, data protection or information security;
- additions or departures of key personnel;
- the impact of catastrophic events, man-made problems such as terrorism, natural disasters and public health epidemics and pandemics;
- general political, geopolitical, economic, industry and market conditions;
- the military conflict between Russia and Ukraine and the related impact on macroeconomic 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 impact of changing inflation and interest 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 Report.

The impact of one or more of the foregoing or other factors may cause our operating results to vary significantly. For example, the full impact of the COVID-19 pandemic is unknown, and could result in material adverse changes in our results of operations for an unknown period of time as the virus and its related political, social and economic impacts spread. 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, which could have an adverse effect on our business.

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 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, including to large enterprises, 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. We also face difficulty in displacing the products of incumbent competitors. In addition, a significant aspect of our sales and marketing focus is to expand deployments within existing customers. The rate at which our existing 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. If our existing customers do not purchase additional subscriptions or expand the value of their subscriptions, our Net Expansion Rate may decline. 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 existing customers do not renew their subscriptions, or renew on less favorable terms, our revenue may grow more slowly than expected or decline.

Our decision to no longer offer Elasticsearch and Kibana under an open source license may harm the adoption of Elasticsearch and Kibana.

In February 2021, with the release of version 7.11 of the Elastic Stack, we changed the source code of Elasticsearch and Kibana that had historically been licensed under Apache 2.0, to be dual licensed under Elastic License 2.0 and the Server Side Public License Version 1.0 ("SSPL"), at the user's election. Neither the Elastic License nor the SSPL has been approved by the Open Source Initiative or is included in the Free Software Foundation's list of free software licenses. Further, neither has been interpreted by any court. While the vast majority of downloads of Elasticsearch and Kibana from mid-2018 through early 2021 were licensed under the Elastic License, the removal of the Apache 2.0 alternative could negatively impact certain developers for whom the availability of an open source license was important. In addition, some developers and the companies for whom they work may be hesitant to download or upgrade to new versions of Elasticsearch or Kibana under the Elastic License or SSPL because of uncertainty around how these licenses may be interpreted and enforced. Other developers, including competitors of Elastic such as Amazon, have announced that they have "forked" Elasticsearch and Kibana. For example, Amazon has launched an open source project called OpenSearch based on the software, which is licensed under Apache 2.0, and rebranded their existing Elasticsearch Service to OpenSearch Service. The combination of uncertainty around our dual license model and the potential competition from the forked versions of our software may negatively impact adoption of Elasticsearch and Kibana, which in turn could lead to reduced brand and product awareness, ultimately leading to a decline in paying customers, which could harm our ability to grow our business or achieve profitability**.**

We could be negatively impacted if the Elastic License or SSPL under which some of our software is licensed is not enforceable.

We make the source code of our products available under Apache 2.0, the Elastic License, or dual licensed under the Elastic License and SSPL, depending on the product and version. Apache 2.0 is a permissive open source license that allows licensees to freely copy, modify and distribute Apache 2.0-licensed software provided that they meet certain conditions. The Elastic License is our proprietary source available license. The Elastic License permits licensees to use, copy, modify and distribute the licensed software provided that they do not offer access to the software as a cloud service, interfere with the license key or remove proprietary notices. SSPL is a source available license that is based on the GNU Affero General Public License open source license and permits licensees to copy, modify and distribute SSPL-licensed software, but expressly requires licensees that offer the SSPL-licensed software as a third-party service to open source all of the software that they use to offer such service. We rely upon the enforceability of the restrictions set forth in the Elastic License and SSPL to protect our proprietary interests. It is possible that a court could hold that the Elastic License or SSPL are unenforceable. If a court held that the Elastic License or SSPL or certain aspects of these licenses are unenforceable, others may be able to use our software to compete with us in the marketplace in a manner not subject to the restrictions set forth in the Elastic License or SSPL.

Because of the permissive rights accorded to third parties under our open source and source available 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 source code for the features of our software that we have licensed under open source or source available licenses. Depending on the product and version of the Elastic software, this source code is either available under Apache 2.0, SSPL, or the Elastic License. Each of these licenses allow anyone, subject to compliance with the conditions of the applicable license, to redistribute our software in modified or unmodified form and use it to compete in our markets. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies, due to the rights granted to licensees of open source and source available software. 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 the features that we had previously made available under an open source license 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, Amazon's offerings may reduce the demand for our offerings and 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 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 develop and expand our sales and marketing capabilities, including expanding and training and compensating 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 dedicate significant resources to sales and marketing initiatives, which require us to invest significant financial and other resources, including in markets in which we have limited or no experience. Our business and results of operations will be harmed if our sales and marketing efforts do not generate significant revenue increases or increases that are smaller than anticipated.

We may not achieve revenue growth from expanding our sales force if we are unable to hire, train, and retain talented and effective sales personnel. We depend on our sales force to obtain new customers and to drive additional sales to existing customers. We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the requisite skills and technical knowledge. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient sales personnel to support our growth, and as we introduce new products, solutions and marketing strategies, we may need to re-train existing sales personnel For example, we may need to provide additional training and development to our sales personnel in relation to selling consumption-based arrangements and expanding customer usage of our offerings over time. New hires also 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. As 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. Additionally, we may need to evolve our sales compensation plans to drive the growth of our Elastic Cloud offerings with consumption-based arrangements. Such changes might have adverse consequences if not designed effectively. If we are unable to hire and train sufficient numbers of effective sales personnel our new and existing sales personnel are unable to achieve desired productivity levels in a reasonable period of time, our sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, or our sales and marketing programs, including our sales compensation plans, are not effective, our growth and results of operations could be negatively impacted and 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 renew or 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. Due to the ongoing uncertainty related to the COVID-19 pandemic, there may also be more competition for qualified employees and delays in hiring, onboarding and training new employees. 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, or a market perception that we do not provide or 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 the vast majority of the revenue from subscriptions, either based on actual consumption or monthly, 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 93%, 93% and 92% of total revenue for the years ended April 30, 2022, 2021 and 2020, respectively. We recognize the vast majority of our subscription revenue, either based on actual consumption or 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.

We do not have an adequate history with our consumption-based arrangements for our Elastic Cloud offerings to accurately predict the long-term rate of customer adoption or renewal, or the impact it will have on our near-term or long-term revenue or operating results.

We expect that our consumption-based arrangements for our Elastic Cloud offerings will continue to increase, both in amount and as a percentage of our total revenue. Because we recognize revenue under a consumption-based arrangement based on actual customer consumption, we do not have the same visibility into the timing of revenue recognition as we do under subscription arrangements where revenue is recognized on a predetermined schedule over the subscription term. Additionally, customers may consume our products at a different pace than we expect. For these reasons, our revenue may be less predictable or more variable than our historical revenue, and our actual results may differ materially from our forecasts.

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 otherwise 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 our software, 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 products are not implemented, configured, updated or used correctly or as intended, or in a timely manner, inadequate performance, errors, loss of data, corruptions and/or security vulnerabilities may result. For example, there have been and may in the future continue to be, reports of our customers not properly securing implementations of our products, which can result in unprotected data. Because our customers rely on our software to manage a wide range of operations, the incorrect implementation or use of our software, 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 software that we have previously made available under an open source license, our reputation could be harmed.

Certain cloud hosting providers and managed service providers, including Amazon Web Services, offer hosted products based on a forked version of the Elastic Stack. 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 offerings. Users, customers, and potential customers could confuse these third-party products with our 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, a security incident occurs, or unauthorized access to or other processing of confidential information, including personal data, otherwise occurs, 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 or incident, including those resulting from a cybersecurity attack, phishing attack, unauthorized access, unauthorized usage, virus, malware, ransomware, denial of service, credential stuffing attack, supply chain attack, hacking or similar breach involving our networks and systems, or those of third parties upon which we rely, could result in the loss of confidential information, including personal data, disruption to our operations, significant remediation costs, lost revenue, increased insurance premiums, damage to our reputation, litigation, regulatory investigations or other liabilities. These attacks may come from individual hackers, criminal groups, and state-sponsored organizations, and security breaches and incidents may arise from other sources, such as employee or contractor error or malfeasance. Cyber threats are constantly evolving and becoming increasingly sophisticated and complex, increasing the difficulty of detecting and successfully defending against them. As a provider of security solutions, we have been and may continue to be specifically targeted by bad actors for attacks intended to circumvent our security capabilities as an entry point into customers' endpoints, networks, or systems. Our industry is experiencing an increase in phishing attacks and unauthorized scans of systems searching for vulnerabilities or misconfigurations to exploit. If our security measures are breached or otherwise compromised as a result of third-party action, employee or contractor error, defect, vulnerability or bug in our products or products of third parties upon which we rely, malfeasance or otherwise, including any such breach or compromise resulting in someone obtaining unauthorized access to our confidential information, including personal data or the confidential information or personal data of our customers or others, or if any of these are perceived or reported to occur, we may suffer the loss, compromise, corruption, unavailability, or destruction of our or others' confidential information and personal data, we may face a loss in intellectual property protection, our reputation may be damaged, our business may suffer and we could be subject to claims, demands, regulatory investigations and other proceedings, indemnity obligations, and otherwise 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 security incident or breach, and we may face difficulties or delays in identifying and responding to any security breach or incident.

In addition, many of our customers may use our software for processing their confidential information, including business strategies, financial and operational data, personal data and other related data. As a result, unauthorized access to or use of our software or this data could result in the loss, compromise, corruption or destruction of our customers' confidential information and lead to claims, demands, litigation, regulatory investigations, indemnity obligations, and other liabilities. It could also hinder our ability to obtain and maintain information security certifications that support customers' adoption of our products and our retention of those customers. We have implemented administrative, technical and physical measures designed to protect the integrity of our customers' data 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 data. There have been and may continue to be significant supply chain attacks generally, and our third-party vendors and service providers may be targeted or impacted by such attacks, and they face other risks of security breaches and incidents. Our third-party vendors and service providers have been subject to phishing attacks and other security incidents, and we cannot guarantee that our or our third-party vendors and service providers' systems and networks have not been breached or otherwise compromised or that they do not contain exploitable vulnerabilities, defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services. For example, in December 2021, a vulnerability in a popular logging software, Log4j, was publicly announced. If left unpatched, the Log4j vulnerability could be exploited to allow unauthorized actors to execute code remotely on a system using Log4j. We have taken steps to ensure these vulnerabilities have been patched in our systems, but we cannot guarantee that all vulnerabilities have been patched in every system upon which we are dependent or that additional critical vulnerabilities of Log4j or other open-source software upon which we rely will not be discovered. Our ability to monitor our third-party 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, or misuse, disclosure, loss, destruction, or other unauthorized processing of our and our customers' data, including sensitive and personal data.

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 third-party vendors and service providers may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventative measures. Security risks are also heightened during the ongoing COVID-19 pandemic as more individuals are working remotely and utilizing home networks for transmitting information, and reported ransomware incidents with significant operational impacts also appear to be escalating in frequency and degree. Also, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our third-party vendors and service providers are vulnerable to a heightened risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches from nation-state and affiliated actors, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products and services as well as retaliatory cybersecurity attacks from Russian and Russian-affiliated actors against companies with a U.S. presence. We may be at heightened risk of such retaliatory attacks due to our decision to no longer sell our products to companies in Russia or Belarus until further notice and to support Ukraine by, among other things, providing free access to Elastic Cloud solutions, including our platinum security capabilities, for organizations in Ukraine. In addition, laws, regulations, government guidance, and industry standards and practices in the United States and elsewhere are rapidly evolving to combat these threats. We may face increased compliance burdens regarding such requirements with regulators and customers regarding our products and services and also incur additional costs for oversight and monitoring of our own supply chain. We and our customers may also experience increased costs associated with security measures and increased risk of suffering cyberattacks, including ransomware attacks. Should we or the third-party vendors and service providers upon which we rely experience such attacks, including from ransomware or other security breaches or incidents, our operations may also be hindered or interrupted due to system disruptions or otherwise, with foreseeable secondary contractual, regulatory, financial, and reputational harms that may arise from such an incident.

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 incident. 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 co-insurance 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. The COVID-19 pandemic could also disrupt the supply chain of hardware needed to maintain our third-party data center operations. 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 of third-party 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 rely on third-party service providers for many aspects of our business, and any failure to maintain these relationships could harm our business.

Our success depends upon our relationships with third-party service providers, including providers of cloud hosting infrastructure, customer relationship management systems, financial reporting systems, human resource management systems, credit card processing platforms, marketing automation systems, and payroll processing systems, among others. If any of these third parties experience difficulty meeting our requirements or standards, become unavailable due to extended outages or interruptions, temporarily or permanently cease operations, face financial distress or other business disruptions such as security incident, increase their fees, if our relationships with any of these providers deteriorate, or if any of the agreements we have entered into with such third parties are terminated or not renewed without adequate transition arrangements, we could suffer liabilities, penalties, fines, increased costs and delays in our ability to provide customers with our products and services, our ability to manage our finances could be interrupted, receipt of payments from customers may be delayed, our processes for managing sales of our offerings could be impaired, our ability to generate and manage sales leads could be weakened, or our business operations could be disrupted. Further, supply chain disruptions due to the Russian invasion of Ukraine and any impacts that may have on our third-party service providers may disrupt our business operations. Any of such disruptions may adversely impact our business and our financial condition, results of operations or cash flows could be adversely affected until we replace such providers or develop replacement technology or operations. In addition, if we are unsuccessful in identifying high-quality service providers, negotiating cost-effective relationships with them or effectively managing these relationships, it could adversely affect our business and financial results.

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 new customers, including 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, and the length of sales cycles may be further impacted due to the COVID-19 pandemic. Some customers have been scrutinizing their spending more carefully given a challenging economic environment associated with the pandemic, and we generally expect this to continue. This might cause sales cycles to become longer or become more unpredictable. As we target more of our sales efforts at larger enterprise customers, we may face greater costs, longer sales cycles, greater competition and less predictability in completing some of our sales. A customer’s decision to use our solutions may be an enterprise-wide decision, which may require greater levels of education regarding the use cases of our products or prolonged negotiations. In addition, larger customers may demand more configuration, integration services and features. 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 cash flows and 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.

We depend on our senior management 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. Further, our ability to attract additional qualified personnel may be impacted by the economic uncertainty and insecurity caused by the COVID-19 pandemic. The loss of services of any of our key personnel also increases our dependency on other key personnel who remain with us. 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, Ashutosh Kulkarni, and Chief Technology Officer, 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. Any search for senior management in the future or any search to replace the loss of any senior management may be prolonged, and we may not be able to attract a qualified candidate or replacement, as applicable, in a timely manner or at all, particularly as potential candidates may be wary to transition during the unstable economic conditions caused by the COVID-19 pandemic and geopolitical events. Furthermore, the COVID-19 pandemic could make it more difficult to onboard, provide training to and integrate any senior management or key employees, which could adversely affect their productivity and our business. If we are unable to mitigate these or other similar risks as we experience management turnover, our business, results of operation and financial condition may be adversely affected.

In January 2022, Shay Banon transitioned from the role of Chief Executive Officer and Chairman of the Board to the role of Chief Technology Officer, Chetan Puttagunta, Lead Independent Director, was appointed Chairman of the Board, and Ashutosh Kulkarni transitioned from the role of Chief Product Officer to acting Chief Executive Officer. Mr. Kulkarni was also appointed to the Board by shareholders at an extraordinary general shareholder meeting on March 9, 2022, and this appointment confirmed his position as Chief Executive Officer. If we are not successful in managing the transition of our Chief Executive Officer, it could be viewed negatively by our customers, employees or investors and could have an adverse impact on our business.

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. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. 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 ability to expand our customer base will be impaired and 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. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts, our ability to maintain our customers' trust, our ability to continue to develop new functionality and use cases, and our ability to successfully differentiate our products and platform capability from competitive products. 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 ElasticON and similar investments in our brand, user engagement, and customer engagement may not generate the desired customer awareness or 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, which would adversely affect our business and results of operations.

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 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. Additional headcount growth 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, or we are unable to maintain successful relationships with our channel partners, our ability to market, sell and distribute our solution will be more limited, and our results of operations and reputation 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, and these sales may grow and represent a larger portion of our revenues in the future. 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, particularly in light of the effects of the COVID-19 pandemic. 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 compete 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 may not be able to retain these channel partners or 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, misstatement of revenue, 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, including our terms of business, which in turn could impact reported revenue, deferred revenue and remaining performance obligations. 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 deliver offerings to our end customers and complement our broad community of users. In particular, we partner with various cloud providers to jointly market, sell and deliver our Elastic Cloud offerings, and in some instances this also involves technical integration with such cloud providers.

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, fail to provide adequate technical integration with their own offerings, fail to meet the needs of our customers, or fail to deliver professional services to 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 or we may introduce new pricing models for a variety of reasons, including competitive pricing pressures, discounts, in anticipation of or in conjunction with the introduction of new offerings, or promotional programs.

Competition continues to increase in the market segments in which we operate, 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, as well as the inflation and interest environment, 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 the mix of our subscriptions from self-managed to our cloud offering, for which we incur hosting costs, as well as any increase in our mix of professional services relative to subscriptions. We may not 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, and we expect that revenue from Elastic Cloud will continue to become a larger part of our revenue mix. 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. Our introduction of consumption-based arrangements for our Elastic Cloud offerings, where the revenue we recognize is tied to our customers' actual usage of our products, may further exacerbate the variation in our revenue. 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.

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. The source code of the proprietary features for the Elastic Stack is publicly available, which may enable others to replicate our proprietary technology and compete more effectively. 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. There can be no assurance that any ongoing patent applications we may have 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 has in the past and may in the future be necessary 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 third-party open source software within our products could negatively affect our ability to sell our products and subject us to possible litigation.

Our technologies incorporate open source software from other developers, and we expect to continue to incorporate such 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 that we have not incorporated third-party 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 some of our product features for free and to provide free trials of some of our paid features, and we may not be able to realize the benefits of this strategy.

We are dependent upon lead generation strategies, including offering free use of some of our product features and free trials of some of our paid features. These strategies may not be successful in continuing to generate sufficient sales opportunities necessary to increase our revenue. Many users never convert from the free use model or from 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 international operations and expansion expose us to several risks.

As of April 30, 2022, we had customers located in over 125 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, 2022, we had employees located in over 40 countries. Our current international operations involve and future initiatives may involve a variety of risks, including:

- political and economic instability related to international disputes, such as the military conflict between Russia and Ukraine and the related impact on macroeconomic conditions as a result of such conflict, which may negatively impact our customers, partners, and vendors;
- 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, particularly in the European Union, and potentially inconsistent laws and regulations relating to privacy, data protection and information security;
- changes in a specific country's or region's political or economic conditions;
- political, economic and trade uncertainties or instability related to the United Kingdom's withdrawal from the European Union (Brexit), including the effects of the Trade and Cooperation Agreement between the European Union, the European Atomic Energy Community and the United Kingdom signed in December 2020, on the economies of, and the relationships between, the United Kingdom, European Union, United States and other countries;
- the evolving relations between the United States and China;
- changes in relations between the Netherlands and the United States;
- risks resulting from changes in currency exchange rates and rising inflation;
- risks resulting from the migration of invoicing from local billing entities to centralized regional billing entities;
- the impact of public health epidemics or pandemics on our employees, partners and customers;
- 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 enforcement of U.S. export control laws and regulations including the Export Administration Regulations, and trade and economic sanctions, including restrictions promulgated by the Office of Foreign Assets Control("OFAC"), and other similar trade protection regulations and measures in the United States or in other jurisdictions;
- risks relating to our third-party vendors and service providers' storage and processing of some of our and our customers' data, including any supply chain cyber attacks;
- 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 ("FCPA"), 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.

If we need to raise additional capital or generate the significant capital necessary to expand our operations and invest in new offerings, it could reduce our ability to compete and could harm our business.

We may need to raise additional funds in the future, 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.

A portion of our revenue is generated by sales to government entities, and this creates 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 and security requirements for products like ours may change, thereby restricting our ability to sell into the U.S. federal government sector, U.S. state government sector, or government sectors of countries other than the United States until we have obtained the revised certification or met the changed security requirements. If we are unable to timely meet such requirements, our ability to compete for and retain federal government contracts may be diminished, which could adversely affect our business, results of operations and financial condition.

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. 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 or exercise of options under multi-year contracts. Contracts with government agencies, including classified contracts, are subject to extensive, evolving and sometimes complex regulations, as well as audits and reviews of contractors' administrative processes and other contract related compliance obligations. Breaches of government contracts, failure to comply with applicable regulations or unfavorable findings from government audits or reviews could result in contract terminations, reputational harm or other adverse consequences, including but not limited to ineligibility to sell to government agencies in the future, the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability, 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 change and interpretation. These changes include the introduction of a global minimum tax at a rate of 15% under the Two-Pillar Solution to Address the Tax Challenges of the Digitalisation of the Economy, agreed upon by 137 jurisdictions under the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), which is expected to enter into force in 2023. In addition, on January 1, 2022, a provision of the Tax Cuts and Jobs Act of 2017 went into effect that eliminates the option to deduct domestic research and development costs in the year incurred and instead requires taxpayers to amortize such costs over five years. The provision is expected to decrease cash flows from operations and increase net deferred tax assets by a similar amount for our U.S. operations. Any new legislation or interpretations of existing legislation could impact our tax obligations in countries where we do business or cause us to change the way we operate our business and result in increased taxation of our international earnings.

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. Tax authorities examine and may audit our income tax returns and other non-income tax returns, such as payroll, sales, value-added, net worth or franchise, property, goods and services, and excise taxes, in both the United States and foreign jurisdictions. 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 or benefit from, as applicable, 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 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. Additionally, both the COVID-19 pandemic and increased use of flexible work policies may increase the probability of payroll tax audits. 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, 2022, we had net operating loss carryforwards (“NOLs”) for Dutch, United States (Federal and states) and United Kingdom income tax purposes of $758.4 million, $1,654.2 million and $67.5 million, respectively, which may be utilized against future income taxes. Limitations imposed by the applicable jurisdictions on our ability to utilize NOLs could cause income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. 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.

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, particularly against the Euro. In part as a result of the COVID-19 pandemic and Russia’s recent invasion of Ukraine, foreign currency exchange rates have been and could continue to be subject to increased volatility. The strengthening of the U.S. dollar increases the real cost of our offerings to our non-U.S. dollar customers, leading to delays in the purchase of our offerings and the lengthening of our sales cycle. If the strength of the U.S. dollar increases, 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.

Seasonality may cause fluctuations in our sales and results of operations.

Historically, we have experienced quarterly fluctuations and seasonality based on the timing of entering into agreements with new and existing customers and the mix between annual and monthly contracts entered in each reporting period. Trends in our business, financial condition, results of operations and cash flows are impacted by seasonality in our sales cycle which generally reflects a trend to greater sales in our second and fourth quarters and lower sales in our first and third quarters, though we believe this trend has been somewhat masked by our overall growth. We expect that this seasonality will continue to affect our results of operations in the future, and might become more pronounced as we continue to target larger enterprise customers.

Risks Related to Regulatory Matters

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

Our software and services, in some cases, are subject to U.S. export control laws and regulations including the Export Administration Regulations (“EAR”), and trade and economic sanctions maintained by the OFAC. As such, an export license may be required to export or reexport our software and services to certain countries and end-users for certain end-uses. 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 in many cases prohibit the export of software and services to certain U.S. embargoed or sanctioned countries, governments and persons, as well as for prohibited end-uses. For example, following Russia’s invasion of Ukraine, the United States and other countries imposed economic sanctions and severe export control restrictions against Russia and Belarus, and the United States and other countries could impose wider sanctions and export restrictions and take other actions should the conflict continue or further escalate. 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 information available on the users of these offerings is, in some cases, limited. In addition, because we incorporate encryption functionality into our products, we are also subject to certain provisions of these laws that apply to encryption items. 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 export and import of certain encryption software and technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products and services or could limit our end-customers’ ability to implement our products in those countries. Specifically, export restrictions recently imposed on Russia and Belarus limit the export of encryption software and related source code and technology to these locations, which severely limited and could continue to limit our ability to provide our software and services to these countries. Changes in our products or changes in export and import regulations in such countries may create delays in the introduction of our products and services 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 and services to certain countries, governments or persons altogether. The following developments could result in decreased use of our products and services by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations 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. Any decreased use of our products or services or limitation on our ability to export to or sell our products or services in international markets could adversely affect our business, financial condition and operating results.

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 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 channel partners to sell our offerings abroad and use other third parties, including recruiting firms, professional employer organizations, legal, accounting and other professional advisors, and local vendors to meet our needs associated with doing business abroad. We and these third parties may have direct or indirect interactions with officials and employees of government agencies, or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of our channel partners and third-party representatives, as well as our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot assure that the channel partners, third-party representatives, our employees, contractors or 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, U.K. Bribery Act 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.

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 particular, stock prices of companies with significant operating losses have recently declined significantly, and in many instances more significantly than companies with operating profits. The economic impact and uncertainty of the ongoing COVID-19 pandemic, as well as Russia's recent invasion of Ukraine, have exacerbated this volatility in both the overall stock markets and the market price of our ordinary shares. A significant decline in the price of our shares could have an adverse impact on investor confidence and employee retention. 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;
- a gain or loss of investor confidence in the market for technology stocks or the stock market in general;
- future sales or expected future sales of our ordinary shares;
- investor perceptions of us, the benefits of our offerings 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/or 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, privacy, data protection or information security;
- 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, such as the transition of our former Chief Executive Officer, Shay Banon, to the role of Chief Technology Officer and the transition of our former Chief Product Officer, Ash Kulkarni, to the role of Chief Executive Officer;
- general economic conditions and slow or negative growth of our markets, including as a result of the COVID-19 pandemic, the ongoing military conflict between Russia and Ukraine, and the general inflation and interest rate environment; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.

We have provided and may continue to provide guidance and other expectations in our quarterly and annual earnings conference calls, quarterly and annual earnings releases, or otherwise, regarding our future performance. Guidance, as well as other expectations, are forward-looking and represent our management's estimates as of the date of release and are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies on our business, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. One of those key assumptions relates to the impact of the ongoing COVID-19 pandemic and the associated economic uncertainty on our business, which is inherently difficult to predict. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our actual business results may vary significantly from such guidance or other expectations or that consensus due to a number of factors, many of which are outside of our control, including due to the global economic uncertainty and financial market conditions caused by the ongoing COVID-19 pandemic, and which could adversely affect our business and future operating results. There are no comparable recent events that provide insights as to the probable effect of the ongoing COVID-19 pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. Furthermore, if we make downward revisions of our previously announced guidance or other expectations, if we withdraw our previously announced guidance or other expectations, or if our publicly announced guidance or other expectations of future operating results fail to meet expectations of securities analysts, investors or other interested parties, the price of our ordinary shares would decline. In light of the foregoing, investors are urged not to rely upon our guidance or other expectations in making an investment decision regarding our ordinary shares.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this "Risk Management and Risk Factors" section in this report could result in the actual operating results being different from our guidance or other expectations, and the differences may be adverse and material.

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 and directors together beneficially own a significant amount of our outstanding ordinary shares. As a result, these shareholders, acting together, will have significant influence over 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 association 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.

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. On September 28, 2018, our extraordinary general meeting of shareholders (the "2018 Extraordinary Meeting") 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 our articles of association state otherwise or unless explicitly provided otherwise in a resolution by our general meeting of shareholders (the “General Meeting”), or—if authorized by the annual General Meeting or an extraordinary General Meeting—by a resolution of our board of directors. Our 2018 Extraordinary 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 17,343,020 ordinary shares, based on shares outstanding as of April 30, 2022, are entitled to rights with respect to registration of these shares under the Securities Act pursuant to our amended and restated investors’ rights agreement, dated July 19, 2016. 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 filed registration statements on Form S-8 under the Securities Act registering all ordinary shares that we may issue under our equity compensation plans, which may in turn be sold and may adversely affect the market price for our ordinary shares.

***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 a 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 a 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 ("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 or the Netherlands. 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.

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, two members 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. persons who hold 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 ("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 ("the PFIC asset test"). For purposes of the PFIC asset test, the value of our assets will generally be determined by reference to our market capitalization. Based on our past and current projections of our income and assets, we do not expect to be a PFIC for the current taxable year 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. person (as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended) holds our ordinary shares, such U.S. person may be subject to adverse tax consequences. Each U.S. person who holds our ordinary shares is strongly urged to consult his, her or its tax advisor regarding the application of these rules and the availability of any potential elections.

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

If a U.S. person is treated as owning (directly, indirectly, or constructively) at least 10% of the total combined voting power of our shares, or of the total value of our shares, such shareholder may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). 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 we or 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 shareholder 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 shareholder who is a United States shareholder to significant monetary penalties and may prevent from starting the statute of limitations with respect to such shareholder's U.S. federal income tax return for the year for which reporting was due. A U.S. person 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 and dividends distributed on our ordinary shares to certain related parties in low-tax jurisdictions might in the future become subject to an additional Dutch withholding tax.

We have not paid a dividend on our ordinary shares in the past and we do not intend to pay any dividends to holders of our ordinary shares in the foreseeable future. See "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." However, if we ever do pay dividends or repurchase shares, then under current Dutch tax law, the dividend paid or repurchase price paid may be subject to Dutch dividend withholding tax at a rate of 15% under the Dutch Dividend Withholding Tax Act (*Wet op de dividendbelasting 1965*, "Regular Dividend Withholding Tax"), unless a domestic or treaty exemption applies.

The Dutch parliament has adopted a proposal of law pursuant to which an alternative withholding tax ("Alternative Withholding Tax") will be imposed on dividends paid to related entities in designated low-tax jurisdictions, effective January 1, 2024. An entity is considered related if (i) it has a "Qualifying Interest" in our company, (ii) our company has a "Qualifying Interest" in the entity holding the ordinary shares, or (iii) a third party has a "Qualifying Interest" in both our company and the entity holding the ordinary shares. The term "Qualifying Interest" means a direct or indirectly held interest either by an entity individually or jointly if an entity is part of a collaborating group (*samenwerkende groep*) that enables such entity or such collaborating group to exercise a definite influence over another entities' decisions, such as our company or an entity holding ordinary shares as the case may be, and allows it to determine the other entities' activities. The Alternative Withholding Tax will be imposed at the highest Dutch corporate income tax rate in effect at the time of the distribution (currently 25.8%). The Alternative Withholding Tax will be reduced, but not below zero, with any Regular Dividend Withholding Tax imposed on distributions. As such, based on currently applicable rates, the overall effective rate of withholding of Regular Dividend Withholding Tax and Alternative Withholding Tax will not exceed the highest corporate income tax rate in effect at the time of the distribution (currently 25.8%).

If we cease to be a Dutch tax resident for the purposes of a tax treaty concluded by the Netherlands and in certain other events, we could potentially be subject to a proposed Dutch dividend withholding tax in respect of a deemed distribution of our entire market value less paid-up capital.

Under a proposal of law currently pending before the Dutch parliament, the Emergency act conditional exit dividend withholding tax (Spoedwet conditionele eindafrekening dividendbelasting "DWT Exit Tax"), we will be deemed to have distributed an amount equal to our entire market capitalization less recognized paid-up capital immediately before the occurrence of certain events, including if we cease to be a Dutch tax resident for purposes of a tax treaty concluded by the Netherlands with another jurisdiction and become, for purposes of such tax treaty, exclusively a tax resident of that other jurisdiction which is a qualifying jurisdiction. A qualifying jurisdiction is a jurisdiction other than a member state of the EU/EEA which does not impose a withholding tax on distributions, or that does impose such tax but that grants a step-up for earnings attributable to the period prior to us becoming exclusively a resident in such jurisdiction. This deemed distribution will be subject to a 15% tax insofar it exceeds a franchise of EUR 50 million. The tax is payable by us as a withholding agent. A full exemption applies to entities and individuals who are resident in an EU/EEA member state or a state that has concluded a tax treaty with the Netherlands that contains a dividend article, provided we submit a declaration confirming the satisfaction of applicable conditions by qualifying shareholders within one month following the taxable event. We will be deemed to have withheld the tax on the deemed distribution and have a statutory right to recover this from our shareholders. Dutch resident shareholders qualifying for the exemption are entitled to a credit or refund, and non-Dutch resident shareholders qualifying for the exemption are entitled to a refund, subject to applicable statutory limitations, provided the tax has been actually recovered from them. The DWT Exit Tax has been amended several times since the initial proposal of law and is under ongoing discussion. It is therefore not certain whether the DWT Exit Tax will be enacted and if so, in what form. If enacted in its present form, the DWT Exit Tax will have retroactive effect as from December 8, 2021.

Risks Related to our Outstanding Senior Notes

We have a substantial amount of indebtedness, which could adversely affect our financial condition.

We have a substantial amount of indebtedness and we may incur additional indebtedness in the future. As of April 30, 2022, we had $575.0 million aggregate principal amount of Senior Notes outstanding that are due in 2029. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and competitive conditions; and
- increasing our cost of borrowing.

In addition, the indenture that governs the Senior Notes contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and results of operations, which in turn are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, which could have a material adverse effect on our business, results of operations and financial condition.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on, among other things, the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture that governs the Senior Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Any of these circumstances could have a material adverse effect on our business, results of operations and financial condition.

Further, any future credit facility or other debt instrument may contain provisions that will restrict our ability to dispose of assets and use the proceeds from any such disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations and any such failure to meet our scheduled debt service obligations could have a material adverse effect on our business, results of operations and financial condition.

The indenture that governs the Senior Notes contains, and any of our future debt instruments may contain, terms which restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The indenture that governs the Senior Notes contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including, among other things, restrictions on our ability to:

- create liens on certain assets to secure debt;
- grant a subsidiary guarantee of certain debt without also providing a guarantee of the Senior Notes; and
- consolidate or merge with or into, or sell or otherwise dispose of all or substantially all of our assets to, another person.

The covenants in the indenture that governs the Senior Notes are subject to important exceptions and qualifications described in such indenture.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants and may require us to maintain specified financial ratios and satisfy other financial condition tests. We cannot assure that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the relevant lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected. As a result, our failure to comply with such restrictive covenants could have a material adverse effect on our business, results of operations and financial condition.

We may be required to repurchase some of the Senior Notes upon a change of control triggering event.

Holders of the Senior Notes can require us to repurchase the Senior Notes upon a change of control (as defined in the indenture governing the Senior Notes) at a repurchase price equal to 101% of the principal amount of the Senior Notes, plus accrued and unpaid interest to, but excluding, the applicable repurchase date. Our ability to repurchase the Senior Notes may be limited by law or the terms of other agreements relating to our indebtedness. In addition, we may not have sufficient funds to repurchase the Senior Notes or have the ability to arrange necessary financing on acceptable terms, if at all. A change of control may also constitute a default under, or result in the acceleration of the maturity of, our other then-existing indebtedness. Our failure to repurchase the Senior Notes would result in a default under the Senior Notes, which may result in the acceleration of the Senior Notes and other then-existing indebtedness. We may not have sufficient funds to make any payments triggered by such acceleration, which could result in foreclosure proceedings and our seeking protection under the U.S. bankruptcy code.

General Risk Factors

Unfavorable or uncertain conditions in our industry or the global economy or reductions in information technology spending, including as a result of* inflation, the Russian invasion of Ukraine or *COVID-19 pandemic, 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, international trade relations, changes in inflation and interest rates, energy costs, political instability or unrest and new developments resulting from recent elections and changes of administration, natural catastrophes, warfare, infectious diseases 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. For example, Russia's invasion of Ukraine and resulting international political crisis could have significant negative macroeconomic consequences, including on the businesses of our customers and partners and negatively impact their spending on our offerings.

In addition, the COVID-19 pandemic has curtailed business spending by our customers, resulted in business disruptions for us and/or our customers, restricted travel to customer sites and resulted in a quarantine of affected populations impacting our employees, partners and customers. Additionally, mitigation and containment measures adopted or reinstated by government authorities to contain the spread of COVID-19 in the U.S. and abroad may significantly impact business continuity for our partners and our customers, reduce our customers' business operations, delay their engagement with us (including due to travel restrictions and restrictions on in-person meetings) and could thereby adversely affect our business and financial results. Further, these measures by government authorities may continue to remain in place for a significant period of time or, even if lifted, could be reinstated at any time, and additional and/or extended measures could significantly impact the ability of our employees and customers and vendors to work productively.

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 may acquire other businesses which could require significant management attention, disrupt our business, or dilute shareholder value. We may be unable to integrate acquired businesses and technologies, and acquisitions could 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. 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 acquired technology or personnel, realize anticipated synergies from acquisitions, 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. Additionally, we may acquire development stage companies that are not yet profitable, and that require continued investment, which could adversely affect our results of operations and liquidity. The occurrence of any of these risks could harm our business, results of operations, and financial condition.

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. The impact of climate change may increase these risks due to changes in weather patterns, such as increases in storm intensity, sea-level rise, melting of permafrost and temperature extremes in areas where we or our suppliers and customers conduct business. We have a number of our employees and executive officers located in the San Francisco Bay Area, a region known for seismic activity and wildfires. 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, acts of war, including Russia's invasion of Ukraine, other geo-political unrest or health issues, such as an outbreak of pandemic or epidemic diseases, such as the COVID-19 pandemic, or fear of such events, 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. For example, the full extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. In addition, the COVID-19 pandemic has adversely affected the economies of many countries, resulting in economic downturns that could affect demand for our products and likely impact our operating results. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate. See the risk factor entitled "The ongoing COVID-19 pandemic could harm our business 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 IFRS 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, deferred contract acquisition costs, and accounting of acquired intangible assets.

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, which could adversely affect our business.

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. 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 or public investors. If our financial results fail to meet, or significantly exceed, our announced guidance or the expectations of analysts or public investors, our stock price may decline. Further, analysts could downgrade our ordinary shares or publish unfavorable research about us. If one or more of the analysts who cover our company ceases to cover us, or fails 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 and could adversely affect our business.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain senior management and qualified board members.

As a public company, we are subject to the reporting and corporate governance requirements of the United States Exchange Act, the listing requirements of the NYSE and other applicable securities rules and regulations, including the Sarbanes-Oxley Act ("SOX") and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Compliance with these rules and regulations has increased, and we expect will continue increasing our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources.

Among other things, the United States Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations, and the SOX requires that we 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 is 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 or hire outside consultants, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure including those related to climate change and other environmental, social and governance related matters, 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, due to ambiguities related to their application and practice, 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. These factors could also make it more difficult for us to attract and retain qualified senior management or members of our board of directors, particularly to serve on our audit and compensation committees.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, 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 decline, which could adversely affect our business.

As a public company in the United States, we are subject to the SOX, which requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. For example, since our IPO, we have hired additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to assist in our compliance efforts. We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward compliance with the auditor attestation requirements of Section 404 of the SOX. To assist us in complying with these requirements we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

Despite significant investment, our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to implement or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that are required to be included in our periodic reports that we file with the SEC.

Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, subject us to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, and would likely cause the trading price of our ordinary shares to decline, which could adversely affect our business.

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, including any breaches of the Code of Business Conduct and Ethics, 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 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: In the years ended April 30, 2022 and 2021, we generated cash from operations of $15.8 million and $30.9 million, respectively. For fiscal 2023, we expect to generate positive cash flows from operations. 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.

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, despite the uncertainty in the changing market and economic conditions related to COVID-19. 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. In July 2021, we issued long-term debt of $575.0 million, and 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.

Risk Appetite

Our risk appetite is integrated into the business through our strategy, global policies, procedures, controls, and budgets. While the executive directors are responsible for overseeing and managing the Company's day-to-day risks and related control systems, the Board has broad oversight of the Company's risk profile and risk management. Our appetite for risk varies depending on the risk type. The Group measures risk by estimating the potential for loss of profit, staff turnover, and reputational damage. Our appetite for each risk is determined by considering key opportunities and potential threats to achieving our strategic objectives and can be categorized as follows:

Operational
Operational risks include unforeseen incidents that could result from failures in internal processes or systems, human error, or adverse external events and could negatively impact the day-to-day operation of our business.
Risk appetite: Moderate

Operational risks are managed through management oversight, the ongoing budgeting, forecasting, and reporting process as well as training activities to constantly improve and update employees' skills and knowledge. Infrastructural risks are managed by regular backups and increased use of the cloud.

The cost of these measures and control systems must be commensurate with the benefits achieved. Management generally considers the likelihood of risks in the operational and technology areas as moderate while evaluating the financial impact of each event depending on the specific risk field. Management's risk appetite in this field is moderate and we seek to mitigate risks through contracts, service level agreements, insurance, and cooperation with established partners.

We strive to minimize the possibility of business disruptions and the related impact of operational failures. We constantly review and invest in our structure and processes to ensure they are fit for purpose and address any identified operational risk.

Strategic
Strategic risks originate from trends, developments, or events that could prevent us from executing and realizing our strategic objectives.
Risk appetite: Moderate

As far as strategic risks are concerned, we try to mitigate personnel risk by providing an attractive remuneration package, creating a positive working environment, and structured individual development plans. We try to manage the dependency risk and by building and maintaining customer relationships. We develop customer engagement strategies and regularly monitor progress for existing customers and identify and build relationships with new customers.

In general, management addresses market risks by actively monitoring the developments and evaluating the actual exposure to these risks. This includes hiring industry qualified executives and employees, participation in industry events, gaining information from analysts and research firms as well as creating business cases for new product developments. The Group does not pursue growth at all costs and expects sufficient margins. We will primarily pursue organic growth strategies to meet our growth objectives. We aim for sufficient operating margins while protecting the long-term viability of the Group.

Financial
Financial risks include uncertainty of financial returns on investments, reduction in liquidity, erosion of profits, potential financial losses due to financing policies, and other external factors such as the macroeconomic environment, unreliability of suppliers, economic restrictions, and reduction of the customer base.
Risk appetite: Low

In the field of financial risks, management addresses the low profitability risk mainly through transparency and a permanent review process in connection with quarterly results, forecasting, and budgeting considering both internal factors and external factors such as inflation. In the event of M&A, a dedicated project management team is established for accelerating long-term value creation. Through a strong due diligence process and closely managed integration process, we seek to reduce the probability of M&A-related risk. Currency risks, on the other hand, are sought to be minimized through natural hedging. As far as political instability is concerned, the breadth of our offerings and geographical reach helps to mitigate our exposure to any particular localized risk. We monitor proposed changes in taxation legislation and new accounting standards to ensure these are taken into account when we consider our future business plans. We manage working capital risk by increasing and diversifying our customer base and carefully managing our costs. While the Group has sufficient cash to meet its future obligations, it may seek additional external funding in the future, and we consider the risk of not being able to secure additional funding as a risk that is not imminent. Management realizes that the expansion of the business does require some risk-taking and evaluates its risk appetite as medium. Management, therefore, estimates this overall financial risk to be low.

Compliance
Compliance risks relate to unanticipated failures to comply with applicable laws and regulations as well as our own policies and procedures.
Risk appetite: Low

The Group is committed to complying with the laws and regulations of the countries in which we operate. However, as the Group is expanding its business in a complex and rapidly changing international environment, and is continuously improving its processes and procedures, regulatory violations may occur. We are well aware that legal and regulatory standards are constantly evolving, compliance obligations are increasing significantly, and financial penalties for non-compliance in certain areas relevant to the Group (such as privacy, international trade, or anti-corruption) could be very high. Management's risk appetite is low and matters of substantial significance are reviewed with the Board or a committee of the Board. However, should the risk materialize, it could have a very high, potentially critical impact. We mitigate the risk by constantly enhancing our ethics and compliance program (including compliance policies, training, monitoring, internal reporting, etc.) and working with well-established external partners such as tax, legal, and audit advisors.

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 U.S. securities laws.

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 practices 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 options and restricted stock units to non-executive directors and intend to continue to grant 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 securities regulations. Such remuneration is in accordance with the NYSE corporate governance requirements and 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 agreements with our executive directors provide 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 such executive director. We believe these severance provisions are consistent with U.S. market practice.

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

Pursuant to our articles of association, directors are appointed by the general meeting on a binding nomination by 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 the 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. A two-thirds majority representing more than half of our issued share capital is also required for the dismissal of a director if such dismissal has not been proposed by the Board. Although in deviation from suggested corporate governance provisions, this is in line with article 2:134 (2) of the Dutch Civil Code.

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 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 is 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 are convened by a notice, which includes 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 includes such items as have been included therein by the Board. One or more shareholders, alone or together, representing at least three percent 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 sixty days before the day of the meeting. No resolutions will 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 one hundred and eighty days.

Furthermore, with respect to certain shareholder proposals, the Board may invoke a response time of a maximum of two hundred and fifty days in accordance with article 2:114b of the Dutch Civil Code.

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

We have a one-tier board of directors, consisting of executive and non-executive directors. The number of executive and non-executive directors is to be determined by the board of directors.

Our one-tier board structure currently consists of two executive directors and seven non-executive directors. Ashutosh Kulkarni serves as our Chief Executive Officer and Shay Banon serves as our Chief Technology Officer. Messrs. Kulkarni and Banon are executive directors.

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 our articles of association, executive directors and non-executive directors are appointed by the General Meeting from a binding nomination proposed by the Board.

As of April 30, 2022, the Board was composed as follows:

Name	Age	Position	Nationality	Date of Appointment	Term expires (AGM held in)
Ashutosh Kulkarni	47	Executive Director and Chief Executive Officer ("CEO")	India	March 2022	2025
Shay Banon	44	Executive Director, And Chief Technology Officer ("CTO")	Israel	July 2012	2024
Jonathan Chadwick (1)(2)	56	Non-executive Director	United States	August 2018	2023
Alison Gleeson (2)	57	Non-executive Director	United States	January 2020	2023
Shelley Leibowitz (1)(3)	61	Non-executive Director	United States	October 2021	2024
Caryn Marooney (3)	55	Non-executive Director	United States	April 2019	2022
Chetan Puttagunta (1)(3)	36	Non-executive Director Chairman and Lead Independent Director	United States	January 2017	2022
Steven Schuurman	46	Non-executive Director	Netherlands	July 2012	2022
Michelangelo Volpi (2)(4)	55	Non-executive Director and Vice Chairman	United States	January 2013	2022 (4)

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

(4) Mr. Volpi has been a non-executive director during the full fiscal year to which this report pertains. He tendered his resignation as a non-executive director effective as of July 13, 2022.

On July 7, 2022, the Board appointed Sohaib Abbasi to replace Mr. Volpi as non-executive director, Vice-Chairman of the Board, and member of the Company's Compensation Committee, effective July 13, 2022 (i.e. after the end of the fiscal year to which this report pertains). Pursuant to Dutch law, the Board has also nominated Mr. Abbasi to stand for election to the Board. Mr. Abbasi was appointed to serve until the earlier of (i) the vacancy created by Mr. Volpi's resignation being filled, which will occur if Mr. Abbasi is appointed upon conclusion of the Annual Meeting in accordance with voting proposal no. 1, (ii) the board appointing another person to temporarily fill such vacancy or (iii) the vacancy has been cancelled.

Executive Directors

Ashutosh Kulkarni has served as our CEO since January 2022 and was elected to our board of directors in March 2022. Mr. Kulkarni previously served as our Chief Product Officer from January 2021 to January 2022. Prior to joining us, he served as Executive Vice President and Chief Product Officer, Enterprise Business Group, at McAfee Corp., a digital provider of cyber security services, from October 2018 until December 2020. Prior to joining McAfee Corp., Mr. Kulkarni served as Senior Vice President and General Manager at Akamai Technologies in the Web Performance and Web Security division and in the Web Experience division from August 2016 to October 2018 and August 2015 to August 2016, respectively. Prior to that, Mr. Kulkarni held various senior leadership, product management, product marketing and engineering roles at Akamai Technologies, Informatica and Sun Microsystems. Mr. Kulkarni earned an M.S. in computer engineering from the University of Texas at Austin, an M.B.A. degree from the University of California, Berkeley and a B.E. in engineering from the University of Mumbai. We believe that Mr. Kulkarni is qualified to serve as a member of the Board because of the perspective he brings as our CEO, our former Chief Product Officer, and his experience as an executive in the technology industry.

Shay Banon co-founded our Company and has served as a member of our board of directors since July 2012 and as our CTO since January 2022. Mr. Banon served as our CEO from May 2017 to January 2022, and as our Chairman and CEO from June 2018 to January 2022. He previously also served as our CTO 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 our board of directors because of the perspective and experience he brings as our CTO, our prior CEO, and co-founder 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 (“CFO”) 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 (“COO”). From March 2011 until November 2012, he served as the CFO 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 CFO 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 (“Cisco”). He also currently serves on the board of directors of Confluent, Inc., a data infrastructure company, Samsara Inc., an IT company, 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 Cognizant Technology Solutions Corporation, an IT business services provider, from April 2016 to December 2019, and 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 the U.K. Mr. Chadwick qualified as 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 CFO and service on the boards of directors of various public companies.

Alison Gleeson has served as a member of our board of directors since January 2020. She currently also serves as a sales strategic advisor to Verkada Inc., a professional monitoring and video verification threat detection company, since August 2021, and a Special Advisor and Operating Committee Member at Brighton Park Capital, an investment firm, since October 2019. From November 2018 to September

2019, she was a private investor. From January 1996 to October 2018, Ms. Gleeson was with Cisco, where she served in various roles, most recently as Senior Vice President, Americas from July 2014 to October 2018. Ms. Gleeson currently also serves on the board of directors of 8x8, Inc., a cloud-based provider of voice over IP products, and Zoominfo Technologies Inc., a comprehensive sales and marketing intelligence SaaS platform. Ms. Gleeson holds a B.A. in Marketing from Michigan State University. We believe Ms. Gleeson is qualified to serve as a member of our board of directors because of her prior executive and go-to-market experience for a large public company.

Shelley Leibowitz has served as a member of our board of directors since October 2021. Ms. Leibowitz currently serves as President of SL Advisory, which provides advice and insights in innovation and digital transformation, information technology portfolio and risk management, digital trust, performance metrics, and effective governance, and has served in such capacity since January 2016. From 2009 through 2012, Ms. Leibowitz served as Chief Information Officer for the World Bank Group. Prior to that, Ms. Leibowitz held Chief Information Officer positions at top-tier financial institutions, including Morgan Stanley and Greenwich Capital Markets. She currently serves as a director of Morgan Stanley, a global financial services firm. Previously she served as a director of Massachusetts Mutual Life Insurance Company, an insurance and financial services provider, from October 2019 to April 2021, E*Trade Financial Corporation, a financial services company, from December 2014 to October 2020, and AllianceBernstein Holding L.P., a global asset management firm, from November 2017 to June 2019. Ms. Leibowitz also serves on the boards of private companies in the cybersecurity and risk arenas. Ms. Leibowitz holds a B.A. in Mathematics from Williams College. We believe Ms. Leibowitz is qualified to serve as a member of our board of directors because of her current and prior executive and directorship experience and extensive leadership and experience in technology services, digital transformation, and information security.

Caryn Marooney has served as a member of our board of directors since April 2019. She has served as a General Partner of Coatue Management, LLC, a global investment manager, since November 2019. From May 2011 to May 2019 she served in various roles at Meta Platforms, Inc (formerly Facebook, Inc.), a social networking and technology company, most recently serving as Vice President, Global Communications from March 2012 to May 2019. From June 1997 to March 2011, Ms. Marooney served in various roles, including President and CEO, of The OutCast Agency, a public relations firm. Ms. Marooney served as a member of the board of directors of Zendesk Inc., a software development company that provides a software-as-a-service customer service platform, from January 2014 to May 2020. Ms. Marooney also serves on the boards of various private companies. 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, as our Chairman since January 2022, 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 also serves on the boards of various private companies. 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 CEO from July 2012 to May 2017. Mr. Schuurman serves on the boards of various private companies. Mr. Schuurman holds a B.Sc. in Electrical Engineering from TH Rijswijk, now known as The Hague University of Applied Sciences. 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 served as a member of our board of directors since January 2013. Mr. Volpi has served as a Partner and Co-president of Index Ventures, a venture capital firm, since July 2009. He currently serves as a director of Tishman Speyer Innovation Corp. II, a publicly traded special purpose acquisition company, Aurora Innovation OpCo, Inc., a self-driving vehicle technology company, Sonos, Inc., a consumer electronics company, and Confluent, Inc., a data infrastructure company. Mr. Volpi previously served as a director of TS Innovation Acquisitions Corp., a publicly traded special purpose acquisition company, from November 2020 to June 2021, Fiat Chrysler Automobile N.V., an automobile company, from April 2017 to January 2021, Zuora, Inc., an enterprise software company that designs and sells SaaS applications, from November 2011 to June 2020, Hortonworks, Inc. from October 2011 to January 2019, Pure Storage, Inc., an all-flash data storage company, from April 2014 to October 2018 and Exor N.V., a holding company, from April 2012 to May 2018. Mr. Volpi also serves on the boards of various private companies. 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 was 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. Mr. Volpi tendered his resignation as a non-executive director of the Company, effective as of July 13, 2022, with Mr. Abbasi replacing Mr. Volpi as non-executive director as of that date (i.e. after the end of the fiscal year to which this report pertains).

Sohaib Abbasi has served as a member of our board of directors since July 2022. He has also served as a member of the Executive Council of Balderton Capital, a venture capital firm, since January 2018 and as a Senior Advisor of TPG Global LLC, a private equity firm, since July 2017. From July 2004 to August 2015, he served as the Chief Executive Officer of Informatica Corporation, a data integration company, where he also served as the Chair and a member of the board of directors from March 2004 to December 2015. Mr. Abbasi previously served in various executive roles at Oracle Corporation, a computer technology corporation, most recently as a member of Oracle's executive committee and as senior vice president of the Oracle Tools and Oracle Education divisions. He currently serves on the boards of several private companies and previously served as a director of McAfee Corp., a computer security software company, from November 2018 to March 2022, New Relic, Inc., an enterprise software company, from May 2016 to September 2019, Nutanix, Inc., a cloud computing company, from March 2020 to December 2020, and Red Hat, Inc., a provider of enterprise open source software solutions, from March 2011 to July 2019. Mr. Abbasi holds a B.S. and an M.S. in Computer Science from the University of Illinois at Urbana-Champaign. We believe Mr. Abbasi is qualified to serve as a member of our board of directors because of his prior experience as CEO of a public technology company and his current and prior executive and directorship experience for multiple large public and private technology companies.

During the fiscal year ended April 30, 2022, our board of directors held six meetings (four of which were regularly scheduled meetings) which were attended by all our directors during the periods in which they served as directors. All committee meetings were attended by the relevant directors as well, provided that Mr. Chadwick and Mr. Volpi each could not attend one audit committee meeting. Mr. Chadwick attended eleven committee meetings during the fiscal year, and Mr. Volpi attended five committee meetings during the fiscal year. During our fiscal year ended April 30, 2022, 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. During the fiscal year ended April 30,2022, we held one annual General Meeting on October 1, 2021 and one extraordinary General Meeting of shareholders on March 9, 2022.

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 directors and senior management, including overseeing the executive directors and senior management's execution of Elastic's strategy and monitoring the general affairs of the Company and business connected with it as described in the Company's relevant governance documents. The directors on the Board and its committees received extensive information and input from multiple layers of management and external advisors, engaged in detailed and robust discussion and analysis regarding matters brought before them (including in executive session) and consistently and actively engaged 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.

The non-executive directors, assisted by the nominating and corporate governance committee, have discussed at least once during the fiscal year to which this report pertains (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.

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 composed of Messrs. Chadwick and Puttagunta and Ms. Leibowitz, 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 each 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 and the requirements for independence under the rules of the DCGC. The audit committee is responsible for, among other things:

- review of all related person transactions in accordance with our related person 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 to audit our U.S. generally accepted accounting principles ("GAAP") financial statements 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;
- reviewing significant cybersecurity matters and concerns including information security, data protection, and related regulatory matters and compliance;
- overseeing significant tax and treasury matters, including, among others, tax planning and compliance, cash management, investing activities, and currency exposures approving policies related thereto;
- 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.

During the fiscal year ended April 30, 2022, the audit committee met six times. The audit committee discussed matters relating to the following topics, among others: the engagement and annual performance review and evaluation (appointment, compensation, retention, oversight and plan) of the Company's independent auditor, PricewaterhouseCoopers LLP and PricewaterhouseCoopers Accountants N.V ("PwC").; Elastic's quarterly financial reports on Form 10-Q; Elastic's annual report on Form 10-K; Elastic's Dutch statutory annual accounts and board report for the fiscal year ended April 30, 2021; Elastic's accounting, financing, legal, and tax matters and tax strategy; Elastic's internal audit function; Elastic's assessment of its disclosure controls and procedures and internal controls; Elastic's proxy statement for an annual General Meeting held on October 1, 2021 and Elastic's proxy statement for an extraordinary General Meeting held on March 9, 2022 and the Audit Committee Reports included therein; Elastic's related person transactions policy, and related person transactions; Elastic's ethics and compliance program, whistleblower reports, litigation matters and investigations Elastic's Directors & Officers liability ("D&O") insurance program; Elastic's 'corporate governance documents and policies and the audit committee charter; Elastic's corporate and entity structure; Elastic's information technology and information security; Elastic's response to the COVID-19 pandemic; Elastic's export control processes; Elastic's assessment of enterprise, financial and operational risks; tax legislation; accounting organization; hiring of former auditor personnel; and risks associated with its business.

Compensation Committee
During the fiscal year ended April 30, 2022, our compensation committee was composed of Messrs. Chadwick and Volpi and Ms. Gleeson, 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. Ms. Gleeson 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 (other than the executive directors) and overseeing their performance;
- reviewing and making recommendations to the Board with respect to the compensation of our directors (including executive 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 or, with respect to our executive directors, recommending to the Board 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;
- review and monitor matters related to human capital management, including corporate culture, diversity, equity and inclusion, recruiting, retention, attrition, talent management, and career development and progression; 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 four meetings during our fiscal year ended April 30, 2022 and discussed matters relating to the following topics, among others: annual attrition, human capital disclosures, recommendation to the Board with respect to the executive directors' compensation; compensation of non-executive directors; compensation and other employment terms of the executive officers and other senior management; 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; executive job leveling, executive equity ownership guidelines, matters relating to the Company's cash and equity incentive plans; the "Remuneration" section of Elastic's Dutch board report; executive performance; and the Company's diversity initiatives, including the current diversity landscape; absence of conflicts of interest with the compensation consultant and legal counsel; the compensation committee charter; compensation risk assessment, compensation disclosure requirements including with respect to CEO Pay Ratio, and shareholder votes required under U.S. federal securities laws; the annual equity program spend, dilution analyses and burn rate, Say-on-Pay vote results, amendments to the amended and restated 2012 stock option plan (the "Option Plan") and assumed equity plans, Equity Award Grant Policy amendments, and annual review of Shay Banon, our then-CEO. In addition, the compensation committee approved revised form grant agreements under the Option Plan, as well as equity grants to employees.

As of July 13, 2022 Mr. Abbasi has replaced Mr. Volpi as a member of the Compensation Committee. The Board has determined that Mr. Abbasi meets the requirements for independence under the rules of the DCGC and the NYSE.

Nominating and Corporate Governance Committee
Our nominating and corporate governance committee is composed of Mses. Leibowitz and Marooney and Mr. Puttagunta, each of whom is a non-executive member of the Board. Mr. Puttagunta is the chair of our nominating and corporate governance committee. The Board has determined that each member of our

nominating and corporate governance committee meets the requirements for independence under the rules of the DCGC and the NYSE.

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 Nominating and Corporate Governance 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;
- overseeing, and periodically reviewing, the Company's environmental, social and governance ("ESG") activities, programs and public disclosure, including in light of any feedback received from shareholders of the Company; and
- overseeing our board of directors' evaluation of executive officers.

The nominating and corporate governance committee met two times during our fiscal year ended April 30, 2022. 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; Board diversity requirements; selection criteria and appointment procedures for new Board members and senior executives; succession planning; annual Board and committee evaluations; induction program for Board members; ESG matters; recommendations to the Board regarding the following matters: annual assessments of the directors' independence, designations of Chairman, Vice Chairman, Lead Independent Director, confirmation of the appointment of committee members and chairpersons, determination of "audit committee financial experts, and confirmation of executive officers and Section 16 officers; nominations for director elections; review of corporate governance documents and policies; and the nominating and corporate governance committee charter; Elastic's proxy statement for an annual General Meeting held on October 1, 2021; and Elastic's proxy statement for an extraordinary general meeting held on March 9, 2022; and Elastic's Dutch statutory annual accounts and board report for the fiscal year ended April 30, 2021.

Diversity
In September 2018, the Board adopted a diversity policy (subsequently amended in July 2022) with respect to the composition of the Board and our senior management team, considering characteristics such as nationality, age, gender, race, ethnicity, 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.

During the financial year to which this report pertains, our diversity policy reflected 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. The Board considers diversity in reviewing director candidates and does not discriminate on the basis of race, religion, sexual orientation, sex or national origin. 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. Mses. Gleeson, Leibowitz and Marooney were nominated for appointment to the Board based on their experience, knowledge and ability. Their appointments have also improved the gender diversity within the Board, which is composed in accordance with our diversity policy. The Board takes into account Elastic's diversity policy when selecting and instructing a search firm to assist in our search for new directors.

In July 2022, we amended our policy to reflect that it is our objective to increase the gender diversity within the Board such that the Board, as well as the sub-group of executive directors and the sub-group of non-executive directors, shall consist of at least ⅓ female directors and at least ⅓ male directors. Additionally our diversity policy includes an objective to have our senior management team (excluding executive directors that are part of our senior management team) consist of at least ⅓ female members and at least ⅓ male members.

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 fiscal 2022. For details regarding the remuneration of the Board in fiscal 2022, see Consolidated Financial Statements - Notes to the Consolidated Financial Statements - *Note 27 Related parties*.

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 the 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 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 Directors

The remuneration package for the executive directors is determined by the non-executive directors on the Board, without any involvement of any executive director, in accordance with the Remuneration Policy and the compensation committee 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 minimal 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 directors 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 directors are granted variable compensation in the form of short-term and long-term incentives. The objective of the performance-related variable remuneration payment is to incentivize 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 their 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 "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 compensation committee and/or the non-executive directors on the Board consider any factors that they deem relevant. The Company uses equity awards to incentivize and reward the executive officers for long-term corporate performance based on the value of the Company's ordinary shares and, thereby, to align the executive director's interests with the interests of our shareholders. The realized value of these equity awards bears a direct relationship to the Company's share price, and, therefore, these awards are an incentive for the executive directors to create value for our shareholders. Equity awards also help the Company retain our senior officers in a highly competitive market and as such contribute to the long-term value creation for all of the Company's stakeholders

- *Executive Incentive Compensation Plan*: The Company has a Bonus Plan that allows the compensation committee and/or the non-executive directors on the Board to provide cash incentive awards to executive directors and selected employees, based upon performance goals established by the compensation committee. The Bonus Plan enables the compensation committee to provide cash incentive awards to selected employees, including our Named Executive Officers (other than the executive directors), based upon the Company's actual achievement as measured against performance metrics established by the compensation committee. In the case of the executive directors, the performance metrics for their cash incentive awards and the actual payment of the awards are established by the non-executive directors serving on the Board, upon the recommendation from 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.

  The compensation committee believes that the financial performance measures used in the Bonus Plan contribute to driving the creation of long-term stakeholder value, including shareholder value, and play an important role in influencing the performance of the executive directors and other officers of the Company that participate in the plan, who are most directly responsible for our overall success.

  Performance goals that include the Company's financial results may be determined in accordance with U.S. generally accepted accounting principles ("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, at 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 each executive director that is an employee based in the U.S. (i.e. currently our executive director Mr. Kulkarni). The 401(k) plan is intended to qualify under Section 401(k) of the United States Internal Revenue Code, (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.

  The Company does not offer any retirement benefits to our current executive director located in Israel (i.e. currently our executive director Mr. Banon), except to the extent certain social benefits are required pursuant to Israeli labor laws or are common practice in Israel, and such social benefits are applicable to all Israeli employees. Specifically, based on Israeli labor laws, an employee residing in Israel is entitled to severance pay upon termination of employment for any reason, including retirement, equal to the most recent monthly salary of such employee multiplied by the number of years of employment of such employee. The Company makes a payment of 8.333% of each Israeli-resident employee's monthly base salary to an insurance or pension fund to pay for this future liability payable to its employees residing in Israel upon termination of their employment. In addition, the Company makes a payment of up to 7.5% of each Israeli-resident employee's monthly base salary to another insurance or pension fund, and this accrued amount may be withdrawn by the employee only upon retirement (to the extent either the statutory severance or retirement amounts become payable to an executive director, they will offset amounts otherwise payable to such executive director under his or her employment agreement). The Company generally provides all of its employees residing in Israel with a fixed travel allowance for commuting costs, except that it provides our executive director residing in Israel with reimbursements for such costs, up to a maximum amount of ILS 550 per month. Also, as is customary in Israel applicable to all employees residing in Israel, the Company provides its employees residing in Israel with a certain amount of monthly contributions (7.5% of their base salary) to a savings fund designed for employee's study and training purposes.

- **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. Our executive directors' employment agreements also provide that they may be eligible to receive certain severance payments and benefits in connection with certain terminations of employment with the Company, including a termination of employment in connection with a change in control of the Company. A summary of the current terms of the employment agreements entered into with executive directors can be found in the Company's proxy statement filed with the SEC, which is available on the Company's website.

Scenario Analyses
For the purpose of this policy, non-executive directors have analyzed 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 2022.

CEO Pay Ratio

Presented below is the ratio of annual total compensation of our median compensated employee to that of Ashutosh Kulkarni, our current CEO, in fiscal 2022.

The ratio presented below is a reasonable estimate calculated in a manner consistent with SEC rules and applicable guidelines. The SEC's rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. The pay ratio reported by other companies may not be comparable to the pay ratio reported below, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios. As a result, and as explained by the SEC when it adopted these rules, in considering the pay ratio disclosure, shareholders should keep in mind that the rule was not designed to facilitate comparisons of pay ratios among different companies, even companies within the same industry, but rather to allow shareholders to better understand and assess each particular company's compensation practices and pay ratio disclosures.

We identified the median employee using the following methodology:
For each member of the applicable employee population, we summed their target cash compensation and equity awards received during fiscal 2022. For employees paid other than in U.S. dollars, we converted their compensation to U.S. dollars using our anticipated exchange rate for fiscal 2022. With respect to equity awards, we determined the grant date fair value of restricted stock units and options awarded during fiscal 2022 computed in accordance with FASB ASC Topic 718 using the closing price of our common stock on the date of grant for restricted stock units and the Black-Scholes option-pricing model for stock options.

In determining our employee population, we considered the individuals other than our CEO who were employed by us on March 1, 2022, whether employed in a full-time, part-time or temporary capacity. We did not include any contractors, agency workers or other non-employees.

After identifying the median employee, we then calculated the total fiscal 2022 compensation for this individual using the same methodology we use to calculate the fiscal 2022 amount for our CEO.

For fiscal 2022, the total compensation for our CEO, Mr. Kulkarni, was $17,888,070. Since Mr. Kulkarni was appointed CEO effective January 11, 2022, we annualized the compensation received by Mr.

Kulkarni from January 11, 2022 through April 30, 2022 (the "CEO Period"), and added the values of equity awards granted to Mr. Kulkarni during the CEO Period, to arrive at a value of $14,560,921, used for the ratio of annual total compensation for our CEO to the annual total compensation for our median employee. We annualized Mr. Kulkarni's total compensation as follows:

Components from Fiscal 2022 Summary Compensation	Actual Values for CEO Period	For CEO Pay Ratio: Annualized Values + One-Time Values	Rationale
Salary	$ 180,822	$ 600,000	Annualized salary
Option Awards	$ 7,976,495	7,976,495	Not annualized; one-time grant of promotion option covering 186,686 shares
Stock Awards	$ 5,419,103	5,419,103	Not annualized; one-time grant of supplemental RSU award covering 23,815 shares and promotion RSU award covering 47,630 shares
Non-Equity Incentive Plan Compensation	$ 219,354	545,745	Annualized bonus equal to (i) the actual bonus earned under the Bonus Plan by Mr. Kulkarni during the second half of fiscal year 2022, which is the performance period that ended during the CEO Period, as a percentage of his target bonus over the same period, or 91%, multiplied by (ii) the percentage of Mr. Kulkarni's target bonus for the CEO Period, or 100%, multiplied by (iii) Mr. Kulkarni's annual salary during the CEO Period, or $600,000.
All Other Compensation	$ 5,899	19,575	Annualized Company matching contributions to 401(k) Plan
Total CEO Pay		$ 14,560,921	

The fiscal 2022 annual total for our median employee was $227,345. Thus, the ratio of our CEO's total fiscal 2022 compensation to our median employee's total fiscal year 2022 compensation was 64:1. Given Mr. Kulkarni was appointed as CEO in January 2022, and as such, received one-time long-term equity grants in fiscal 2022 to reflect his promotion from CPO to CEO, we anticipate the ratio of his compensation to that of our median employee will decrease in the next disclosure cycle.

Neither the Compensation Committee nor our management used this pay ratio in making compensation decisions.

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 of Shareholders (the "Remuneration Policy").

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. In Fiscal 2022, all non-executive directors were eligible to receive the following cash compensation for their services:

- $30,000 per year for service as a board member;
- $19,000 per year additionally for service as lead independent director;
- $20,000 per year additionally for service as chairperson of the audit committee;
- $10,000 per year additionally for service as an audit committee member;
- $15,000 per year additionally for service as chairperson of the compensation committee;

- $7,500 per year additionally for service as a compensation committee member;
- $8,500 per year additionally for service as chairperson 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**.* In Fiscal 2022, our non-executive directors were eligible for nondiscretionary, automatic grants of restricted stock units, 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*. Any person who would have first became an eligible non-executive director would have been granted an award of restricted stock units covering a number of shares having a grant date fair value equal to $200,000 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.* For Fiscal 2022, on the date of each General Meeting of the Company's shareholders, each eligible non-executive director was eligible to be granted an award of restricted stock units covering a number of shares having a grant date fair value equal to $200,000 (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.GAAP and is the same under IFRS.

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 27 Related parties*. 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 will 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 a 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); 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; and a minimum shareholding threshold for shareholders to call shareholders meetings or to add items to the agenda of shareholder meetings.

The financial statements were approved by the board of directors and authorized for issue on August 26, 2022 and signed by:

Ashutosh Kulkarni (appointed March 9, 2022)
Executive Director & Chief Executive Officer
August 26, 2022

Shay Banon (appointed July 20, 2012)
Executive Director & Chief Technology Officer
August 26, 2022

Jonathan Chadwick (appointed August 14, 2018)
Non-executive Director
August 26, 2022

Shelley Leibowitz (appointed October 1, 2021)
Non-executive Director
August 26, 2022

Alison Gleeson (appointed January 10, 2020)
Non-executive Director
August 26, 2022

Caryn Marooney (appointed April 25, 2019)
Non-executive Director
August 26, 2022

Chetan Puttagunta (appointed January 10, 2017)
Non-executive Director
August 26, 2022

Steven Schuurman (appointed July 20, 2012)
Non-executive Director
August 26, 2022

Sohaib Abbasi (appointed July 13, 2022)
Non-executive Director
August 26, 2022

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

FINANCIAL STATEMENTS

Index to Financial Statements

Elastic N.V.
Consolidated Statements of Financial Position
April 30, 2022 and 2021
(in thousands U.S. dollars)

	Notes	As of April 30, 2022	As of April 30, 2021
Assets			
Non-current assets			
Property and equipment	5	$ 7,207	$ 8,881
Right-of-use assets	6	26,905	29,375
Intangible assets	21	357,906	237,973
Deferred contract acquisition costs	3	74,419	50,263
Deferred tax assets		5,811	3,697
Prepayments	8	8,280	10,169
Deposits		3,065	2,348
Total non-current assets		**483,593**	**342,706**
Current assets			
Deferred contract acquisition costs	3	43,628	36,089
Prepayments	8	28,372	24,046
Trade and other receivables	7	228,070	173,043
Restricted cash		2,688	2,894
Cash and cash equivalents		860,949	400,814
Total current assets		**1,163,707**	**636,886**
Total assets		**$ 1,647,300**	**$ 979,592**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		$ 990	$ 948
Share premium		849,417	811,802
Translation reserves		(18,131)	(8,105)
Other reserves		513,660	305,123
Accumulated losses		(929,977)	(657,609)
Total shareholders' equity	9	**415,959**	**452,159**
Liabilities			
Non-current liabilities			
Borrowings	10	566,520	-
Trade and other payables	12	12,030	5,271
Lease liabilities	6	16,549	19,647
Deferred tax liabilities		8,172	6,614
Deferred income	11	33,518	44,895
Total non-current liabilities		**636,789**	**76,427**
Current liabilities			
Trade and other payables	12	146,061	87,100
Current tax liabilities		5,551	2,575
Lease liabilities	6	11,164	8,526
Deferred income	15	431,776	352,805
Total current liabilities		**594,552**	**451,006**
Total liabilities		**1,231,341**	**527,433**
Total shareholders' equity and liabilities		**$ 1,647,300**	**$ 979,592**

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

Elastic N.V.
Consolidated Statements of Comprehensive Loss
Years Ended April 30, 2022 and 2021
(in thousands U.S. dollars, except share and per share data)

	Notes	Year Ended April 30, 2022	Year Ended April 30, 2021
Revenue			
Subscriptions		$ 798,770	$ 567,339
Professional services		63,604	41,150
Total revenue	13	862,374	608,489
Cost of revenue			
Subscriptions		179,008	125,327
Professional services		55,581	40,698
Total cost of revenue	26	234,589	166,025
Gross profit		627,785	442,464
Research and development		300,701	212,511
Sales and marketing		427,317	284,543
General and administrative		142,310	114,045
Other income	15	(1,937)	(236)
Total operating costs	26	868,391	610,863
Operating loss		**(240,606)**	**(168,399)**
Finance costs	16	25,954	1,925
Finance income	16	(250)	(7,949)
Loss before income tax		**(266,310)**	**(162,375)**
Income tax (expense)/benefit	17	(6,058)	(7,720)
Loss for the year		**$ (272,368)**	**(170,095)**
Net loss per share attributable to ordinary shareholders, basic and diluted	22	$ (2.94)	(1.95)
Other comprehensive loss			
Loss for the year		$ (272,368)	$ (170,095)
Items that may be subsequently reclassified to profit and loss			
Foreign currency translation differences for foreign operations		(10,026)	(6,728)
Total comprehensive loss for the year, net of tax		**$ (282,394)**	**$ (176,823)**

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, 2022 and 2021
(in thousands U.S. dollars)

	Share capital	Share premium	Translation reserve	Other reserve	Accumulated losses	Total equity
Balances at April 30, 2020	**$ 856**	**$ 734,636**	**$ (1,377)**	**$ 170,814**	**$ (487,514)**	**$ 417,415**
Total comprehensive loss for the year:						
Loss for the year	-	-	-	-	(170,095)	(170,095)
Other comprehensive loss						
Foreign currency translation differences	-	-	(6,728)	-	-	(6,728)
Contributions by owners						
Issuance of ordinary shares upon exercise of stock options	83	77,175	-	-	-	77,258
Issuance of ordinary shares upon release of restricted stock units	9	(9)	-	-	-	-
Reclassification of liability-classified awards	-	-	-	2,703	-	2,703
Stock compensation expense	-	-	-	131,606	-	131,606
Balances at April 30, 2021	**$ 948**	**$ 811,802**	**$ (8,105)**	**$ 305,123**	**$ (657,609)**	**$ 452,159**
Total comprehensive loss for the year:						
Loss for the year	-	-	-	-	(272,368)	(272,368)
Other comprehensive loss						
Foreign currency translation differences	-	-	(10,026)	-	-	(10,026)
Contributions by owners						
Fair value of replacement equity awards attributable to pre-acquisition service	-	1,247	-	-	-	1,247
Issuance of ordinary shares upon exercise of stock options	29	36,381	-	-	-	36,410
Issuance of ordinary shares upon release of restricted stock units	13	(13)	-	-	-	-
Reclassification of liability-classified awards	-	-	-	-	-	-
Stock compensation expense	-	-	-	208,537	-	208,537
Balances at April 30, 2022	**$ 990**	**$ 849,417**	**$ (18,131)**	**$ 513,660**	**$ (929,977)**	**$ 415,959**

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

Elastic N.V.
Consolidated Statements of Cash Flows
Years Ended April 30, 2022 and 2021
(in thousands U.S. dollars)

	Notes	2022	2021
Cash flows from operating activities		$ (272,368)	$ (170,095)
Loss for the year			
Adjustment for			
Depreciation	5	3,945	3,070
Amortization and impairment	21	15,934	14,167
Amortization of ROU asset	6	10,575	9,694
Amortization of debt issuance costs		803	-
Short-term and variable lease payments	6	3,305	2,846
Stock compensation	14,26	208,256	132,276
Amortization of deferred contract acquisition costs	3	60,738	40,991
Foreign currency transaction (gain) loss		1,984	(9,507)
Other		851	130
Changes in operating assets and liabilities, net of impact of business acquisitions:			
Change in deferred tax		(872)	2,994
Change in trade and other receivables		(62,402)	(31,561)
Change in deposits		(718)	1,525
Change in prepayments		(2,068)	(2,576)
Change in deferred contract acquisitions costs		(96,755)	(81,137)
Change in lease liabilities		1,244	815
Change in trade and other payables		56,633	(497)
Change in income tax liability		6,955	2,245
Change in deferred income		83,780	115,937
Cash provided by (used in) operating activities		**$ 19,820**	**$ 31,317**
Cash paid for income taxes		$ (3,979)	$ (423)
Net cash provided by (used in) operating activities		**$ 15,841**	**$ 30,894**
Cash flows from investing activities			
Business acquisitions, net of cash acquired	20	(119,854)	-
Acquisition of property and equipment	5	(2,485)	(3,912)
Capitalized intangible assets	21	(5,250)	-
Restricted cash		206	(586)
Interest received		250	276
Other		-	2,711
Net cash provided by (used in) investing activities		$ **(127,133)**	**$** (1,511)
Cash flows from financing activities			
Proceeds from the issuance of debt		575,000	
Ordinary shares in connection with exercise of stock options	9	36,410	77,258
Payment of debt issuance costs		(9,283)	-
Payment of lease liabilities	6	(10,101)	(8,942)
Net cash provided by financing activities		**$ 592,026**	**$ 68,316**
Net increase/(decrease) in cash and cash equivalents		**$ 480,734**	**$ 97,699**
Cash and cash equivalents at beginning of year		**400,814**	**297,081**
Effect of exchange gain/(loss) on cash held		(20,599)	6,034
Cash and cash equivalents at end of year		**$ 860,949**	**$ 400,814**

Supplemental disclosures of non-cash investing and financing information

	2022	2021
Purchases of property and equipment included in accounts payable	$ 150	$ 92
Holdback related to Optimyze acquisition	$ 6,000	$ -

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

1. Reporting Entity

Elastic N.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. The address of the Company's registered office is Keizersgracht 281, 1016 ED, Amsterdam.

The consolidated financial statements (the "Consolidated Financial Statements") of the Company as at April 30, 2022 and 2021 and for the years ended April 30, 2022 and 2021 comprise the Company and its subsidiaries (together referred to as the "Group" or "Elastic" and individually as "Group entities"). Elastic is a data analytics company built on the power of search. 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 on that data. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. The Company offers three software solutions built into the Elastic Stack: Enterprise Search, Observability, and Security. The Elastic Stack and the Company's solutions are designed to run in public or private clouds, in hybrid environments, or in multi-cloud environments.

The financial statements were approved by the board and authorized for issue on August 26, 2022.

Going Concern

Based on the Consolidated Financial Statements the Group incurred a net loss of $272.4 million and $170.1 million during the years ended April 30, 2022 and 2021, respectively.

The board of directors of the Company (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 twelve 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 International Accounting Standards ("IAS") 1, an entity should 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) as adopted by 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 statements (the "Financial Statements") 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 current assets, total assets, total shareholders' equity, total non-current liabilities, total current liabilities, loss for the year, cash provided by operations, cash used in investing activities, or cash provided by financing activities.

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. Such estimates include, but are not limited to, allocation of revenue between recognized and deferred amounts, deferred contract acquisition costs, allowance for credit losses, valuation of stock-based compensation, fair value of ordinary shares in periods prior to the Company's initial public offering, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, whether an arrangement is or contains a lease, the discount rate used for operating leases and valuation allowance for deferred income taxes. The Company 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 future events. 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 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

In March 2020, the World Health Organization declared the 2019 novel Coronavirus Disease ("COVID-19") a pandemic. The continuing COVID-19 pandemic has resulted in a global slowdown of economic activity and its impact has varied significantly across different industries with certain industries experiencing increased demand for their products and services, while others have struggled to maintain demand for their products and services consistent with historical levels. The full extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain.

Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Group is not aware of any specific event or circumstance that would require the Group to update its estimates, judgments or revise the carrying value of the Group's assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the Consolidated Financial Statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Group's financial statements.

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.

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 13 - Revenue* 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 May 1, 2021:

The following amendments and interpretations were adopted during the year ended April 30, 2022.

- Amendment to IFRS 16,'Leases' - Covid-19 Rent related concessions beyond June 30, 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (fair value) reform beyond January 1, 2021
- Amendments to IFRS 17 and IFRS 4 'Insurance contracts' beyond January 1, 2023.
- Narrow scope amendments to IFRS 3, 'Business combinations' (updating a reference without significant changes to its requirements), IAS 16,' Property, plant and equipment' (changes regarding proceeds from items produced), IAS 37 'Provisions, contingent liabilities and contingent assets' (changes regarding costs a company should include as the cost of fulfilling an onerous contract), ' Contingency Liabilities and Contingent Assets' (changes regarding costs a company should include as the cost of fulfilling an onerous contract)
- Annual Improvements 2018-2020 beyond January 1, 2022.
- Amendments to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8,' Accounting policies, changes in accounting estimates and errors' beyond January 1, 2023.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction beyond January 1, 2023

The 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.

There are no other IFRSs or International Financials Reporting Interpretations Committee ("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 using consistent accounting policies. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company 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 Company obtains control, and continue to be consolidated until the date that such control ceases.

Details of the scope of consolidation are provided in *Note 28 – Group Entities*. All consolidated companies prepared their accounts during the years ended April 30, 2022 and 2021 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.

Elasticsearch GmbH, a wholly-owned subsidiary of Elastic N.V., is consolidated in these Consolidated Financial Statements and met all criteria of the exemption contained in article § 264 subsection 3 of German Commercial Code (Handelsgesetzbuch, HGB) and therefore does not issue audited financial statements.

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 Company periodically re-assesses its operations to determine if previous conclusions are still valid. Changes in functional currencies are applied prospectively if the operations encounter a significant and permanent change. 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 Translation Reserves.

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 from the sales of 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. Our contracts include varying terms and conditions, and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. 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 generally do not contain warranties that give rise to a separate performance obligation.

ii) *identification of the performance obligations in the contract;*

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 license providing the right to use 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) *determination of the transaction price;*

The transaction price is the total amount of consideration we expect to be entitled to in exchange for the subscriptions and services in a contract. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of our contracts contain a significant financing component.

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

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 standalone selling price ("SSP"). 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 we do not sell the software license separately, we derive the SSP using information that may include market conditions and other observable and unobservable inputs which 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. If one of the performance obligations is outside of the SSP range, the Group allocates the transaction price considering the midpoint of the SSP 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 a relative 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. Revenue for SaaS offerings that relate to a specified amount of services is recognized on a consumption basis as the customers utilize the services. Revenue from SaaS offerings that are stand-ready arrangements is recognized ratably over the contract period as we satisfy the performance obligation. 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.

Professional services comprise consulting services as well as public and private training. Consulting services are generally time-based arrangements. Revenue from professional services is recognized as these services are delivered.

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 revenue 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:

	As of April 30,	
	2022	2021
Unbilled accounts receivable, included in Trade and other receivables	$ 9,244	$ 5,204
Deferred contract acquisition costs	$ 118,047	$ 86,352
Deferred income	$ 465,294	$ 397,700

Deferred Contract Acquisition Costs

Deferred contract acquisition costs represent costs that are incremental to the acquisition of customer contracts, which consist mainly of sales commissions and associated payroll taxes. 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 subscription contract are not considered commensurate with the commissions paid for contracts with new customers and incremental sales to existing customers given the substantive difference in commission rates in proportion to their respective contract values. Commissions paid for contracts with new customers and incremental sales to existing customers are amortized over an estimated period of benefit of five years while commissions paid for renewal contracts are amortized based on the pattern of the associated revenue recognition over the related contractual renewal period for the pool of renewal contracts. The Group determines the period of benefit for commissions paid for contracts with new customers and incremental sales to existing customers by taking into consideration its initial estimated customer life and the technological life of its software and related significant features. Commissions paid on professional services are typically amortized in accordance with the associated revenue as the commissions paid on new and renewal professional services are commensurate with each other. Amortization of deferred contract acquisition costs is recognized in sales and marketing expense in the consolidated statement of comprehensive loss.

(All amounts in thousands U.S. dollars unless otherwise stated)

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. We did not recognize any impairment of deferred contract acquisition costs during the years ended April 30, 2022 and 2021.

The following table summarizes the activity of the deferred contract acquisition costs:

	Year Ended April 30,	
	2022	2021
Beginning balance	$ 86,352	$ 43,549
Capitalization of contract acquisition costs	92,433	83,794
Amortization of deferred contract acquisition costs	(60,738)	(40,991)
Ending balance	$ 118,047	$ 86,352
Deferred contract acquisition costs, current	$ 43,628	$ 36,089
Deferred contract acquisition costs, non-current	74,419	50,263
Total deferred contract acquisition costs	$ 118,047	$ 86,352

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 7)*.

After initial recognition at fair value, trade receivables are subsequently measured at amortized cost after provision for bad and doubtful debts. 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 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: trade and other accounts payables 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 New York Stock Exchange ("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, 2022.

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. Refer to *Note 21- Intangible Assets* for more details.

Trademarks and Customer Related Intangible Assets

Separately acquired trademarks and customer related intangible assets are shown at historical cost. Trademarks 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:

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

(All amounts in thousands U.S. dollars unless otherwise stated)

Internally developed software

Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalized if the Group expects economic benefits from the development. Capitalization in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortized on a straight-line basis over its estimated useful life. The Company capitalized $5.4 million of such costs in the years ended April 30, 2022, and these costs are recorded in the intangible assets on the consolidated balance sheets. Amortization expense for the fiscal year ended April 30, 2022 was $0.2 million.

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, 2022 or April 30, 2021, 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.

The following table summarizes the movement in loss allowance on trade and other receivables:

	Year Ended April 30,	
	2022	2021
Beginning balance	$ 2,344	$ 879
Increase in loss allowance recognized in profit and loss during the year	2,980	5,096
Receivables written off during the year as uncollectible	(2,624)	(3,631)
Ending balance	$ 2,700	$ 2,344

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Transaction costs that are directly attributable to the issuance of debt are added to or deducted from the initial fair value.

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 U.S. 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 Company. This 401(k) 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 401(k) Plan up to 6% of the participating employee's W-2 earnings and wages. The Group recorded $15.2 million, $11.4 million and $8.3 million of expense related to the 401(k) Plan during the years ended April 30, 2022, 2021 and 2020, respectively.

The Group also has defined-contribution plans in certain other countries for which the Company recorded $7.2 million, $5.1 million and $3.6 million of expense during the years ended April 30, 2022, 2021 and 2020, 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 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 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 and RSUs is recognized in the profit or loss over the requisite service period on an accelerated attributed method, with a corresponding adjustment to "other reserves" for equity settled awards. The Company recognizes forfeitures as they occur.

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 a finance cost.

Leases

The Group assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less). For these leases, the lease payments are recognized as an operating expense on a straight-line basis over the term of the lease.

The right-of-use (ROU) asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group applies IAS 36 to determine whether an ROU asset is impaired. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the ROU asset.

Management uses judgement to determine the lease term where extension and termination options are available within the lease.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The lease liability is initially measured as the present value of the remaining lease payments over the lease term. The discount rate used to determine the present value is the Company's incremental borrowing rate unless the interest rate implicit in the lease is readily determinable. The Company estimates its incremental borrowing rate based on the information available at lease commencement date for borrowings with a similar term. The right-of-use asset is initially measured as the present value of the lease payments, adjusted for initial direct costs, prepaid lease payments to lessors and lease incentives.

The Group cannot readily determine the interest rate implicit in the lease contracts for its offices. Therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group "would have to paid", which requires estimation when no observable rates are available. The IBR applied to the lease liabilities was between 1.33% and 5.76%.

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. The Group assesses uncertainty over a tax treatment in accordance with International Financial Reporting Interpretations Committee ("IFRIC") 23. For those tax positions where the Group has determined that it is probable that the taxation authority will accept an uncertain tax treatment, 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 that it is not probable that the taxation authority will accept an uncertain tax treatment, no tax benefit has been recognized.

Although the Group believes that it has adequately reserved for its uncertain tax positions, the Group cannot provide absolute 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.

Customer Deposits

Certain of the Company's contracts allow for termination at the customer's convenience, or the Company may receive prepayments on master sales agreements. In these cases, the Company does not consider a contract to exist past the term in which enforceable rights and obligations exist. Amounts received related to these agreements are classified outside of deferred income in the consolidated balance sheet, and these amounts do not represent contract balances. The Company had $3.9 million and $3.2 million of customer deposits included in trade and other payables as of April 30, 2022 and 2021, respectively.

Sales and Marketing

Sales and marketing expense primarily consists of personnel costs, commissions, allocated overhead costs and costs related to marketing programs and user events. Marketing programs consist of advertising, events, brand-building and customer acquisition and retention activities. We capitalize sales commissions and associated payroll taxes paid to internal sales personnel that are related to the acquisition of customer contracts. Sales commissions costs are amortized over the expected benefit period

Research and Development

Research and development expense primarily consists of personnel costs and allocated overhead costs for employees and contractors.

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 comprehensive loss.

General and Administrative

General and administrative expense primarily consists of personnel costs for our management, finance, legal, human resources, and other administrative employees. Our general and administrative expense also includes professional fees, accounting fees, audit fees, tax services and legal fees, as well as insurance, allocated overhead costs, and other corporate expenses.

Fiscal Unity Tax Accounting Policy

The Company is head of the fiscal unity of for Dutch income 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. The Company is also head of the fiscal unity for Dutch VAT with Elastic's Dutch subsidiaries (elasticsearch B.V. Elasticsearch Finance B.V., Elasticsearch International B.V., and Elasticsearch Worldwide B.V.) and is, as such, jointly liable for the VAT liabilities of the fiscal unity as a whole.

4. Financial Risk Management

All potential areas of financial risk are regularly monitored and reviewed by the board of 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
The Group 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. The Group had cash, cash equivalents, and restricted cash of $863.6 million as of April 30, 2022. The Group's cash, cash equivalents, and restricted cash are held in cash deposits and money market funds. The primary objectives of the 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 value of its investment portfolio. Declines in interest rates, however, would reduce the Group's future interest income.

  In July 2021, Elastic issued $575.0 million aggregate principal amount of 4.125% Senior Notes due in 2029 in a private placement. The fair value of the Senior Notes is subject to market risk. In addition, the fair market value of the Senior Notes is exposed to interest rate risk. Generally, the fair market value of the fixed interest rate Senior Notes will increase as interest rates fall and decrease as interest rates rise. The interest rate and market value changes affect the fair value of the Senior Notes, but do not impact the Group's financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, the Senior Notes are carried at face value less unamortized debt issuance cost on the balance sheet, and the fair value is presented for required disclosure purposes only.

  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 Group 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. Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash, cash equivalents, restricted cash, short-term investments, and accounts receivable. The primary focus of the Group's investment strategy is to preserve capital and meet liquidity requirements. The Group maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits. The Group invests its excess cash in highly-rated money market funds and in short-term investments. The Group extends credit to customers in the normal course of business. The Group performs credit analyses and monitors the financial health of its customers to reduce credit risk. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Management performs ongoing credit evaluations of customers and maintains allowances for potential credit losses on customers' accounts when deemed necessary. 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 7- Trade and other receivables* for further details about trade receivables and contract assets including movement in provision for bad and doubtful debts.

(All amounts in thousands U.S. dollars unless otherwise stated)

As of April 30, 2022 and April 30, 2021, no customer represented 10% or more of net trade receivables. No customer accounted for more than 10% of the Company's revenue for the years ended April 30, 2022 and 2021.

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

	Year Ended April 30, 2022	Year Ended April 30, 2021
United States	$ 118,990	$ 76,375
Europe	71,485	57,585
Other	15,509	21,251
Total	$ 205,984	$ 155,211

See *Note 13 – Revenue* for revenue by geographic area.

The Group does not typically offer any right of refund in its contracts. 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.

On that basis, the loss allowance as at April 30, 2022 and April 30, 2021 was determined for accounts receivables:

April 30, 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	0.60	1.36	3.86	28.65	1.31
Gross carrying amount-Trade receivables	$ 191,229	$ 5,422	$ 5,227	$ 4,443	$ 206,320
Loss allowance	$ 1,151	$ 74	$ 202	$ 1,273	$ 2,700

April 30, 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	0.9	2.61	7.75	20.21	1.51
Gross carrying amount-Trade receivables	$ 144,469	$ 3,408	$ 3,973	$ 3,171	$ 155,021
Loss allowance	$ 1,306	$ 89	$ 308	$ 641	$ 2,344

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 of directors to ensure that within a three-month time frame it has sufficient cash to its expected operational expenses that can be reasonably predicted.

(All amounts in thousands U.S. dollars unless otherwise stated)

The tables below summarizes the group's financial liabilities into relevant maturity groupings for all non-derivative financial liabilities:

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total	Carrying amount
Trade and other payables	$ 146,061	$ 12,030	$ -	$ 158,091	$ 158,091
Senior Notes	-	-	575,000	575,000	566,520
Lease liabilities	11,164	16,549	-	27,713	27,713
Total	$ 157,225	$ 28,579	$ 575,000	$ 760,804	$ 752,324

Currency Risk

The Group's revenue and expenses are primarily denominated in U.S. dollars. To date, the Group has not had a formal hedging program with respect to foreign currency, but it may do so in the future if its 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 material impact on the Group's operating results to date; however, the Group will continue to reassess our foreign exchange exposure as it continues to grow its business globally.

The Group has experienced and will continue to experience fluctuations in net loss as a result of transaction gains or losses related to remeasurement of certain asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. An immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies could have a material effect on the Group's revenue, operating expenses, and net loss. As a component of finance income and finance costs, the Group recognized a foreign currency transaction loss of $3.6 million and a foreign currency transaction gain of $7.7 million for the years ended April 30, 2022 and April 30, 2021, respectively.

As of April 30, 2022, the Group's cash, cash equivalents, and restricted cash were primarily denominated in U.S. dollars, Euros, and British pounds. A 10% increase or decrease in current exchange rates would have an impact of approximately $20.2 million on the Group's cash, cash equivalents, and restricted cash balances.

(All amounts in thousands U.S. dollars unless otherwise stated)

5. Property and Equipment

	Leasehold improvement	Computer Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost					
Balance at April 30, 2020	$ **8,406**	$ **5,686**	$ **5,072**	$ **1,661**	$ **20,825**
Additions	-	-	-	3,912	3,912
Disposals	(1,393)	(4,155)	(646)	-	(6,194)
Transfers	3,106	576	1,354	(5,036)	-
Effect of movement in exchange rates	223	211	191	169	794
Balance at April 30, 2021	$ **10,342**	**$ 2,318**	**$ 5,971**	**$ 706**	**$ 19,337**
Additions	-	-	-	2,673	2,673
Disposals	(61)	(1,134)	(927)	-	(2,122)
Transfers	895	387	905	(2,187)	-
Effect of movement in exchange rates	(313)	(98)	(196)	(73)	(680)
Balance at April 30, 2022	$ **10,863**	**$ 1,473**	**$ 5,753**	**$ 1,119**	**$ 19,208**
Depreciation					
Balance at April 30, 2020	$ **5,361**	$ **4,904**	$ **2,800**	$ **-**	$ **13,065**
Charge for year	1,178	653	1,239	-	3,070
Disposals	(1,392)	(4,155)	(580)	-	(6,127)
Effect of movement in exchange rates	128	171	149	-	448
Balance at April 30, 2021	$ **5,275**	$ **1,573**	$ **3,608**	$ **-**	$ **10,456**
Charge for year	2,042	487	1,416	-	3,945
Disposals	-	(1,091)	(874)	-	(1,965)
Effect of movement in exchange rates	(213)	(118)	(104)	-	(435)
Balance at April 30, 2022	$ **7,104**	**$ 851**	**$ 4,046**	**$ -**	**$ 12,001**
Carrying amounts					
At April 30, 2021	**$ 5,067**	**$ 745**	**$ 2,363**	**$ 706**	**$ 8,881**
At April 30, 2022	**$ 3,759**	**$ 622**	**$ 1,707**	**$ 1,119**	**$ 7,207**

Depreciation expense related to property and equipment was $3.9 million and $3.1 million for the years ended April 30, 2022 and April 30, 2021, respectively.

During fiscal 2022 the Group incurred a loss of less than $0.1 million related to disposal of assets.

6. Leases

The tables below summarize the carrying amounts of ROU assets and lease liabilities and movement during the year:

	ROU Assets (Office space)	Lease Liabilities
As at May 1, 2021	**$ 29,375**	**28,173**
Additions	9,153	8,886
Cancellations	(437)	-
Amortization	(10,575)	-
Payments	-	(10,101)
Interest expense	-	1,244
Effect of movement in exchange rates	(611)	(489)
As at April 30, 2022	**$ 26,905**	**$ 27,713**

(All amounts in thousands U.S. dollars unless otherwise stated)

	As of April 30,	
	2022	2021
Right-of-use assets		
Office rent	$ 26,905	$ 29,375
Lease liabilities		
Current	$ 11,164	$ 8,526
Non-current	16,549	19,647
Total lease liabilities	$ 27,713	$ 28,173

Amounts recognized in the income statement are as follows:

	Year Ended April 30,	
	2022	2021
Depreciation of ROU assets (office space)	$ 10,575	$ 8,953
Interest expense on lease liabilities (included in finance costs)	1,244	1,644
Expense relating to short-term leases (included in administrative expenses)	2,448	2,319
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	857	527
Total amount recognized in profit or loss	$ 15,124	$ 13,443

7. Trade and Other Receivables

	As of April 30,	
	2022	2021
Trade receivable	$ 205,984	$ 155,211
Unbilled receivable	9,244	5,204
VAT receivable	7,314	9,408
Deposits	2,810	2,410
Other	2,718	810
Total Trade and other receivables	$ 228,070	$ 173,043
Current	$ 228,070	$ 173,043
Non- current	-	-
Total Trade and other receivables	$ 228,070	$ 173,043

8. Prepayments

	As of April 30,	
	2022	2021
Prepaid hosting costs	$ 16,423	$ 19,066
Prepaid software subscriptions	8,343	7,326
Prepaid taxes	1,391	893
Insurance	5,416	1,797
Other	5,079	5,133
Total Prepayments	$ 36,652	$ 34,215
Current	$ 28,372	$ 24,046
Non- current	8,280	10,169
Total Prepayments	$ 36,652	$ 34,215

(All amounts in thousands U.S. dollars unless otherwise stated)

9. Capital and Reserves

	Ordinary Shares
Balance at April 30, 2020	**82,856,978**
Ordinary shares issued upon exercise of stock options	6,989,222
Ordinary shares issued upon release of RSUs	687,785
Balance at April 30, 2021	**90,533,985**
Ordinary shares issued upon exercise of stock options	2,563,287
Ordinary shares issued upon release of RSUs	1,077,642
Balance at April 30, 2022	**94,174,914**

Issuance of Shares

During fiscal 2022, 2,563,287 ordinary shares were issued upon exercise of stock options and 1,077,642 ordinary shares issued upon release of RSUs.

During fiscal 2021, 6,989,222 ordinary shares were issued upon exercise of stock options and 687,785 ordinary shares issued upon release of RSUs.

Ordinary Shares and Preference Shares

At April 30, 2022 there were 165,000,000 ordinary shares authorized par value €0.01 per share; 94,174,914 shares issued and outstanding as of April 30, 2022 and 90,533,985 shares issued and outstanding as of April 30, 2021.

The Company’s board of directors has the authority, for a period of five years from October 10, 2018, without further action by the Company’s shareholders, to issue up to 165 million shares of undesignated convertible preference shares with rights and preferences, including voting rights, designated from time to time by the board of directors. As of April 30, 2022, there were no convertible preference shares issued or outstanding.

Each holder of ordinary shares has the right to one vote per ordinary share. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of shares outstanding having priority rights to dividends. No dividends have been declared by the board of directors from inception through the year ended April 30, 2022.

Translation Reserve

Translation reserve comprises the translation of participations from a foreign currency to the presentation currency. Exchange differences arising on translation of the foreign controlled entities are recognized in other comprehensive loss, as described in Note 3, and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Other Reserves

Other reserves comprise compensation expense for stock options, RSAs and RSUs for equity settled awards. There is no distribution restriction on other reserves.

10. Borrowings

In July 2021, the Company issued $575.0 million aggregate principal amount of 4.125% Senior Notes due July 15, 2029 in a private placement.

Interest on the Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2022. The Company received net proceeds from the offering of the Senior Notes of $565.7 million after deducting underwriting commissions of $7.2 million and incurred additional issuance costs of $2.1 million. Total debt issuance costs of $9.3 million are being amortized to interest expense using the effective interest method over the term of the Senior Notes. The Company may redeem the Senior Notes, in whole or in part, at any time prior to July 15, 2024 at a price equal to 100% of the principal amount thereof plus a “make-whole” premium and accrued and unpaid interest, if any. The Company may at its election redeem all or a part of the Senior Notes on or after July 15, 2024, on any one or more occasions, at the redemption prices set forth in the indenture governing the Senior Notes (the "Indenture"), plus, in each case, accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date. In addition, at any time prior to July 15, 2024, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes outstanding under the Indenture with the net cash proceeds of one or more equity offerings at a redemption price equal to 104.125% of the principal amount of the Senior Notes then outstanding, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date. The Company may also at its election redeem the Senior Notes in whole, but not in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, if certain changes in tax law occur as set forth in the Indenture.

(All amounts in thousands U.S. dollars unless otherwise stated)

If the Company experiences a change of control triggering event (as defined in the Indenture), the Company must offer to repurchase the Senior Notes at a repurchase price equal to 101% of the principal amount of the Senior Notes to be repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

The indenture governing the Senior Notes contain covenants limiting the Company's ability and the ability of certain subsidiaries to create liens on certain assets to secure debt; grant a subsidiary guarantee of certain debt without also providing a guarantee of the Senior Notes; and consolidate or merge with or into, or sell or otherwise dispose of all or substantially all of its assets to, another person. These covenants are subject to a number of limitations and exceptions. Certain of these covenants will not apply during any period in which the notes are rated investment grade by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services.

As of April 30, 2022, the Company was in compliance with all of its financial covenants under the Indenture associated with the Senior Notes.

11. Deferred Income

Significant changes in the deferred income balances were as follows:

	Year Ended April 30,	
	2022	**2021**
Beginning balance	$ 397,700	$ 259,702
Additions through acquisition, net of revenue recognized	439	-
Increases due to invoices issued, excluding amounts recognized as revenue during the period	421,552	364,093
Amounts transferred to deferred from accrued expenses and other liabilities upon entering into contracts with customers, net of revenue recognized during the period	-	5,424
Revenue recognized that was included in deferred income balance at beginning of period	(354,397)	(231,519)
Ending balance	$ 465,294	$ 397,700
Current	$ 431,776	$ 352,805
Non- current	33,518	44,895
Total Deferred income	$ 465,294	$ 397,700

Remaining Performance Obligations

As of April 30, 2022, the Group had $932.3 million of remaining performance obligations, which is comprised of product and services revenue not yet delivered. As of April 30, 2022, the Company expects to recognize approximately 87% of its remaining performance obligations as revenue over the next 24 months and the remainder thereafter.

12. Trade and Other Payables

	As of April 30, 2022	As of April 30, 2021
Trade payables	$ 28,403	$ 7,248
Payroll and social charges liabilities	75,981	52,525
Other taxes payable	10,050	9,704
Accrued expenses	19,023	8,921
Other liabilities	24,634	13,973
Total Trade and other payables	$ 158,091	$ 92,371
Current	$ 146,061	$ 87,100
Non-current	12,030	5,271
Total Trade and other payables	$ 158,091	$ 92,371

13. Revenue

	Year Ended April 30, 2022	Year Ended April 30, 2021
Elastic Cloud	$ 298,615	$ 166,319
Other subscription	500,155	401,020
Total subscription	798,770	567,339
Professional services	63,604	41,150
Total revenue	$ 862,374	$ 608,489

During fiscal 2022, the Company updated its disaggregation of revenue breakdown to present revenue by product category. The prior period presentation has been updated to conform to the current year presentation.

Other than the United States, no other individual country exceeded 10% or more of total revenue during the periods presented. The following table summarizes the Company’s total revenue by geographic area based on the billing address of the customers (in thousands):

	Year Ended April 30, 2022	Year Ended April 30, 2021
Netherlands	$ 28,104	$ 19,952
United States	481,589	331,769
Rest of the world	352,681	256,768
Total revenue	$ 862,374	$ 608,489

(All amounts in thousands U.S. dollars unless otherwise stated)

14. Share-Based Payment

Share Option Program (Equity-Settled)

Information with respect to stock awards available and outstanding is as follows:

	Outstanding Stock Options	Weighted-Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as at April 30, 2020	**15,260,506**	$ **14.17**	**7.27**	**$ 767,795**
Stock options granted	232,075	$ 139.68		
Stock options exercised	(6,989,222)	$ 11.08		
Stock options cancelled	(890,561)	$ 18.15		
Stock options assumed in acquisition cancelled	(1,782)	$ 72.75		
Balance as of April 30, 2021	**7,611,016**	**$ 20.34**	**6.66**	**$ 768,517**
Stock options granted	495,460	$ 94.46		
Stock options assumed in acquisition	63,846	10.20		
Stock options exercised	(2,563,287)	$ 14.18		
Stock options cancelled	(386,656)	$ 32.04		
Stock options assumed in acquisition cancelled	(1,255)	$ 40.35		
Balance as at April 30,2022	**5,219,124**	**$ 29.41**	**6.22**	**$ 266,021**
Exercisable as of April 30, 2022	3,929,577	$ 18.84	5.70	$ 230,199

Options exercisable include 16,667 options that were unvested as of April 30, 2022.

In September 2012, the Company's board of directors adopted and the Company's shareholders approved the 2012 Stock Option Plan, which was amended and restated in September 2018 and further amended in December 2021 (as amended and restated, the "2012 Plan"). Under the 2012 Plan, the board of directors, the compensation committee, as administrator of the 2012 Plan, and a duly authorized committee may grant stock options and other equity-based awards, such as Restricted Stock Awards ("RSAs") or Restricted Stock Units ("RSUs"), to eligible employees, directors, and consultants to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company's business. The Company's board of directors, compensation committee or a duly authorized committee determines the vesting schedule for all equity-based awards. Stock options granted to new employees 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 subject to the employees' continued service to the Company. Refresh grants of stock options to existing employees generally vest monthly over four years subject to the employees' continued service to the Company. RSUs granted prior to December 8, 2021 to new employees generally vest over a period of four years with 25% vesting on the one-year anniversary of the vesting start date and the remainder vesting semi-annually over the next 36 months, subject to the employee's continued service to the Company. RSUs granted prior to December 8, 2021 to existing employees generally vest semi-annually over a period of four years, subject to the employee's continued service to the Company. RSUs granted to both new and existing employees on and after December 8, 2021 generally vest quarterly over a period of four years, subject to the grantee's continued service to the Company. The Company's compensation committee may explicitly deviate from the general vesting schedules in its approval of an equity-based award, as it may deem appropriate. Stock options expire ten years after the date of grant. Stock options, RSAs and RSUs that are canceled under certain conditions become available for future grant or sale under the 2012 Plan unless the 2012 Plan is terminated.

The residual weighted average remaining life (in years) of the outstanding options at April 30, 2022 and April 30, 2021 was 6.22 years and 6.66 years, respectively.

(All amounts in thousands U.S. dollars unless otherwise stated)

Range of Exercise Prices				Options Outstanding	Options Exercisable
$ 0.10	-	$	10.15	944,728	935,664
$ 10.49	-	$	12.50	531,060	497,393
$ 13.07	-	$	13.07	1,368,868	973,243
$ 16.67	-	$	19.87	1,060,371	984,461
$ 23.74	-	$	75.85	795,728	406,608
$ 76.82	-	$	145.83	486,954	122,392
$ 166.43	-	$	166.43	31,415	9,816
				5,219,124	**3,929,577**

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

	Year Ended April 30,	
	2022	2021
Expected term (in years)	0.45 – 6.08	4
Expected stock price volatility	55%	55%
Risk-free interest rate	0.07% - 1.79%	0.23% - 0.60%
Dividend yield	0%	0%

Determination of Fair Value

The determination of the fair value of stock-based options on the date of grant using an option pricing model is affected by the fair value of the Company's ordinary shares, as well as assumptions regarding a number of complex and subjective variables. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options, which requires the use of assumptions including actual and projected employee stock option exercise behaviors, expected price volatility of the Company's ordinary shares, the risk-free interest rate and expected dividends. Each of these inputs is subjective and generally requires significant judgment to determine.

Fair Value of Ordinary Shares: Prior to the IPO, the fair value of ordinary shares underlying the stock awards had historically been determined by the board of directors, with input from the Company's management. The board of directors previously determined the fair value of the ordinary shares at the time of grant of the awards by considering a number of objective and subjective factors, including 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. Subsequent to the IPO, the fair value of the underlying ordinary shares is determined by the closing price, on the date of the grant, of the Company's ordinary shares, which are traded publicly on the New York Stock Exchange.

Expected Term: The expected term represents the period that options are expected to be outstanding.

Expected Volatility: Since the Company has limited trading history of its ordinary shares, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its own business over a period equivalent to the option's expected term.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Dividend Yield: The expected dividend is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

The Company's expected volatility and expected term involve management's best estimates, both of which impact the fair value of the option calculated under the Black-Scholes option pricing model and, ultimately, the expense that will be recognized over the life of the option.

(All amounts in thousands U.S. dollars unless otherwise stated)

Restricted Stock Units (RSUs)

During the year ended April 30, 2022, the Company granted 3,224,256 RSUs at a weighted-average grant date fair value of $113.91 per unit.

During the year ended April 30, 2021, the Company cancelled 80,839 cash settled RSUs and contemporaneously granted 80,839 equity settled RSUs. The modification of the awards and related change in the classification of awards from liability-classified to equity-classified was accounted for under the provisions of IFRS 2 Share-based payment. Prior to the conversion, the Company performed a final measurement of its stock-based compensation liability under the fair value method, which resulted in a non-cash stock-based compensation expense of $2.5 million. Additionally, upon modification of the awards, the Company reclassified $2.7 million stock-based compensation liability to Other reserves.

A summary of RSUs outstanding and unvested under the 2012 Plan for the year ended April 30, 2021 was as follows:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding and unvested at April 30, 2020	2,472,092	$ 66.78
RSUs granted	1,965,644	$ 123.48
RSUs released	(696,175)	$ 71.18
RSUs cancelled	(440,278)	$ 73.31
Outstanding and unvested at April 30, 2021	3,301,283	$ 98.74
RSUs granted	3,224,256	$ 113.91
RSUs released	(1,092,121)	$ 96.65
RSUs cancelled	(715,870)	$ 106.34
Outstanding and unvested at April 30, 2022	4,717,548	$ 108.44

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 attribution basis, typically over four to five years. For the years ended April 30, 2022 and 2021, the Group recorded share based compensation expense related to issuance of stock options of $16.4 million and $8.9 million, respectively. As of April 30, 2022, the Company had unrecognized share based compensation expense of $22.9 million related to unvested stock options that the Company expects to recognize over a weighted average period of 2.16 years.

Stock-based compensation expense related to RSUs for the years ended April 30, 2022 and April 30, 2021 was $192.6 million and $122.7 million. As of April 30, 2022, the Company had unrecognized share based compensation expense of $297.5 million related to equity settled RSUs that the Company expects to recognize over a weighted-average period of 2.77 years.

Total share-based compensation expense recognized in the consolidated statements of comprehensive loss was as follows:

	Year Ended April 30, 2022	Year Ended April 30, 2021
Subscriptions	$ 9,172	$ 9,919
Professional services	8,055	6,980
Total cost of revenue	$ 17,227	$ 16,899
Research and development	86,851	48,574
Sales and marketing	66,099	42,161
General and administrative	38,660	24,642
Total operating costs	$ 191,610	$ 115,377
Total share-based compensation expense, net of amounts capitalized	$ 208,837	$ 132,276
Capitalized shared-based compensation expense	$ 198	$ -
Total share-based compensation expense	$ 209,035	$ 132,276

(All amounts in thousands U.S. dollars unless otherwise stated)

15. Other Income

	Year Ended April 30, 2022	2021
Proceeds from user conference	$ 357	$ 86
Sublease income	1,580	31
Gain on operating leases	-	119
Total other income	$ 1,937	$ 236

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

16. Finance Income and Costs

	Year Ended April 30, 2022	2021
Interest income on bank deposits	$ (250)	$ (276)
Net foreign exchange loss	-	(7,673)
Total Finance income	$ (250)	$ (7,949)
Interest expense – Senior notes	$ 20,174	$ -
Interest expense – Other	2,137	1,925
Net foreign exchange gain	3,643	-
Total Finance expense	$ 25,954	$ 1,925
Net finance costs	$ 25,704	$ (6,024)

17. Income Tax Expense

	Year Ended April 30, 2022	
Expected tax recovery on net loss before income tax	$ (66,577)	25.00%
Difference in tax rates between foreign jurisdictions and the Netherlands	(1,957)	0.73%
R&D credits	(11,680)	4.38%
Shared based compensation	23,053	(8.66%)
Deferred tax assets not recognized	54,305	(20.39%)
Deferred tax assets revaluation	(164)	0.06%
Miscellaneous other	9,078	(3.39%)
Effective taxation rate	$ 6,058	(2.27%)

	Year Ended April 30, 2021	
Expected tax recovery on net loss before income tax	$ (40,594)	$ 25.00%
Difference in tax rates between foreign jurisdictions and the Netherlands	389	(0.24%)
R&D credits	(11,020)	6.79%
Shared based compensation	(97,996)	60.35%
Deferred tax assets not recognized	152,926	(94.18%)
Deferred tax assets revaluation	(256)	0.16%
Miscellaneous other	4,271	(2.63%)
Effective taxation rate	$ 7,720	$ (4.75%)

As of April 30, 2022, the Company has a tax loss carry forward (TLCF) of approximately $758.4 million (April 30, 2021 – approximately $589.8 million) related to the Dutch fiscal unity, approximately $1,654.2 million (April 30, 2021 - $1,578.1 million) related the US (federal and states), and approximately $67.5 million (April 30, 2021 – approximately $56 million) related to the United Kingdom.

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 TLCFs are in the US and the Netherlands. Losses in the US and the Netherlands have not been recognized in the balance sheet and have expiry dates starting 2031 for the US, and have an indefinite life in the Netherlands and the United Kingdom.

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 and liabilities 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):

	As of April 30,	
	2022	2021
Deferred tax assets:		
Accrued compensation	$ -	$ 325
NOL carryforwards	2,009	225
Deferred Income	2,858	737
Credits	798	504
Lease liability	181	266
Deferred Contract Acquisition Costs	6	-
Other	-	295
Total deferred tax assets	$ 5,852	$ 2,352
Deferred tax liabilities:		
Accrued compensation	$ (2,234)	-
Stock-based compensation	(1,848)	-
Deferred contract acquisition costs	-	$ (5,002)
Intangibles	(1,037)	
Right of use asset	(159)	(267)
Other	(2,935)	-
Total deferred tax liabilities	$ (8,213)	$ (5,269)
Net deferred tax assets (liabilities)	$ (2,361)	$ (2,917)

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.

18. Average Number of People Employed

	Average		As of April 30,	
	2022	2021	2022	2021
Number of employees	2,579	2,058	2,978	2,179
Average Netherlands	129	96	162	98
Average outside	2,450	1,962	2,816	2,081

(All amounts in thousands U.S. dollars unless otherwise stated)

19. Commitments

The Group's principal commitments consist of its purchase obligations under non-cancellable agreements for cloud hosting, subscription software, and sales and marketing, future non-cancelable minimum rental payments under operating leases for its offices, and interest payments due on its Senior Notes. As of April 30, 2022, the Group had purchase commitments of $415.7 million related to cloud hosting services, future minimum lease payment commitments of $29.8 million, and purchase commitments of $36.2 million related to other contracts.

In July 2021, Elastic issued $575.0 million aggregate principal amount of 4.125% Senior Notes due July 15, 2029 in a private placement. Interest on the Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year. Additionally, as of April 30, 2022, the Group had $2.5 million in letters of credit outstanding in favor of certain landlords for office space. These letters of credit renew annually and expire on various dates through 2023.

The Group's contractual commitment amounts are associated with agreements that are enforceable and legally binding and do not include obligations under contracts that the Group can cancel without a significant penalty. Purchase orders issued in the ordinary course of business are also excluded, as the Group's purchase orders represent authorizations to purchase rather than binding agreements.

Unrecognized tax benefits have been excluded from the contractual obligations. A variety of factors could affect the timing of payments for the liabilities related to unrecognized tax benefits. Therefore, the Group cannot reasonably estimate the timing of such payments. Management believes that these matters will likely not be resolved in the next 12 months and accordingly, the estimated liability has been classified as non-current in the consolidated balance sheet.

Future minimum lease payments under non-cancelable office leases and hosting infrastructure commitments as of April 30, 2022 were as follows:

	Minimum Lease Payments	Hosting Infrastructure Commitments	Total
Less than one year	$ 11,595	$ 97,390	$ 108,985
Between one and five years	18,235	318,323	336,558
More than five years	-	-	-
Total	$ 29,830	$ 415,713	$ 445,543

Future minimum lease payments under non-cancelable office leases and hosting infrastructure commitments as of April 30, 2021 were as follows:

	Minimum Lease Payments	Hosting Infrastructure Commitments	Total
Less than one year	$ 8,981	$ 56,346	$ 65,327
Between one and five years	22,043	292,132	314,175
More than five years	-	-	-
Total	$ 31,024	$ 348,478	$ 379,502

For Hosting Infrastructure Commitments the actual timing may vary depending on services used and total payments under these capacity commitments may be higher than the total minimum depending on services used.

Other Purchase Commitments

The Company has future purchase obligations related to subscription software and sales and marketing contracts. As of April 30, 2022, the Company had purchase commitments of $36.2 million related to these contracts, primarily due within the next twelve months.

Letters of Credit

The Company had a total of $2.5 million in letters of credit outstanding in favor of certain landlords for office space as of April 30, 2022.

20. Business Combinations

cmdWatch Security Inc.

On September 17, 2021, the Company acquired 100% of the share capital of cmdWatch Security Inc. ("Cmd") for a total purchase consideration of $77.6 million. The purchase consideration includes an amount of $13.4 million which is being held in an indemnity escrow fund for 18 months after the acquisition close date. Pursuant to the merger agreement, Cmd's vested stock options were paid in cash and unvested stock options held by Cmd employees were assumed by the Company. The fair value of the replacement equity awards associated with pre-acquisition service period of $4.2 million, consisting of $3.0 million paid in cash to vested option holders and $1.2 million of non-cash consideration, was included in the total purchase consideration. Approximately $6.8 million of the fair value of replacement equity awards was allocated to post-acquisition services that will be recognized as stock-based compensation expense over the remaining service period and was excluded from the total purchase consideration. Additionally, an amount of $6.5 million for post-combination services, which is payable at future dates upon completion of the underlying required service period, has been excluded from the purchase consideration. This amount will be recorded as a post-combination expense over the requisite service period.

The acquisition was accounted for as a business combination in accordance with IFRS 3, Business Combinations, and accordingly, the total purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. The total preliminary purchase price allocated to developed technology and goodwill was $15.5 million and $58.7 million, respectively. The fair value assigned to developed technology was determined using the cost to recreate approach. The developed technology asset is being amortized on a straight-line basis over the useful life of 5 years, which approximates the pattern in which the developed technology is utilized. Goodwill resulted primarily from the expectation of enhancing the Company's current security solutions and is not deductible for income tax purposes.

Cmd has been included in the Company's consolidated results of operations since the acquisition date. Pro forma and historical results of operations for this acquisition have not been presented because they were not material to the consolidated results of operations.

Other Acquisitions

On September 2, 2021 and November 1, 2021, the Company acquired 100% of the share capital of Build Security Ltd. ("build.security") and Optimyze.cloud Inc. ("Optimyze"), respectively, for a combined total purchase consideration of $57.4 million. The purchase consideration includes an amount of $5.4 million held in Indemnity escrow and $6.0 million held back by the Company for indemnity and will be released upon the 18-month anniversary of the respective acquisitions. These acquisitions were accounted for as business combinations. The total preliminary purchase price allocated to developed technology and goodwill was $9.8 million and $46.8 million, respectively. The developed technology intangible assets from these acquisitions are being amortized on a straight-line basis over a useful life of 5 years which approximates the pattern in which the respective developed technologies are utilized. Goodwill resulted primarily from the expectation of enhancing the Company's current security solutions and the value of the acquired workforce. This goodwill is not deductible for income tax purposes. Build.security and Optimyze have been included in the Company's consolidated results of operations since their respective acquisition dates. Pro forma and historical results of operations for these acquisitions have not been presented because they were not material to the consolidated results of operations.

(All amounts in thousands U.S. dollars unless otherwise stated)

Excluded from the combined purchase consideration from these two acquisitions is an amount of $6.3 million, payable in equal installments at the first and the second anniversary of each of the acquisitions, to certain employees of build.security and Optimyze. These amounts are for post-combination services and will be recorded as a post-combination expense over the requisite service periods.

The purchase price allocation for the acquisitions is preliminary and is based on the best estimates of management. The Company continues to collect information with regard to its estimates and assumptions, primarily related to intangible assets and certain tax-related, contingent liability and working capital items. The Company will record adjustments to the fair value of the assets acquired, liabilities assumed and goodwill within the 12 month measurement period, if necessary.

21. Intangible Assets

	Goodwill	Developed Technology	Customer Relationships	Trade Name	Internal-use software	Total
Non-current assets						
Cost:						
Balances at April 30, 2020	**$ 201,507**	**$ 44,830**	**$ 19,598**	**$ 2,872**	**-**	**$ 268,807**
Balances at April 30, 2021	**$ 201,507**	**$ 44,830**	**$ 19,598**	**$ 2,872**	**-**	**$ 268,807**
Acquisitions	105,495	25,300	-	-	5,447	136,242
Balances at April 30, 2022	**307,002**	**70,130**	**19,598**	**2,872**	**5,447**	**405,049**
Accumulated amortization:						
Balances at April 30, 2020	**$ -**	**$ 12,412**	**$ 3,210**	**$ 1,223**	**-**	**$ 16,845**
Amortization	-	8,438	5,172	557	-	14,167
Balances at April 30, 2021	**$ -**	**$ 20,850**	**$ 8,382**	**1,780**	**-**	**31,012**
Amortization	-	10,505	4,795	483	151	15,934
Balances at April 30, 2022	**$ -**	**$ 31,355**	**$ 13,177**	**$ 2,263**	**151**	**$ 46,946**
Foreign currency translation						
Balance at April 30, 2021	$ 182	$ (4)	$ -	$ -	$ -	$ 178
Balance at April 30, 2022	$ (192)	$ (5)	$ -	$ -	$ -	$ (197)
Carrying amounts:						
April 30, 2021	**$ 201,688**	**$ 23,976**	**$ 11,216**	$ **1,092**	**$ -**	**$ 237,973**
April 30, 2022	**$ 306,810**	**$ 38,770**	**$ 6,421**	**$ 609**	**$ 5,296**	**$ 357,906**

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 U.S. dollars unless otherwise stated)

The recoverable amount of the CGU is based on fair value less costs of disposal. At April 30, 2022, the recoverable amount of the CGU exceeded its carrying value and therefore no impairment was recorded in fiscal 2022. The fair value of the CGU, based on quoted market prices at the end of the reporting period, was $ 7.2 billion. The quoted market price used for the impairment test held by the Group was the current bid price of $76.14 as of April 30, 2022.

22. 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.

	Year Ended April 30,	
	2022	**2021**
Numerator		
Net Loss	$ (272,368)	$ (170,095)
Denominator		
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	92,547,145	87,207,094
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (2.94)	$ (1.95)

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:

	Year Ended April 30,	
	2022	**2021**
Stock options	5,219,124	7,611,016
RSUs	4,717,548	3,301,283
Total	9,936,672	10,912,299

23. Audit Fees and non-Audit Fees

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

	PricewaterhouseCoopers Accountants N.V.	**Other PwC Network firms**	**Total**
Year ended April 30, 2022			
Audit of the financial statements	$ 108	$ 4,224	$ 4,332
Tax services	8	-	8
Other non-audit services	-	178	178
Total	$ 116	$ 4,402	$ 4,518
Year ended April 30, 2021			
Audit of the financial statements	$ 132	$ 3,004	$ 3,136
Tax services	1	-	1
Other non-audit services	-	5	5
Total	$ 133	$ 3,009	$ 3,142

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 fiscal 2022 and fiscal 2021 financial statements, regardless of whether the work was performed during the financial year.

Other non-audit services relate to fees for i) assurance and related services that are reasonably associated to the performance of the audit or review of our consolidated financial statements or internal control over financial reporting, and ii) subscription fees paid for access to online accounting research software and regulatory applications.

24. Capital Commitments

During the years ended April 30, 2022 and 2021 the Group did not make any capital commitments.

25. Contingencies

Legal Matters

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

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

Although the results of litigation and claims are inherently unpredictable, the Company does not believe that there were any matters under litigation or claims with a reasonable possibility of the Company incurring a material loss as of April 30, 2022.

Indemnification

The Company 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 Company 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 Company's activities. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the fair value of these agreements is not material. The Company maintains commercial general liability insurance and product liability insurance to offset certain of the Company's potential liabilities under these indemnification provisions.

In addition, the Company indemnifies its officers, directors and certain key employees against certain liabilities that may arise as a result of their affiliation with the Company. To date, there have been no claims under any indemnification provisions.

(All amounts in thousands U.S. dollars unless otherwise stated)

26. Expense by Nature

By nature the costs can be analyzed as follows:

	Year Ended April 30, 2022	Year Ended April 30, 2021
Employee benefits expense	$ 585,979	$ 434,038
Share-based compensation	208,837	132,276
Equipment and systems charges	153,789	101,429
Travel expenses	14,110	1,826
Marketing expenses	35,874	26,177
Depreciation and amortization	19,728	17,237
Legal and professional	24,541	27,888
Office rent and related charges	13,165	11,827
Miscellaneous other expense	48,894	24,426
Other income	(1,937)	(236)
	$ 1,102,980	$ 776,888

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

	Year Ended April 30, 2022	Year Ended April 30, 2021
Cost of revenue	$ 234,589	$ 166,025
Expenses and other income	868,391	610,863
	$ 1,102,980	$ 776,888

Cost of revenue, and Expenses and other income, include amortization expense of $10.5 million and $5.3 million, respectively.

27. 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 non-cash benefits to directors and executive officers, in the case of our Chief Executive Officer and Chief Financial Officer/Chief Operational Officer, contributes to a defined contribution plan on their behalf. Executive officers also participate in the Group's equity award program (See *Note 14 – Share Based Payments)*.

Key Management Personnel Compensation Comprised:

Name and Principal Position	Fiscal Year	Short-term employee benefits: Salary ($)	Short-term employee benefits: Bonus ($)	Non-Equity Incentive Plan Compensation ($)(1)	Share-Based Payment ($)(2)	Post-employment benefits: All Other Compensation ($)		Total ($)
Ashutosh Kulkarni CEO	2022	530,834	-	376,635	7,794,478	19,575	(5)	8,721,522
	2021	164,773	200,000	125,191	2,514,091	3,750	(5)	3,007,805
Janesh Moorjani CFO/COO	2022	432,500	-	251,252	4,128,346	20,100	(5)	4,832,198
	2021	365,000	-	275,835	3,371,074	17,100	(5)	4,029,009
Shay Banon CTO	2022	426,286	-	248,728	5,727,247	77,971	(6)(7)	6,480,232
	2021	387,720	-	291,827	8,428,039	65,864	(3)(4)	9,173,450

(1) Except as otherwise stated, the amounts reported represent the amounts earned based upon achievement of certain performance goals under our Executive Incentive Compensation Plan. Messrs. Banon and Moorjani participated in our Executive Incentive Compensation Plan during fiscal 2022 and 2021. Payments under our Executive Incentive Compensation Plan were payable semi-annually based on

(All amounts in thousands U.S. dollars unless otherwise stated)

achievement of certain company financial targets. For fiscal 2022 and 2021, the performance metrics were based on calculated billings and non-GAAP operating margin targets. See Remuneration Report.

(2) The amounts shown represent the aggregate share-based awards in fiscal 2022 and 2021 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See *Note 14, "Share-Based Payments"* regarding assumptions underlying valuation of equity awards.

(3) A portion of each listed amount was paid in ILS in connection with Mr. Banon's transfer of employment to Israel in March 2021 and has been reported on an as-converted basis from ILS to U.S. dollars ("USD") based on a spot currency exchange rate of 1 ILS=USD$0.3081 as of our fiscal year end, April 30, 2021. With respect to Salary, $50,220 was paid in ILS. With respect to Non-Equity Incentive Plan Compensation, $149,285 was paid in ILS. With respect to All Other Compensation, $8,174 was paid in ILS (see also footnote (4) below).

(4) The listed amount is the sum of the following amounts:(i) Cash payout of $57,690 in USD to Mr. Banon for earned and unused paid time off in accordance with applicable laws upon his relocation from the United States to Israel, (ii) contributions by Elastic of $4,184 in ILS to a severance fund under a Section 14 Arrangement pursuant to Israeli Severance Pay Law, (iii) contributions by Elastic of $3,264 in ILS to a pension and manager's insurance fund pursuant to Israeli labor laws, and (iv) contributions by Elastic of $726 in ILS to an education savings fund.

(5) The amount disclosed represents Elastic's contributions made under our Section 401(k) plan.

(6) Amounts have been reported on an as-converted basis from ILS to U.S. dollars ("USD") based on a spot currency exchange rate of 1 ILS=USD$0.2991 as of our fiscal year end, April 30, 2022.

(7) The listed amount is the sum of the following amounts: (i) contributions by Elastic of $35,510 in ILS to a severance fund under a Section 14 Arrangement pursuant to Israeli Severance Pay Law, (ii) contributions by Elastic of $27,973 in ILS to a pension and manager's insurance fund pursuant to Israeli labor laws, and (iii) contributions by Elastic of $14,488 in ILS to an education savings fund.

The following table sets forth information regarding outstanding equity awards held by key management personnel as of April 30, 2022:

	Option Awards						Share Awards	
Name	**Grant date**		**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares That Have Not Vested (#)**	**Market value of Shares that have Not Vested ($)(1)**
Ashutosh Kulkarni	March 8, 2022	(2)	11,667	175,019	75.85	March 7, 2032		
	December 8, 2021	(3)	2,181	23,998	128.31	December 7, 2031		
	March 8, 2021	(4)	1,776	4,786	111.2	March 7, 2031		
	February 9, 2021	(5)	9,816	21,599	166.43	February 8, 2031		
	March 8, 2022	(6)					71,445	5,439,822
	December 8, 2021	(7)					12,445	947,562
	March 8, 2021	(8)					43,812	3,335,846
Janesh Moorjani	March 8, 2022	(9)	2,519	57,955	75.85	March 7, 2032		
	December 8, 2021	(3)	2,181	23,998	128.31	December 7, 2031		
	December 8, 2020	(10)	8,322	16,646	145.83	December 7, 2030		
	June 8, 2019	(11)	4,773	52,512	81.39	June 7, 2029		
	April 2, 2018	(12)	9,016	18,750	13.07	April 1, 2028		
	September 7, 2017	(13)	58,931	—	10.15	September 6, 2027		
	March 8, 2022	(14)					29,768	2,266,536
	December 8, 2021	(7)					12,445	947,562
	December 8, 2020	(15)					9,452	719,675
	June 8, 2019	(16)					10,607	807,617
Shay Banon	December 8, 2021	(3)	4,363	47,996	128.31	December 7, 2031		
	December 8, 2020	(10)	20,807	41,614	145.83	December 7, 2030		
	April 2, 2018	(17)	108,334	—	13.07	April 2, 2028		
	September 7, 2017	(18)	18,007	—	10.15	September 6, 2027		
	December 8, 2021	(7)					24,889	1,895,048
	December 8, 2020	(15)					23,631	1,799,264

(1) The market value of unvested RSUs is calculated by multiplying the number of unvested RSUs held by the applicable named executive officer by the closing market price of our ordinary shares on April 30, 2022, which was $76.14.

(2) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on February 11, 2022, subject to continued service to us through the applicable vesting date.

(3) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date.

(4) One-fourth of the ordinary shares subject to the option vest on March 8, 2022, and 1/48th of the ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.

(5) One-fourth of the ordinary shares subject to the option vest on January 4, 2022, and 1/48th of the ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.

(6) The ordinary shares subject to the award of RSUs vest as follows: (i) 47,630 ordinary shares subject to the award of RSUs vest in sixteen equal quarterly installments beginning on June 8, 2022 and (ii) 23,815 ordinary shares subject to the award of RSUs vest in eight equal quarterly installments beginning on June 8, 2022, in each case subject to continued service to us through the applicable vesting date.

(All amounts in thousands U.S. dollars unless otherwise stated)

(7) The ordinary shares subject to the award of RSUs vest in sixteen quarterly installments beginning on March 8, 2022, subject to continued service to us through the applicable vesting date.
(8) One-fourth of the ordinary shares subject to the award of RSUs vest on March 8, 2021, and one-eighth of the ordinary shares subject to the award vest in six equal semiannual installments thereafter, subject to continued service to us through the applicable vesting date.
(9) The ordinary shares subject to the option vest in 24 equal monthly installments beginning on April 8, 2022, subject to continued service to us through the applicable vesting date.
(10) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2021, subject to continued service to us through the applicable vesting date.
(11) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date.
(12) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019, subject to continued service to us through the applicable vesting date.
(13) The option was subject to an early option exercise provision and was immediately exercisable. One-fourth of the ordinary shares subject to the option vested on August 28, 2018, and 1/48th of the ordinary shares subject to the option vested monthly thereafter. The option became fully vested on August 28, 2021.
(14) The ordinary shares subject to the award of RSUs vest in eight equal quarterly installments beginning on June 8, 2022, in each case subject to continued service to us through the applicable vesting date.
(15) The ordinary shares subject to the award of RSUs vest in eight equal semiannual installments beginning on June 8, 2021, subject to continued service to us through the applicable vesting date.
(16) The ordinary shares subject to the award of RSUs vest in eight equal semiannual installments beginning on June 8, 2022, subject to continued service to us through the applicable vesting date.
(17) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on May 2, 2018, subject to continued service to us through the applicable vesting date. The option became fully vested on April 2, 2022.
(18) The ordinary shares subject to the option vested in 48 equal monthly installments beginning on May 1, 2017, subject to continued service to us through the applicable vesting date. The option became fully vested on April 1, 2021.

The following table sets forth information regarding outstanding equity awards held by key management personnel as of April 30, 2021:

Name	Grant date		Option Awards				Share Awards	
			Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised 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	December 8, 2020	(2)	5,201	57,220	145.83	December 7, 2030		
	April 2, 2018	(3)	8,334	100,000	13.07	April 2, 2028		
	September 7, 2017	(4)	18,007	—	10.15	September 6, 2027		
	December 8, 2020	(8)					31,507	3,800,374
Janesh Moorjani	December 8, 2020	(2)	2,080	22,888	145.83	December 7, 2030		
	June 8, 2019	(5)	-	57,285	81.39	July 7, 2029		
	April 2, 2018	(6)	-	31,250	13.07	April 1, 2028		
	September 7, 2017	(7)	73,664	—	10.15	September 6, 2027		
	December 8, 2020	(8)					12,602	1,520,053
	June 8, 2019	(9)					10,607	1,279,416

(1) The market value of unvested RSUs is calculated by multiplying the number of unvested RSUs held by the applicable named executive officer by the closing market price of our ordinary shares on April 30, 2021, which was $120.62.
(2) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2021, subject to continued service to us through the applicable vesting date.
(3) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on May 2, 2018, subject to continued service to us through the applicable vesting date.
(4) The ordinary shares subject to the option vested in 48 equal monthly installments beginning on May 1, 2017, subject to continued service to us through the applicable vesting date. The option became fully vested on April 1, 2021.
(5) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date .
(6) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019, subject to continued service to us through the applicable vesting date.
(7) The option is subject to an early option exercise provision and is immediately exercisable. One-fourth of the ordinary shares subject to the option vested on August 28, 2018, and 1/48th of ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.
(8) The ordinary shares subject to an award of RSUs vest in eight equal semiannual installments beginning on June 8, 2021, subject to continued service to us through the applicable vesting date

(All amounts in thousands U.S. dollars unless otherwise stated)

(9) The ordinary shares subject to an award of RSUs vest in eight equal semiannual installments beginning on June 8, 2022, subject to continued service to us through the applicable vesting date.

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, 2022 and 2021.

Non-executive directors' compensation

The table below shows the total compensation awarded to our non-executive directors during fiscal 2022 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Jonathan Chadwick (2)	$ 57,500	$ 199,852	$ 257,352
Peter Fenton (4)	24,500	-	24,500
Alison Gleeson (5)	41,875	199,852	241,727
Shelley Leibowitz (5)	25,667	199,852	225,519
Caryn Marooney (5)	34,000	199,852	233,852
Chetan Puttagunta(5)	67,500	199,852	267,352
Steven Schuurman(6)	30,000	-	30,000
Michelangelo Volpi (7)	-	-	-
	$ 281,042	**$ 999,260**	**$ 1,280,302**

(1) The amounts shown represent the grant date fair value of restricted stock unit ("RSU") awards granted in fiscal 2022 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See *Note 14, "Share-Based Payments"* regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs awarded to each non-executive director during fiscal 2022 is set forth in the footnotes below.
(2) As of April 30, 2022, Mr. Chadwick held 1,323 RSUs and 137,500 options to purchase ordinary shares.
(3) Represents the aggregate grant date fair value of RSUs granted to the incumbent non-executive directors on October 1, 2021, under the terms of our non-executive director compensation policy for fiscal 2022 and the 2012 Plan, and calculated in accordance with ASC 718 based on the closing market price of our ordinary shares on the grant date.
(4) Mr. Fenton's term as a member of our board of directors expired at our 2021 Annual Meeting. As of April 30, 2022, Mr. Fenton's did not hold any RSUs or options to purchase ordinary shares.
(5) As of April 30, 2022, the non-executive director held 1,323 RSUs and no options to purchase ordinary shares.
(6) Mr. Schuurman did not receive any grants of RSUs or options to purchase ordinary shares in fiscal 2022 in accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was 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, are not eligible to receive equity awards. As of April 30, 2022, Mr. Schuurman held no RSUs or options to purchase ordinary shares.
(7) Mr. Volpi has waived his right to receive payments of director fees and the annual equity grant to directors. He would have been eligible to receive $39,875 in fees and an RSU award with a grant date fair value of $199,852 calculated in accordance with ASC 718 for his service as a director in fiscal 2022.

The table below shows the total compensation awarded to our non-executive directors during fiscal 2021 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Jonathan Chadwick (2)	$ 55,000	$ 169,890	$ 224,890
Peter Fenton (3)	46,000	169,890	215,890
Alison Gleeson (3)	35,000	169,890	204,890
Caryn Marooney (3)	34,000	169,890	203,890
Chetan Puttagunta(3)	56,000	169,890	225,890
Steven Schuurman(4)	30,000	-	30,000
Michelangelo Volpi (5)	-	-	-
	$ 256,000	**$ 849,450**	**$ 1,105,450**

(1) The amounts shown represent the share-based payment awards in fiscal 2021 pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See *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 2021 is set forth in the footnotes below.
(2) As of April 30, 2021, Mr. Chadwick held 1,487 RSUs and 162,500 options to purchase ordinary shares.
(3) As of April 30, 2021, the non-executive director held 1,487 RSUs and no options to purchase ordinary shares

(All amounts in thousands U.S. dollars unless otherwise stated)

(4) The non-executive director did not receive any grants of RSUs or options to purchase ordinary shares in fiscal 2021. In accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was 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, are not eligible to receive equity awards. As of April 30, 2021, the director held no RSUs and no options to purchase ordinary shares.

(5) Mr. Volpi has waived his right to receive payments of director fees and the annual equity grant to directors. He would have been eligible to receive $38,500 in fees and an RSU award with a grant date fair value of $169,890 calculated in accordance with IFRS 2 for his service as a director in fiscal 2021.

No loans, advance payments and guarantees granted to or on behalf of executive and non-executive directors in fiscal 2022 or 2021.

28. 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
Build Security Ltd.	Israel	No registered office, official office is:Eliezer Kaplan 2, Tel Aviv.	January 1, 2020
Build Security, Inc. (In Dissolution)	Delaware, USA	1007 North Orange Street, 10th Floor, Wilmington, Delaware 19801	January 4, 2021
Cmd Watch Security (US), Corp.	Delaware, USA	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	September 26, 2018
Cyclops Acquisition Corp.	Canada	Suite 2600, Three Bentall Cent, 595 Burrard Street, P.O. Box 4, Vancouver BC V7X 1L3	August 23, 2021
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	Maximilianstrasse 54, 80538 Munich, 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	C/- Intertrust Australia Pty Ltd, Suite 2 Level 25, 100 Miller Street, North Sydney NSW 2060 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	Unit # 1-5 26th Floor, Kyobashi Edogrand 2-2-1 Kyobashi, Chuoku, Tokyo 104 0031 Japan	September 12, 2014
Elasticsearch AB	Sweden	7A Posthuset. Vasagatan 28, 111 20 Stockholm, Sweden	November 5, 2012
Elasticsearch AS	Norway	TMF Norway AS Hagaløkkveien 26, 1383 Asker Norway	September 1, 2009
Elasticsearch HK Ltd.	Hong Kong	5/F., Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong	June 29, 2015
Elasticsearch Pte Ltd.	Republic of Singapore	10 Collyer Quayv#10-01 Ocean Financial Centre Singapore 049315	June 8, 2015
Elasticsearch Korea Limited	Seoul, Korea	Namdaemunno 5 ga, Seoul Square, Office #14-140, 15-150, 416, Hangang-daero, Jung-gu, Seoul, Republic of Korea	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. (In Dissolution)	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 RB Catalunya, Num. 53-55 Atico Barcelona 08007	September 16, 2016
Elasticsearch (Beijing) Information Technology Co., Ltd	Beijing, China	Room 304-10, 3F, Building 3 of Tower B,Pacific Century Center,2A North Worker Stadium Road, Chaoyang District, Beijing	September 5, 2018
Elastic International B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	May 6, 2021
Elastic Italy S.R.L.	Italy	Milano (MI) Viale Abruzzi, 94 CAP 20131	June 20, 2022
Elastic Technologies (Israel) Ltd.	Tel Aviv, Israel	Amot BDO House,48 Menachem Begin Road, Tel Aviv 66180, Israel	February 23, 2020
Elastic Technologies (India) Private Limited	India	G305, Third Floor, Cedar Block, BM Magnolia Park, NG Halli, Bangalore – 560066, Karnataka, India	March 19, 2021
Elastic Worldwide B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	October 29, 2021
Endgame, Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware, 19808-1674 New Castle County, Delaware, USA	October 7, 2010
Endgame Systems, LLC	Delaware, USA	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	June 17, 2008
Prelert, Inc. (In Dissolution)	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
Optimyze.cloud AG	Zug, Switzerland	Badenerstrasse 415, 8003 Zürich	January 31, 2019
Optimyze.cloud,Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	September 21, 2021
Swiftype Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	September 25, 2017

29. Subsequent events

On July 7, 2022, the Company appointed Sohaib Abbasi to its Board of Directors, effective July 13, 2022. Pursuant to Dutch law, the Board of Directors has also nominated Mr. Abbasi for appointment to the Board of Directors at the annual general shareholder meeting in October 2022 (the "2022 AGM"). Mr. Abbasi will serve as Vice-Chairman of the Board and a member of the Company's Compensation Committee. Mr. Abbasi was appointed to serve until the earlier of (i) the vacancy created by Mr. Volpi's resignation being filled, which will occur if Mr. Abbasi is appointed upon conclusion of the Annual Meeting in accordance with voting proposal no. 1, (ii) the board appointing another person to temporarily fill such vacancy or (iii) the vacancy has been cancelled.

Up until the day of authorization for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as of April 30, 2022

Company Financial Statements

Elastic N.V.
Company Balance Sheets
April 30, 2022 and 2021
(All amounts in thousands U.S. dollars unless otherwise stated)

After appropriation of results

	Notes	As of April 30, 2022	As of April 30, 2021
Assets			
Non-current assets			
Financial fixed assets	1	$ 578,959	$ 445,531
Deposits		436	500
Total non-current assets		**579,395**	**446,031**
Current assets			
Prepayments		7,205	700
Cash and cash equivalents		433,143	7,113
Total current assets		**440,348**	**7,813**
Total assets		**$ 1,019,743**	**$ 453,844**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		$ 990	$ 948
Share premium		849,417	811,802
Legal reserves:			
Translation reserves		(18,131)	(8,105)
Other reserves		513,660	305,123
Accumulated losses		(929,977)	(657,609)
Total shareholders' equity	2	**415,959**	**452,159**
Liabilities			
Noncurrent liabilities			
Borrowings		566,520	-
Other noncurrent liabilities		7,979	-
Total noncurrent liabilities		**574,499**	-
Current liabilities			
Trade and other payables		29,285	1,685
Total current liabilities		**29,285**	**1,685**
Total liabilities		**603,784**	**1,685**
Total shareholders' equity and liabilities		**$ 1,019,743**	**$ 453,844**

The accompanying notes are an integral part of these financial statements

Elastic N.V.
Company Profit and Loss Accounts
For the Year Ended April 30, 2022 and 2021
(All amounts in thousands US dollars unless otherwise stated)

	Year Ended April 30,	
	2022	2021
Share of results of investments, after tax	$ (206,805)	$ (148,949)
Other income and expense, after tax	(65,563)	(21,146)
Loss for the year	$ (272,368)	$ (170,095)

The accompanying notes are an integral part of these financial statements

1. 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, based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements (the "Consolidated Financial Statements"). These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. 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.

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.

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.

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.

(All amounts in thousands US dollars unless otherwise stated)

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, 2020			
Net book value	$ -	$ 410,987	$ 410,987
Movements in book value			
Investments	$ 2,241	$ 56,375	$ 58,616
Capital contributions	131,605	-	131,605
Share of results of investments	(148,949)	-	(148,949)
Translation results	(12,614)	5,886	(6,728)
Reclassification of accumulated provision	27,717	(27,717)	-
	-	34,544	34,544
April 30, 2021			
Net book value	$ -	$ 445,531	$ 445,531
Movements in book value			
Investments	$ 135,782	$ 5,940	$ 141,722
Capital contributions	208,537	-	208,537
Share of results of investments	(206,805)	-	(206,805)
Translation results	7,582	(17,608)	(10,026)
Reclassification of accumulated provision	(145,096)	145,096	-
	-	133,428	133,428
April 30, 2022			
Net book value	$ -	$ 578,959	$ 578,959

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 April 30, 2022, the loans primarily relate to $373 million of loans to Company's subsidiaries, issued in fiscal years 2014-2022. 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 B.V. for an amount of $269.5 million. Interest rate on this loan is the amount of income Elasticsearch Finance B.V. receives from its short-term investments with external third-party banks minus the handling fees. The fair value of the loans approximates to the book value.

(All amounts in thousands US dollars unless otherwise stated)

	Share capital	Share premium	Translation reserve	Other reserve	Accumulated losses	Total equity
Balances at April 30, 2020	**$ 856**	**$ 734,636**	**$ (1,377)**	**$ 170,814**	**$ (487,514)**	**$ 417,415**
Total loss for the period						
Loss for the period	-	-	-	-	$ (170,095)	(170,095)
Other comprehensive income						
Foreign currency translation differences	-	-	$ (6,728)	-	-	(6,728)
Total comprehensive loss for the period	856	734,636	(8,105)	170,814	(657,609)	240,592
Contributions by owners						
Issuance of ordinary shares upon exercise of stock options	83	77,175	-	-	-	77,258
Issuance of ordinary shares upon release of restricted stock units	9	(9)	-	-	-	-
Reclassification of liability-classified awards	-		-	2,703	-	2,703
Stock compensation expense	-		-	131,606	-	131,606
Balances at April 30, 2021	**$ 948**	**$ 811,802**	**$ (8,105)**	**$ 305,123**	**$ (657,609)**	**$ 452,159**
Total loss for the period						
Loss for the period	-	-	-	-	$ (272,368)	(272,368)
Other comprehensive income						
Foreign currency translation differences	-	-	$ (10,026)	-	-	(10,026)
Total comprehensive loss for the period	948	811,802	(18,131)	305,123	(929,977)	169,765
Contributions by owners						
Fair value of replacement equity awards attributable to pre-acquisition service		1,247				1,247
Issuance of ordinary shares upon exercise of stock options	29	36,381				36,410
Issuance of ordinary shares upon release of restricted stock units	13	(13)				-
Reclassification of liability-classified awards						-
Stock compensation expense				208,537		208,537
Balances at April 30, 2022	**$ 990**	**$ 849,417**	**$ (18,131)**	**$ 513,660**	**$ (929,977)**	**$ 415,959**

Issuance of Shares
During fiscal 2022, 2,563,287 ordinary shares were issued upon exercise of stock options and 1,077,642 ordinary shares issued upon release of RSUs~~.~~

During fiscal 2021, 6,989,222 ordinary shares were issued upon exercise of stock options and 687,785 ordinary shares issued upon release of RSUs~~.~~

Ordinary Shares and Preference Shares
At April 30, 2022 there were 165,000,000 ordinary shares authorized par value €0.01 per share; 94,174,914 shares issued and outstanding as of April 30, 2022 and 90,533,985 shares issued and outstanding as of April 30, 2021.

The Company's board of directors has the authority, for a period of five years from October 10, 2018, without further action by the Company's shareholders, to issue up to 165 million shares of undesignated convertible preference shares with rights and preferences, including voting rights, designated from time to time by the board of directors. As of April 30, 2022, there were no convertible preference shares issued or outstanding.

Each holder of ordinary shares has the right to one vote per ordinary share. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of shares outstanding having priority rights to dividends. No dividends have been declared by the board of directors from inception through the year ended April 30, 2022.

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

Appropriation of Results
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 2022 be added to the Other reserve-accumulated losses.

2. Employees

During fiscal 2022, the average number of employees, based on full time equivalents, was 0.

3. Directors' Remuneration

Non-executive directors' compensation

(All amounts in thousands US dollars unless otherwise stated)

The table below shows the total compensation awarded to our non-executive directors during fiscal 2022 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Jonathan Chadwick (2)	$ 57,500	$ 199,852	$ 257,352
Peter Fenton (4)	24,500	-	24,500
Alison Gleeson (5)	41,875	199,852	241,727
Shelley Leibowitz (5)	25,667	199,852	225,519
Caryn Marooney (5)	34,000	199,852	233,852
Chetan Puttagunta(5)	67,500	199,852	267,352
Steven Schuurman(6)	30,000	-	30,000
Michelangelo Volpi (7)	-	-	-
	$ 281,042	**$ 999,260**	**$ 1,280,302**

(1) The amounts shown represent the grant date fair value of restricted stock unit ("RSU") awards granted in fiscal 2022 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See *Note 14, "Share-Based Payments"* regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs awarded to each non-executive director during fiscal 2022 is set forth in the footnotes below.
(2) As of April 30, 2022, Mr. Chadwick held 1,323 RSUs and 137,500 options to purchase ordinary shares.
(3) Represents the aggregate grant date fair value of RSUs granted to the incumbent non-executive directors on October 1, 2021, under the terms of our non-executive director compensation policy for fiscal 2022 and the 2012 Plan, and calculated in accordance with ASC 718 based on the closing market price of our ordinary shares on the grant date.
(4) Mr. Fenton's term as a member of our board of directors expired at our 2021 Annual Meeting. As of April 30, 2022, the non-executive director did not hold any RSUs or options to purchase ordinary shares.
(5) As of April 30, 2022, the non-executive director held 1,323 RSUs and no options to purchase ordinary shares.
(6) Mr. Schuurman did not receive any grants of RSUs or options to purchase ordinary shares in fiscal 2022 in accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was 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, are not eligible to receive equity awards. As of April 30, 2022, Mr. Schuurman held no RSUs or options to purchase ordinary shares.
(7) Mr. Volpi has waived his right to receive payments of director fees and the annual equity grant to directors. He would have been eligible to receive $39,875 in fees and an RSU award with a grant date fair value of $199,852 calculated in accordance with ASC 718 for his service as a director in fiscal 2022.

The table below shows the total compensation awarded to our non-executive directors during fiscal 2021 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Jonathan Chadwick (2)	$ 55,000	$ 169,890	$ 224,890
Peter Fenton (3)	46,000	169,890	215,890
Alison Gleeson (3)	35,000	169,890	204,890
Caryn Marooney (3)	34,000	169,890	203,890
Chetan Puttagunta(3)	56,000	169,890	225,890
Steven Schuurman(4)	30,000	-	30,000
Michelangelo Volpi (5)	-	-	-
	$ 256,000	**$ 849,450**	**$ 1,105,450**

(1) The amounts shown represent the share-based payment awards in fiscal 2021 pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See *Note 14, "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 2021 is set forth in the footnotes below.
(2) As of April 30, 2021, Mr. Chadwick held 1,487 RSUs and 162,500 options to purchase ordinary shares.
(3) As of April 30, 2021, the non-executive director held 1,487 RSUs and no options to purchase ordinary shares
(4) The non-executive director did not receive any grants of RSUs or options to purchase ordinary shares in fiscal 2021. In accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was 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, are not eligible to receive equity awards. As of April 30, 2021, the director held no RSUs and no options to purchase ordinary shares.
(5) Mr. Volpi has waived his right to receive payments of director fees and the annual equity grant to directors. He would have been eligible to receive $38,500 in fees and an RSU award with a grant date fair value of $169,890 calculated in accordance with IFRS 2 for his service as a director in fiscal 2021.

No loans, advance payments and guarantees granted to or on behalf of executive and non-executive directors in fiscal 2021 or 2020.

4. Subsequent Events

On July 7, 2022, the Company appointed Sohaib Abbasi to its Board of Directors, effective July 13, 2022. Pursuant to Dutch law, the Board of Directors has also nominated Mr. Abbasi for appointment to the Board of Directors at the annual general shareholder meeting in October 2022 (the "2022 AGM"). Mr. Abbasi will serve as Vice-Chairman of the Board and a member of the Company's Compensation Committee. Mr. Abbasi was appointed to serve until the earlier of (i) the vacancy created by Mr. Volpi’s resignation being filled, which will occur if Mr. Abbasi is appointed upon conclusion of the Annual Meeting in accordance with voting proposal no. 1, (ii) the board appointing another person to temporarily fill such vacancy or (iii) the vacancy has been cancelled.

Up until the day of authorization for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as of April 30, 2022.

The financial statements were approved by the board and authorized for issue on August 26, 2022 and signed by:

Ashutosh Kulkarni (appointed March 9, 2022)
Executive Director & Chief Executive Officer
August 26, 2022

Shay Banon (appointed July 20, 2012)
Executive Director & Chief Technology Officer
August 26, 2022

Jonathan Chadwick (appointed August 14, 2018)
Non-executive Director
August 26, 2022

Shelley Leibowitz (appointed October 1, 2021)
Non-executive Director
August 26, 2022

Alison Gleeson (appointed January 10, 2020)
Non-executive Director
August 26, 2022

Caryn Marooney (appointed April 25, 2019)
Non-executive Director
August 26, 2022

Chetan Puttagunta (appointed January 10, 2017)
Non-executive Director
August 26, 2022

Steven Schuurman (appointed July 20, 2012)
Non-executive Director
August 26, 2022

Sohaib Abbasi (appointed July 13, 2022)
Non-executive Director
August 26, 2022

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

Other Information

Appropriation of Result According to the Articles of Association

Article 10.1.4 of the Company’s Articles of Association, authorizes the board of directors of the Company to allocate any amount remaining out of profits (after distribution of dividends) to reserves. The Company incurred a net loss during the year and had no distributable profits, accordingly, the board of directors of the Company has determined that the net loss for the fiscal 2022 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 pages.

Independent Auditor’s Report

Independent auditor's report

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

Report on the financial statements 2021/2022

Our opinion

In our opinion:
- the consolidated financial statements of Elastic N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at April 30, 2022 and of its result 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;
- the company financial statements of Elastic N.V. ('the Company') give a true and fair view of the financial position of the Company as at April 30, 2022 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 2021/2022 of Elastic N.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:
- the Consolidated Statement of Financial Position as at April 30, 2022;
- the following statements for the year ended April 30, 2022: the Consolidated Statement of Comprehensive Loss, 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, 2022;
- the Company Profit and Loss account for the year ended April 30, 2022;
- 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.

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 regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

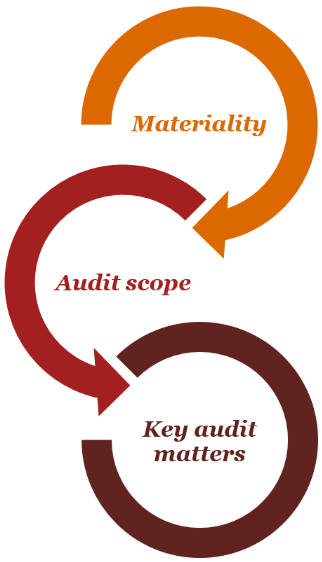
Elastic N.V. was founded in 2012. The Company created a set of software products that ingest and store data to allow users to search, analyze, and visualize this data. In October 2018, the Company listed its shares on the New York Stock Exchange. Revenues for 2021/2022 amount to $862.4 million, an increase of 42% compared to 2020/2021. The Company invests in its products and support, which resulted in a loss before income tax of $266.8 million for the period 2021/2022 (as compared to a loss before income tax of $162.4 million for the period 2020/2021). 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 the 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 judgments, 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 judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in revenue recognition, we considered this matter 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 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 teams at both group and component level included the appropriate skills and competences which are needed for the audit. We therefore included experts and specialists in the areas of amongst others IT, valuations and income tax specialists in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: $9,900,000.

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 96% of consolidated loss before tax.

Key audit matter

- Revenue Recognition – Identification and Evaluation of Terms and Conditions in Contracts

Materiality

The scope of our audit was 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 judgment 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	$9.9 million (2020/2021: $7.2 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment, 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 used loss before income tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that *loss before income tax* is an important metric for the financial performance of the Company. 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:

	• International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU IFRS'); and • 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	Based on our judgment, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between $3,470,809 and $8,999,999.

We agreed with the Audit Committee that we would report to them any misstatement identified during our audit above $700,000 (2020/2021: $600,000) 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, in aggregate, provide sufficient coverage of the financial statements for us 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 five components, to which we allocated a component materiality (see above). We did not make use of other auditors.
The group audit primarily focused on the significant components: Elasticsearch, Inc., Elasticsearch Limited, Elasticsearch B.V., Elasticsearch GmbH, and Elasticsearch SARL.

Key audit matter	*Our audit work and observations*
Revenue Recognition – Identification and Evaluation of Terms and Conditions in Contracts As described in Note 3 to the consolidated financial statements, management applies the following steps in their determination of revenue to be recognized: i. identification of the contract with a customer; ii. identification of the performance obligations in the contract; iii. determination of the transaction price; iv. allocation of the transaction price to the performance obligations; and v. recognition of revenue when the Company satisfies each performance obligation. The Group's contracts include varying terms and conditions and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. For the fiscal year ended April 30, 2022, the Group's revenue was $862.4 million. The principal consideration for our determination that performing procedures relating to revenue recognition, specifically the identification and evaluation of terms and conditions in contracts, is a key audit matter, was the significant judgment by management in identifying and evaluating terms and conditions in contracts that impact revenue recognition. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating the audit evidence to determine whether terms and conditions in contracts were appropriately identified and evaluated by management.	We tested the effectiveness of controls relating to the revenue recognition process, including controls related to the identification and evaluation of terms and conditions in contracts that impact revenue recognition. Our procedures also included, among others: i. testing the completeness and accuracy of management's identification and evaluation of the specific terms with customers by examining revenue contracts on a sample basis; and ii. assessing the terms and conditions of the contract including their impact on revenue recognition. Based on our procedures we did not identify material exceptions. We also evaluated management's disclosures of significant judgments 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 accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain 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 all 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 the 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 procedures performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the Dutch Statutory Board 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 an extraordinary meeting of the shareholders held on September 28, 2018. Our appointment as auditors of Elastic N.V. and its predecessor elasticsearch global B.V. has been renewed annually by shareholders representing a total period of uninterrupted appointment of 10 years.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines 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 is 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 intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee of the board of directors is 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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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, 26 August 2022
PricewaterhouseCoopers Accountants N.V.

W. Voorthuijsen RA

Appendix to our auditor’s report on the financial statements 2021/2022 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 judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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 Audit Committee of 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 actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of 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.