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Årsredovisning för räkenskapsåret 2022-02-01 - 2023-01-31

Styrelsen avger följande årsredovisning för räkenskapsåret 2022-02-01-2023-01-31

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Om inte annat särskilt anges, redovisas alla belopp i tusental kronor.

FASTSTÄLLELSEINTYG

Undertecknad styrelseledamot intygar härmed, dels att denna kopia på årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkningen fastställts på årsstämman den 30 juni 2023. Stämman beslöt också att godkänna styrelsens förslag till resultatdisposition.

Cambridge, Canada

J Scott Pagan

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Förvaltningsberättelse

Allmänt om verksamheten

Descartes Systems (Sweden) AB ("Bolaget") erbjuder till globala transportleverantörer logistik-teknik för hantering av leveranskedjan i alla led, från avsändare via transportörer och tjänsteföretag till mottagare. Bolagets huvudsakliga verksamhet är att marknadsföra denna teknik och erbjuda lokal support på vissa marknader, främst i Skandinavien.

Företaget är ett dotterbolag inom Descartes-koncernen ("Descartes"). Descartes använder teknik och nätverk för att förenkla komplexa affärsprocesser. Descartes fokuserar främst på affärsprocesser inom logistik och supply chain management. Descartes lösningar är främst molnbaserade och fokuserar på att förbättra produktivitet, prestanda och säkerhet för logistikintensiva företag. Kunder använder Descartes modulära, "SaaS" -programvara och datalösningar för att dirigera, schemalägga, spåra och mäta leveransresurser; planera, fördela och genomföra transporter; klassificera, granska och betala transportfakturor; få tillgång till och analysera global handelsinformation; undersöka och utföra beräkningar av taxa och tullar; arkivera tull- och säkerhetsdokument för import och export; och slutföra många andra logistikprocesser genom att delta i en stor, samarbetsvillig multimodal logistikgemenskap. Descartes prismodell ger kunderna flexibilitet när det gäller att köpa våra lösningar antingen på prenumerations-, transaktions- eller permanent licensbasis. Descartes primära fokus är att betjäna transportleverantörer (flyg-, havs- och lastbilslägen), logistiktjänstleverantörer (inklusive tredjepartslogistikleverantörer, speditörer och tullmäklare) och distributionsintensiva företag för vilka logistik antingen är en nyckel eller en definierande del av deras egna produkt- eller tjänsteerbjudande, eller för vilka våra lösningar kan ge en möjlighet att sänka kostnader, förbättra servicenivåer eller stödja tillväxt genom att optimera användningen av tillgångar och information.

Bolagets säte är i Malmö.

Utländska filialer

Bolaget bedriver också verksamhet genom en filial i Glostrup, Danmark.

Ägarförhållanden

Descartes Systems (Sweden) AB ägs till 100 % av Descartes Systems (NL) BV ("Modern"), ett företag baserat i Nederländerna (kvk 62451685). Det ultimata moderbolaget i gruppen är The Descartes Systems Group Inc. (företagsregistreringsnummer 871669164), ett publikt bolag registrerat på Nasdaq och Toronto Stock Exchange.

Flerårsöversikt

(Tkr)	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Nettoomsättning	168 611	137 421	133 623	64 728	55 572
Resultat e. finansiella poster	9 314	-4 270	5 482	1 635	-1 190
Soliditet	47.7%	45.4%	70.5%	41.9%	41.4%

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Väsentliga händelser under räkenskapsåret

Under året som avslutades den 31 januari 2023 erhöll bolaget kontantutdelning på 800 000 EUR (8 715 422 SEK), vilket representerade en avkastning på bolagets investering i Descartes Systems (Belgien) NV.

Det har ej skett några andra väsentliga händelser under räkenskapsåret.

Försäljning

Försäljningen uppgick till 168,6 MSEK vilket är en ökning med 22.7% jämfört med föregående räkenskapsår som avslutades den 31 januari 2022. Ökningen beror främst på ökade intäkter från nättjänster och licenser.

Investeringar

Bolaget investerade 0,09 MSEK i utrustning under året jämfört med 0,36 MSEK under föregående år.

Förändringar i eget kapital

	Bundet eget kapital			Fritt eget kapital		
	Aktie-kapital	**Reservfond**	**Överkurs-fond**	**Balanser-ade vinstmedel**	**Årets resultat**	**Totalt eget kapital**
Belopp vid årets ingång	**101**	**20**	**1 549**	**86 169**	**-3 706**	**84 133**
Resultatdisposition	-	-	-	-3 706	3 706	-
Årets omräknings-differens	-	-	-	-2 876	-	-2 876
Årets resultat	-	-	-	-	7 758	7 758
Belopp vid årets utgång	**101**	**20**	**1 549**	**79 587**	**7 758**	**89 015**

Förslag till vinstdisposition (kronor)

Till årsstämmans förfogande står följande vinstmedel	
Balanserade vinstmedel från föregående år	**82 463 313**
Årets omräknings-differens	-2 875 650
Årets resultat	7 757 516
	87 345 179
Styrelsen föreslår att	
in ny räkning balanseras	
	87 345 179

Resultat och ställning

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och

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balansräkning, bokslutskommentarer och noter. Alla belopp uttrycks i svenska tusentalskronor (TKR) där ej annat anges.

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Resultaträkning

	Not	2022-02-01 -2023-01-31	2021-02-01 -2022-01-31
Rörelsens intäkter m.m.			
Nettoomsättning	4	168 611	137 421
Övriga rörelseintäkter		6 076	5 243
Summa intäkter m.m.		**174 687**	**142 664**
Rörelsens kostnader			
Råvaror och förnödenheter		-84 576	-68 653
Övriga externa kostnader	5	-12 524	-9 748
Personalkostnader	6, 7	-60 412	-60 206
Av- och nedskrivningar av materiella och immateriella anläggningstillgångar	11, 12	-260	-291
Valutakursförluster		1 127	252
Övriga rörelsekostnader		-8 181	-7 827
Summa rörelsens kostnader		**-164 826**	**-146 473**
Rörelseresultat		**9 861**	**-3 809**
Resultat från finansiella investeringar			
Övriga ränteintäkter och liknande resultatposter	8	-1	266
Övriga räntekostnader och liknande resultatposter	9	-548	-727
Summa resultat från finansiella investeringar		**-547**	**-461**
Resultat efter finansiella poster		**9 314**	**-4 270**
Resultat före skatt		**9 314**	**-4 270**
Årets skatt	10	-749	-247
Uppskjuten skattefordran	10	-807	811
Skattekostnad		-1 556	564
Årets resultat		**7 758**	**-3 706**

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Balansräkning	**Not**	**2023-01-31**	**2022-01-31**
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Koncessioner, patent, licenser, varumärken och liknande rättigheter	11	-	-
Materiella anläggningstillgångar			
Inventarier	12	317	492
Finansiella anläggningstillgångar			
Andelar i koncernföretag	3	126 540	135 256
Fordringar hos koncernföretag	13	-	11
Uppskjuten skattefordran	14	85	893
Summa anläggningstillgångar		**126 942**	**136 652**
Omsättningstillgångar			
Kortfristiga fordringar			
Kundfordringar		24 332	16 865
Fordringar hos koncernföretag		14 125	8 422
Övriga kortfristiga fordringar		1 502	5 213
Förutbetalda kostnader och upplupna intäkter	15	1 880	2 390
		41 839	**32 890**
Kassa och bank		17 947	15 966
Summa omsättningstillgångar		**59 786**	**48 856**
SUMMA TILLGÅNGAR		**186 728**	**185 508**

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Balansräkning

	Not	2023-01-31	2022-01-31
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital (1 011 000 aktier)		101	101
Reservfond		1 569	1 569
		1 670	**1 670**
Fritt eget kapital			
Balanserade vinstmedel		79 587	155 169
Årets resultat		7 758	-3 706
Utbetald utdelning		-	-69 000
		87 345	**82 463**
Summa eget kapital		**89 015**	**84 133**
Långfristiga skulder			
Skulder till koncernföretag	16	**58 184**	**34 297**
Kortfristiga skulder			
Leverantörsskulder		3 235	7 096
Skulder till koncernföretag		18 948	45 533
Inkomstskatteskyldighet		857	-
Övriga skulder		3 109	2 800
Upplupna kostnader och förutbetalda intäkter	17	13 380	11 649
Summa kortfristiga skulder		**39 529**	**67 078**
Summa eget kapital och skulder		**186 728**	**185 508**

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Tilläggsupplysningar

Not 1 Redovisningsprinciper och övriga upplysningar

Beläget i Malmö, Sverige, är Descartes Systems (Sweden) AB ("Företaget", CIN 556253-5251) en skandinavisk-baserad leverantör av elektroniska tullarkivlösningar för Europeiska Unionen. Descartes Systems (Sweden) AB ägs till 100 % av Descartes Systems (NL) BV ("Modern"), ett företag beläget i Amersfoort, Nederländerna (kvk 62451685). Koncernmodern för Descartes-gruppen är The Descartes Systems Group Inc. ("Descartes"), belägen i Waterloo, Kanada (företagsregistreringsnummer 871669164). Descartes är ett publikt aktiebolag noterat på NASDAQ-börsen och på Torontobörsen.

Företaget tillämpar Årsredovisningslagen (1995:1554) och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning ("K3").

Intäkter

Intäkter redovisas över nyttjandeperioden för levererade tjänster.

Fordringar

Fordringar upptas till det belopp, som efter individuell bedömning beräknas inflyta.

Fordringar och skulder i utländsk valuta

Fordringar och skulder i utländsk valuta värderas enligt balansdagens kurs. Skillnaden mellan anskaffningsvärdet och balansdagskursen redovisas i resultaträkningen.

Anläggningstillgångar

De materiella anläggningstillgångarna skrivs av till följande procentsatser:

Maskiner och andra tekniska anläggningar: 1-13 år
Inventarier, verktyg och installationer: 3-14 år
Hyresgästsanpassningar: kontraktsperioden

Forsknings- och utvecklingsarbeten

Utgifter för forsknings- och utvecklingsarbeten kostnadsförs löpande när de uppkommer.

Leasingavtal

Samtliga leasingavtal, oavsett om de är finansiella eller operationella, redovisas som operationell leasing, d v s leasingavgifter kostnadsförs löpande. Alla leasingavtal redovisas som operationella leasingavtal leasingavgifterna enligt operationella leasingavtal, inklusive förhöjd förstagångshyra men exklusive utgifter för tjänster som försäkring och underhåll, redovisas som kostnad linjärt över leasingperioden.

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Inkomstskatter

Redovisade inkomstskatter innefattar skatt som skall betalas eller erhållas avseende aktuellt år, justeringar avseende tidigare års aktuella skatt och förändringar i uppskjuten skatt. Uppskjuten skatt beräknas genom att jämföra de temporära skillnaderna eller mellan bokföringsvärdet och det skattemässiga värdet på tillgångar och skulder. Skillnaden mellan de två multipliceras med den gällande skattesatsen.

Värdering av samtliga skatteskulder/-fordringar sker till nominella belopp och görs enligt de skatteregler och skattesatser som är beslutade eller som är aviserade och med stor säkerhet kommer att fastställas.

För poster som redovisas i resultaträkningen, redovisas även därmed sammanhängande skatteeffekter i resultaträkningen. Skatteeffekter av poster som redovisas direkt mot eget kapital, redovisas mot eget kapital.

Uppskjuten skatt beräknas enligt balansräkningsmetoden på alla temporära skillnader som uppkommer mellan redovisade och skattemässiga värden på tillgångar och skulder. De temporära skillnaderna har huvudsakligen uppkommit genom skattemässiga underskott.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den utsträckning det är sannolikt att avdraget kan avräknas mot överskott vid framtida beskattning.

Not 2 Viktiga uppskattningar och bedömningar

Viktiga uppskattningar och bedömning avser bedömning av intäktsredovisning, reservering för eventuella kundförluster och upplupna kostnader.

Not 3 Andelar i koncernföretag

Per 29 januari 2021 har det tidigare moderföretaget Descartes Systems Group AB, orgnr 556590-9024, fusionerats med bolaget genom en omvänd fusion. Descartes Systems (Sweden) AB är den fortsatta juridiska enheten och de tillgångar och skulder som ägdes av Descartes Systems Group AB har överförts till bolaget.

	2023-01-31	**2022-01-31**
Genom fusion övertaget anskaffningsvärde	333 755	333 755
Utgående ackumulerade anskaffningsvärden	**333 755**	**333 755**
Ingående nedskrivning DSGX Belgium BVBA överförs i fusion*	-198 499	-198 499
Årets nedskrivningar	-	-
Avkastning av kapital**	-8 716	-
Utgående ackumulerade nedskrivningar	**-198 499**	**-198 499**
Utgående redovisat värde	**126 540**	**135 256**

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Företagets innehav av andelar i koncernföretag

Företagets namn, säte och organisationsnummer	Kapital-andel	Rösträtts-andel	Redovisat värde 2023-01-31	Redovisat värde 2022-01-31
Descartes Systems (Belgium) NV (BE 0467.369.853)	100%	100%	126 540	135 256
Summa			**126 540**	**132 256**

Företagets namn, säte och organisationsnummer	Summa eget kapital 2023-01-31	Årets resultat 2022/2023
Descartes Systems (Belgium) NV (BE 0467.369.853)	13 215 TEUR	469 TEUR

*På grund av minskande kassaflöden och betydande koncerninterna skulder omvärderades Descartes Systems Group AB:s investering i DSGX Belgium BVBA till 1 SEK under året som slutade den 31 januari 2014, vilket resulterade i en nedskrivning på 109 783 884 SEK.

Under året som avslutades den 31 januari 2016 investerades 19 000 000 euro (178 660 784 kronor) i DSGX Belgium. Syftet var att reglera betydande interna lån, minska DSGX Belgium BVBA: s finansiella kostnader och förbättra bolagets kassaflöden.

Under året som slutade den 31 januari 2017 omvärderades investeringen i DSGX Belgium, vilket medförde en nedskrivning på 9 203 612 euro (88 715 365 SEK).

Under räkenskapsåret, som slutade 31 januari 2018, har bolaget sålt sina aktier i DSGX Belgium BVBA till Descartes system (Belgium) NV och köpt 2 384 789 aktier i Descartes Systems (Belgium) NV från DSGX Belgium BVBA. DSGX Belgium BVBA fusionerades, per 1:a februari 2017 in i Descartes Systems (Belgium) NV.

** Under året som avslutades den 31 januari 2023 erhöll bolaget kontantutdelning på 800 000 EUR (8 715 422 SEK), vilket representerade en avkastning på bolagets investering i Descartes Systems (Belgien) NV.

Not 4 Nettoomsättningen fördelad på geografiska marknader enligt följande

	2022/2023	2021/2022
Norden	101 259	78 173
Europa, exklusive Norden.	23 967	20 850
Nordamerika	16 647	14 935
Asien och Stillahavsområdet	12 344	10 750
Övrigt	14 394	12 713
Summa	**168 611**	**137 421**

Not 5 Operationell leasingavtal

	2022/2023	2021/2022
Bolagets leasingkostnader uppgår under året till	4 945	3 777

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Bolaget har ingått leasingavtal som sträcker sig bortom innevarande räkenskapsår. Kommande leasingbetalningar förfaller enligt nedan:

Räkenskapsår 31 januari,	Hyres-kontrakt	Kontors-utrustning	Bilar	Totalt
2024	4 197	27	694	**4 918**
2025	2 282	23	246	**2 551**
2026	1 511	19	-	**1 530**
Senare	838	21	-	**859**
Total	8 828	90	940	**9 858**

Not 6 Löner, andra ersättningar och social avgifter

	2022/2023	2021/2022
Löner och andra ersättningar	41 823	41 247
Sociala avgifter enligt lag och avtal	10 994	11 243
Pensionskostnader (varav för styrelse 0 tkr (0 tkr))	7 066	7 258
Övriga personalkostnader	529	458
Totala löner, ersättningar, sociala avgifter och pensionskostnader	**60 412**	**60 206**

Löner och andra ersättningar har ej utgått till styrelsen.

Löner och andra ersättningar fördelade per land uppgår till

	2022/2023	2021/2022
Sverige		
– Övriga anställda	34 303	34 319
Danmark		
– Övriga anställda	7 520	6 928
Totalt	**41 823**	**41 247**

Not 7 Medelantalet anställda med geografisk fördelning per land

	Antal anställda 2022/2023	Varav män	Antal anställda 2021/2022	Varav män
Sverige	50	40	51	41
Danmark	5	4	4	3
Totalt	**55**	**44**	**55**	**44**

Per balansdagen var samtliga 3 ledande befattningshavare män.

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Not 8 Ränteintäkter och liknande resultatposter

	2022/2023	2021/2022
Ränteintäkter koncernföretag	1	266
Totalt	**1**	**266**

Not 9 Räntekostnader och liknande resultatposter

	2022/2023	2021/2022
Räntekostnader koncernföretag	397	378
Räntekostnader övriga	151	349
Totalt	**548**	**727**

Not 10 Avstämning av effektiv skatt

	%	2022/2023	%	2021/2022
Resultat före skatt		9 314		-4 270
Skatt enligt gällande skattesats	20.6	-1 919	20.6	880
Ej avdragsgilla kostnader		338		-85
Skatt hänförlig till tidigare år		25		-231
Redovisad effektiv skatt	**20.6**	**-1 556**	**20.6**	**564**

Not 11 Immateriella anläggningstillgångar

	2023-01-31	2022-01-31
Ingående anskaffningsvärden	6 843	6 843
Utgående ackumulerade anskaffningsvärde	6 843	6 843
Ingående ackumulerade avskrivningar	-6 843	-6 843
Utgående ackumulerade avskrivningar	-6 843	-6 843
Utgående restvärde enligt plan	-	-

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Not 12 Inventarier

	2023-01-31	2022-01-31
Ingående anskaffningsvärden	5 491	5 136
Tillgångar överförda vid fusion	-	-
Årets förändringar		
– Inköp	90	355
– Försäljningar/utrangeringar	-32	-
Utgående ackumulerade anskaffningsvärde	5 549	5 491
Ingående avskrivningar	-4 999	-4 708
Ackumulerade avskrivningar överförda vid fusion	-	-
Årets förändring		
– Avskrivningar	-260	-291
– Försäljningar/utrangeringar	27	-
Utgående ackumulerade avskrivningar	-5 232	-4 999
Utgående restvärde enligt plan	**317**	**492**

Note 13 Fordringar hos koncerföretag

	2023-01-31	2022-01-31
Lånefordringar från Descartes Systems (NL) BV	-	11
Summa lånefordringar	-	**11**

Not 14 Uppskjuten skattefordran

	2023-01-31	2022-01-31
Uppskjuten skattefordran		
Underskottsavdrag	-	845
Ej avdragsgilla periodiseringar	76	49
Andra temporära skillnader	9	-1
Total	**85**	**893**

Not 15 Förutbetalda kostnader och upplupna intäkter

	2023-01-31	2022-01-31
Förutbetalda hyror	768	688
Övriga poster	1 112	1 702
	1 880	**2 390**

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Not 16 Långfristiga skulder

	2023-01-31	2022-01-31
Skulder till moderföretag och koncernföretag		
Långfristiga skulder som förfaller till betalning senare än ett år men inte senare än 5 år efter balansdagen	37 049	-
Långfristiga skulder som förfaller till betalning senare än 5 år efter balansdagen	21 135	34 297
Summa	**58 184**	**34 297**

Not 17 Upplupna kostnader och förutbetalda intäkter

	2023-01-31	2022-01-31
Förutbetalda intäkter	7 679	5 443
Upplupna löner	1 488	2 039
Upplupna semesterlöner	2 354	2 752
Övriga poster	1 859	1 415
Summa	**13 380**	**11 649**

Not 18 Ställda säkerheter

	2023-01-31	2022-01-31
Företagsinteckningar	2 000	2 000
Summa ställda säkerheter	**2 000**	**2 000**

Not 19 Väsentliga händelser efter räkenskapsårets slut

Det har inte inträffat några väsentliga händelser efter räkenskapsåret.

Årsredovisning för Descartes Systems (Sweden) AB, org.nr 556253-5251

Malmö, det datum som framgår av våra elektroniska underskrifter

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Siebrecht Frederik Van der Heide
Ledamot

Vår revisionsberättelse har lämnats det datum som framgår av vår elektroniska underskrift.

KPMG AB

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Time Zone: (UTC+01:00) Amsterdam, Berlin, Bern, Rome, Stockholm, Vienna

Envelope Originator:
Rikard Wahlström
PO Box 50768
Malmö, SE -202 71
rikard.wahlstrom@kpmg.se
IP Address: 213.100.219.31

Record Tracking

Status: Original
2023-06-29 | 06:32

Holder: Rikard Wahlström
rikard.wahlstrom@kpmg.se

Location: DocuSign

Signer Events

John Scott Pagan
SPagan@descartes.com
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:
397545D36C5246E...

Signature Adoption: Drawn on Device
Using IP Address: 99.251.172.80
Signed using mobile

Timestamp

Sent: 2023-06-29 | 06:35
Viewed: 2023-06-29 | 08:04
Signed: 2023-06-29 | 08:05

Authentication Details
Identity Verification Details:
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Workflow Name: DocuSign ID Verification
Workflow Description: The signer will need to identify themselves with a valid government ID.
Identification Method: Government Issued Id Document
Type of Document: Passport
Identification Level: ID Only
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Result: Passed
Performed: 2023-06-29 | 08:03

Electronic Record and Signature Disclosure:
Accepted: 2023-06-29 | 08:04
ID: e3fb23b3-b56f-4d05-a055-065ddf2aa11a

Peter Pauwels
PPauwels@descartes.com
Security Level: Email, Account Authentication (None)

DocuSigned by:
Peter Pauwels
954BFFF90273484...

Signature Adoption: Pre-selected Style
Using IP Address: 84.196.96.131

Sent: 2023-06-29 | 06:35
Viewed: 2023-06-29 | 07:37
Signed: 2023-06-29 | 07:38

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Workflow Name: DocuSign ID Verification
Workflow Description: The signer will need to identify themselves with a valid government ID.
Identification Method: Electronic ID
Type of Electronic ID: itsme
Transaction Unique ID: c658f6ef-7340-5180-95d6-325cefdc8412
Country or Region of ID: BE
Result: Passed
Performed: 2023-06-29 | 07:37

Signer Events	Signature	Timestamp

20230725006/5

Identity Verification Details:
Workflow ID: facedebc-e28d-4182-adbf-789fbd673b01
Workflow Name: DocuSign ID Verification
Workflow Description: The signer will need to identify themselves with a valid government ID.
Identification Method: Electronic ID
Type of Electronic ID: itsme
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Performed: 2023-06-29 | 07:42

Electronic Record and Signature Disclosure:
Accepted: 2023-06-29 | 07:37
ID: 03e7b3a8-67f6-4158-9177-4f39a4b78691

Siebrecht Frederik Van Der Heide Jong
FvanderHeide@descartes.com
Security Level: Email, Account Authentication (None)

DocuSigned by:
C3FB772AC58746B...

Signature Adoption: Uploaded Signature Image
Using IP Address: 195.29.109.90
Signed using mobile

Sent: 2023-06-29 | 06:35
Viewed: 2023-06-29 | 07:40
Signed: 2023-06-29 | 07:40

Authentication Details
Identity Verification Details:
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Workflow Name: DocuSign ID Verification
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Identification Method: Government Issued Id Document
Type of Document: Passport
Identification Level: ID Only
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Country or Region of ID: NL
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Performed: 2023-06-29 | 07:38

Identity Verification Details:
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Workflow Name: DocuSign ID Verification
Workflow Description: The signer will need to identify themselves with a valid government ID.
Identification Method: Government Issued Id Document
Type of Document: Passport
Identification Level: ID Only
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Electronic Record and Signature Disclosure:
Accepted: 2023-06-29 | 07:40
ID: fa5d0996-aa88-4336-982d-65e2fbbb14c1

Mattias Lötborn
mattias.lotborn@kpmg.se
KPMG AB
Security Level: Email, Account Authentication (None)

DocuSigned by:
Mattias Lötborn
AD5B58E989D34BD...

Signature Adoption: Pre-selected Style
Using IP Address: 78.73.125.50

Sent: 2023-06-29 | 08:05
Viewed: 2023-06-29 | 16:16
Signed: 2023-06-29 | 16:16

Authentication Details
Identity Verification Details:
Workflow ID: facedebc-e28d-4182-adbf-789fbd673b01
Workflow Name: DocuSign ID Verification
Workflow Description: The signer will need to identify themselves with a valid government ID.
Identification Method: Electronic ID
Type of Electronic ID: BankID Sweden
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Country or Region of ID: SE
Result: Passed
Performed: 2023-06-29 | 16:15

Electronic Record and Signature Disclosure:

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Not Offered via DocuSign		
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Editor Delivery Events	**Status**	**Timestamp**
Agent Delivery Events	**Status**	**Timestamp**
Intermediary Delivery Events	**Status**	**Timestamp**
Certified Delivery Events	**Status**	**Timestamp**
Carbon Copy Events	**Status**	**Timestamp**
Witness Events	**Signature**	**Timestamp**
Notary Events	**Signature**	**Timestamp**

Envelope Summary Events	Status	Timestamps
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Signing Complete	Security Checked	2023-06-29 | 16:16
Completed	Security Checked	2023-06-29 | 16:16

Payment Events	Status	Timestamps

Electronic Record and Signature Disclosure

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From time to time, KPMG AB (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a $0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

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Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact KPMG AB:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:
To contact us by email send messages to: dpreporting@kpmg.se

To advise KPMG AB of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at dpreporting@kpmg.se and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from KPMG AB

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to dpreporting@kpmg.se and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

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To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

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i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;

ii. send us an email to dpreporting@kpmg.se and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: https://support.docusign.com/guides/signer-guide-signing-system-requirements.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify KPMG AB as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by KPMG AB during the course of your relationship with KPMG AB.

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Revisionsberättelse

Till bolagsstämman i Descartes Systems (Sweden) AB, org. nr 556253-5251

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Descartes Systems (Sweden) AB för räkenskapsåret 2022-02-01—2023-01-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Descartes Systems (Sweden) ABs finansiella ställning per den 31 januari 2023 och av dess finansiella resultat för räkenskapsåret enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Descartes Systems (Sweden) AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Descartes Systems (Sweden) AB för räkenskapsåret 2022-02-01—2023-01-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Descartes Systems (Sweden) AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den dag som framgår av vår elektroniska underskrift

KPMG AB

DocuSigned by:
Mattias Lötborn
AD5B5BE989D34BD...

Mattias Lötborn

Auktoriserad revisor

DocuSign

Certificate Of Completion

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Subject: Complete with DocuSign: Auditors report FY23 Descartes Systems Sweden AB.pdf

Source Envelope:

Document Pages: 2 Signatures: 1

Certificate Pages: 2 Initials: 0

AutoNav: Enabled

Envelopeld Stamping: Enabled

Time Zone: (UTC+01:00) Amsterdam, Berlin, Bern, Rome, Stockholm, Vienna

Envelope Originator:
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Malmö, SE -202 71
rikard.wahlstrom@kpmg.se
IP Address: 213.100.219.31

Record Tracking

Status: Original
2023-06-29 | 06:41

Holder: Rikard Wahlström
rikard.wahlstrom@kpmg.se

Location: DocuSign

Signer Events

Mattias Lötborn
mattias.lotborn@kpmg.se
KPMG AB
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:
Mattias Lötborn
AD5B5BE989D34BD...

Signature Adoption: Pre-selected Style
Using IP Address: 78.73.125.50

Timestamp

Sent: 2023-06-29 | 06:42
Viewed: 2023-06-29 | 16:14
Signed: 2023-06-29 | 16:14

Authentication Details
Identity Verification Details:
Workflow ID: facedebc-e28d-4182-adbf-789fbd673b01
Workflow Name: DocuSign ID Verification
Workflow Description: The signer will need to identify themselves with a valid government ID.
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Country or Region of ID: SE
Result: Passed
Performed: 2023-06-29 | 16:14

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	**Status**	**Timestamp**
Agent Delivery Events	**Status**	**Timestamp**
Intermediary Delivery Events	**Status**	**Timestamp**
Certified Delivery Events	**Status**	**Timestamp**
Carbon Copy Events	**Status**	**Timestamp**
Witness Events	**Signature**	**Timestamp**
Notary Events	**Signature**	**Timestamp**

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	2023-06-29 | 06:42
Certified Delivered	Security Checked	2023-06-29 | 16:14
Signing Complete	Security Checked	2023-06-29 | 16:14
Completed	Security Checked	2023-06-29 | 16:14

Payment Events	Status	Timestamps

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DESCARTES™

THE DESCARTES SYSTEMS GROUP INC.
ANNUAL REPORT

US GAAP FINANCIAL RESULTS FOR THE 2023 FISCAL YEAR

20230725006685

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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains references to Descartes using the words "we," "us," "our" and similar words and the reader is referred to using the words "you," "your" and similar words.

This MD&A also refers to our fiscal years. Our fiscal year commences on February 1st of each year and ends on January 31st of the following year. Our fiscal year that we are reporting on in this MD&A, which ended on January 31, 2023, is referred to as the "current fiscal year," "fiscal 2023," "2023" or using similar words. Our previous fiscal year, which ended on January 31, 2022, is referred to as the "previous fiscal year," "fiscal 2022," "2022" or using similar words. Other fiscal years are referenced by the applicable year during which the fiscal year ends. For example, 2024 refers to the annual period ending January 31, 2024 and the "fourth quarter of 2024" refers to the quarter ending January 31, 2024.

This MD&A, which is prepared as of March 1, 2023, covers our year ended January 31, 2023, as compared to years ended January 31, 2022 and 2021. You should read the MD&A in conjunction with our audited consolidated financial statements for 2023 that appear elsewhere in this Annual Report to Shareholders.

We prepare and file our consolidated financial statements and MD&A in United States ("US") dollars and in accordance with US generally accepted accounting principles ("GAAP"). All dollar amounts we use in the MD&A are in US currency, unless we indicate otherwise.

We have prepared the MD&A with reference to the Form 51-102F1 MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators.

Additional information about us, including copies of our continuous disclosure materials such as our annual information form, is available on our website at http://www.descartes.com, through the EDGAR website at http://www.sec.gov or through the SEDAR website at http://www.sedar.com.

As of the date of this MD&A, the conflict between Russia and the Ukraine (the "Ukraine Conflict") is contributing to significant uncertainty within the global economy. Although we have very limited customer and other direct business dealings within either of Russia or the Ukraine, continued conflict between the countries could impact economic and trade activity across Europe and perhaps worldwide as trade lanes and supply chains are impacted. Russia is a major supplier of oil and gas to numerous countries and a disruption in that supply could impact economic activity and transportation costs and general transportation availability on a global basis. In addition, the global impact of the extensive trade sanctions and financial controls related to Russia, Belarus or other countries are difficult to assess at the current time.

As of the date of this MD&A, the world also continues to experience a global pandemic related to the spread of the COVID-19 virus (the "Pandemic"). Earlier in the Pandemic, we had observed some reduced shipment volumes across various modes of transportation, particularly in air cargo, and were aware of some customers who reduced or temporarily suspended operations during the Pandemic or otherwise experienced financial hardship as a result of the Pandemic. Although we have come to understand that the impact of the Pandemic will be felt in waves at various times, at the time of this MD&A, we have observed that shipment volumes and general economic activity in our industry have largely returned to what we would consider "pre-Pandemic" levels. We remain well positioned to adjust to market conditions to assist our customers as they work to manage their transportation, logistics and supply chain processes during the Pandemic. We have been able to transition our workforce such that the majority of our workforce can work remotely and continue to service and support our customers and ensure the uninterrupted availability of our various solutions, most of which are delivered by way of a software-as-a-service or cloud-based delivery model.

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Certain statements made in this Annual Report to Shareholders, constitute forward-looking information for the purposes of applicable securities laws ("forward-looking statements"), including, but not limited to: statements in the "Trends / Business Outlook" section and statements regarding our expectations concerning future revenues and earnings, including potential variances from period to period; our assessment of the current and future potential impact of both the Ukraine Conflict and the Pandemic and related public health protection measures on our business; results of operations and financial condition; our expectations regarding the cyclical nature of our business; mix of revenues and potential variances from period to period; our plans to focus on generating services revenues yet to continue to allow customers to elect to license technology in lieu of subscribing to services; our expectations on losses of revenues and customers; our baseline calibration; our ability to keep our operating expenses at a level below our baseline revenues; our future business plans and business planning process; allocation of purchase price for completed acquisitions; our expectations regarding future restructuring charges and cost-reduction activities; expenses, including amortization of intangible assets and stock-based compensation; goodwill impairment tests and the possibility of future impairment adjustments; capital expenditures; acquisition-related costs, including the potential for further performance-based contingent consideration; our liability with respect to various claims and suits arising in the ordinary course; any commitments referred to in the "Commitments, Contingencies and Guarantees" section of this MD&A; our intention to actively explore future business combinations and other strategic transactions; our liability under indemnification obligations; our reinvestment of earnings of subsidiaries back into such subsidiaries; our dividend policy; expected purchases under our NCIB (as defined herein); the sufficiency of capital to meet working capital, capital expenditure, debt repayment requirements and our anticipated growth strategy; our ability to raise capital; our adoption of certain accounting standards; and other matters related to the foregoing. When used in this document, the words "believe," "plan," "expect," "anticipate," "intend," "continue," "may," "will," "should" or the negative of such terms and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties and are based on assumptions that may cause future results to differ materially from those expected. The material assumptions made in making these forward-looking statements include the following: Descartes' ability to successfully identify and execute on acquisitions and to integrate acquired businesses and assets, and to predict expenses associated with and revenues from acquisitions; the impact of network failures, information security breaches or other cyber-security threats; disruptions in the movement of freight and a decline in shipment volumes including as a result of the Ukraine Conflict or the Pandemic or other contagious illness outbreaks, a deterioration of general economic conditions or instability in the financial markets accompanied by a decrease in spending by our customers; global shipment volumes continuing to increase at levels consistent with the average growth rates of the global economy; countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; countries continuing to implement and enforce existing and additional trade restrictions and sanctioned party lists with respect to doing business with certain countries, organizations, entities and individuals; our continued operation of a secure and reliable business network; the continued availability of the data and content that is utilized in the delivery of services made available over our network; relative stability of currency exchange rates and interest rates; equity and debt markets continuing to provide us with access to capital; the availability and suitability of using cash to fund share buybacks under our NCIB; our ability to develop solutions that keep pace with the continuing changes in technology, and our continued compliance with third party intellectual property rights. While management believes these assumptions to be reasonable under the circumstances, they may prove to be inaccurate. Such forward-looking statements also involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements of, or developments in our business or industry, to differ materially from the anticipated results, performance or achievements or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the factors discussed under the heading "**Certain Factors That May Affect Future Results**" in this MD&A and in other documents filed with the Securities and Exchange Commission, the Ontario Securities Commission and other securities commissions across Canada from time to time. If any of such risks actually occur, they could materially adversely affect our business, financial condition or results of operations. In that case, the trading price of our common shares could decline, perhaps materially. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Except as required by applicable law, we do not undertake or accept any obligation or

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undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions, assumptions or circumstances on which any such statements are based.

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OVERVIEW

We use technology and networks to simplify complex business processes. We are primarily focused on logistics and supply chain management business processes. Our solutions are predominantly cloud-based and are focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use our modular, software-as-a-service ("SaaS") and data solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access and analyze global trade data; research and perform trade tariff and duty calculations; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in a large, collaborative multi-modal logistics community. Our pricing model provides our customers with flexibility in purchasing our solutions either on a subscription, transactional or perpetual license basis. Our primary focus is on serving transportation providers (air, ocean and truck modes), logistics service providers (including third-party logistics providers, freight forwarders and customs brokers) and distribution-intensive companies for which logistics is either a key or a defining part of their own product or service offering, or for which our solutions can provide an opportunity to reduce costs, improve service levels, or support growth by optimizing the use of assets and information.

Logistics is the management of the flow of resources between a point of origin and a point of destination – processes that move items (such as goods, people, information) from point A to point B. Supply chain management is broader than logistics and includes the sourcing, procurement, conversion and storage of resources for consumption by an enterprise. Logistics and supply chain management have been evolving over the past several years as companies are increasingly seeking automation and real-time control of their supply chain activities. We believe companies are looking for integrated solutions for managing inventory in transit, conveyance units, people, data and business documents.

We believe logistics-intensive organizations are seeking to reduce operating costs, differentiate themselves, improve margins, and better serve customers. Global trade and transportation processes are often manual and complex to manage. This is a consequence of the growing number of business partners participating in companies' global supply chains and a lack of standardized business processes.

Additionally, global sourcing, logistics outsourcing, imposition of additional customs and regulatory requirements and the increased rate of change in day-to-day business requirements are adding to the overall complexities that companies face in planning and executing in their supply chains. Whether a shipment is delayed at the border, a customer changes an order or a breakdown occurs on the road, there are increasingly more issues that can significantly impact the execution of fulfillment schedules and associated costs.

The rise of ecommerce has heightened these challenges for many suppliers with end-customers increasingly demanding narrower order-to-fulfillment periods, lower prices and greater flexibility in scheduling and rescheduling deliveries. End customers also want real-time updates on delivery status, adding considerable burden to supply chain management as process efficiency is balanced with affordable service.

In this market, the movement and sharing of data between parties involved in the logistics process is equally important to the physical movement of goods. Manual, fragmented and distributed logistics solutions are often proving inadequate to address the needs of operators. Connecting manufacturers and suppliers to carriers on an individual, one-off basis is too costly, complex and risky for organizations dealing with many trading partners. Further, many of these solutions do not provide the flexibility required to efficiently accommodate varied processes for organizations to remain competitive. We believe this presents an opportunity for logistics technology providers to unite this highly fragmented community and help customers improve efficiencies in their operations.

As the market continues to change, we have been evolving to meet our customers' needs. While the rate of adoption of newer logistics and supply chain management technologies is increasing, a large number of organizations still have manual business processes. We have been educating our prospects and customers on the value of connecting to trading partners through our Global Logistics Network ("GLN") and automating, as well as

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standardizing, multi-party business processes. We believe that our target customers are increasingly looking for a single source, neutral, network-based solution provider who can help them manage the end-to-end shipment – from researching global trade information, to the booking of a shipment, to the tracking of that shipment as it moves, to the regulatory compliance filings to be made during the move and, finally, to the settlement and audit of the invoice.

Additionally, regulatory initiatives mandating electronic filing of shipment information with customs authorities require companies to automate aspects of their shipping processes to remain compliant and competitive. Our customs compliance technology helps shippers, transportation providers, freight forwarders and other logistics intermediaries to securely and electronically file shipment and tariff/duty information with customs authorities and self-audit their own efforts. Our technology also helps carriers and freight forwarders efficiently coordinate with customs brokers and agencies to expedite cross-border shipments. While many compliance initiatives started in the US, compliance has now become a global issue with significantly more international shipments crossing several borders on the way to their final destinations.

Increasingly, data and content have become central to supply chain planning and execution. Complex international supply chains are affected by logistics service provider performance, capacity, and productivity, as well as regulatory frameworks such as free trade agreements. We believe our Global Trade Data, Trade Regulations, Free-Trade-Agreement, and duty rate and calculation solutions help give our customers the intelligence they need to improve their sourcing, landed cost, and transportation lane and provider selection processes.

Solutions

Descartes' Logistics Technology Platform unites a growing global community of logistics-focused parties, allowing them to transact business while leveraging a broad array of applications designed to help logistics-intensive businesses thrive.

The Logistics Technology Platform fuses our GLN, an extensive logistics network covering multiple transportation modes, with a broad array of modular, interoperable web and wireless logistics management solutions. Designed to help accelerate time-to-value and increase productivity and performance for businesses of all sizes, the Logistics Technology Platform leverages the GLN's multimodal logistics community to enable companies to quickly and cost-effectively connect and collaborate.

Descartes' GLN, the underlying foundation of the Logistics Technology Platform, manages the flow of data and documents that track and control inventory, assets and people in motion. Designed expressly for logistics operations, it is native to the particularities of different transportation modes and country borders. As a state-of-the-art messaging network with wireless capabilities, the GLN helps manage business processes in real-time and in-motion. Its capabilities go beyond logistics, supporting common commercial transactions, regulatory compliance documents, and customer specific needs.

The GLN extends its reach using interconnect agreements with other general and logistics-specific networks, to offer companies access to a wide array of trading partners. With the flexibility to connect and collaborate in unique ways, companies can effectively route or transform data to and from partners and deploy additional Descartes solutions on the GLN. The GLN allows "low tech" partners to act and respond with "high tech" capabilities and connect to the transient partners that exist in many logistics operations. This inherent adaptability creates opportunities to develop logistics business processes that can help customers differentiate themselves from their competitors.

Descartes' Logistics Application Suite offers a wide array of modular, cloud-based, interoperable web and wireless logistics management applications. These solutions embody Descartes' deep domain expertise, not merely "check box" functionality. These solutions deliver value for a broad range of logistics-intensive organizations, whether they purchase transportation, run their own fleet, operate globally or locally, or work across air, ocean or ground transportation. Descartes' comprehensive suite of solutions includes:

- Routing, Mobile and Telematics;
- Transportation Management;
- Ecommerce, Shipping & Fulfillment;
- Customs & Regulatory Compliance;
- Global Trade Intelligence;
- B2B Messaging & Connectivity; and
- Broker & Forwarder Enterprise Systems.

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The Descartes applications forming part of the Logistics Technology Platform are modular and interoperable to allow organizations the flexibility to deploy them quickly within an existing portfolio of solutions. Implementation is streamlined because these solutions use web-native or wireless user interfaces and are pre-integrated with the GLN. With interoperable and multi-party solutions, Descartes' solutions are designed to deliver functionality that can enhance a logistics operation's performance and productivity both within the organization and across a complex network of partners.

Descartes' expanding global trade intelligence offering unites systems and people with trade information to enable organizations to work smarter by making more informed supply chain and logistics decisions. Our global trade intelligence solutions can help customers: research and analyze global trade movements, regulations and trends; reduce the risk of transacting with denied parties; increase trade compliance rates; optimize sourcing, procurement, and business development strategies; and minimize duty spend.

Descartes' GLN community members enjoy extended command of operations and accelerated time-to-value relative to many alternative logistics solutions. Given the inter-enterprise nature of logistics, quickly gaining access to partners is paramount. For this reason, Descartes has focused on growing a community that strategically attracts and retains relevant logistics parties. Upon joining the GLN community, many companies find that a number of their trading partners are already members with an existing connection to the GLN. This helps to minimize the time required to integrate Descartes' logistics management applications and to begin realizing results. Descartes is committed to continuing to expand community membership. Companies that join the GLN community or extend their participation find a single place where their entire logistics network can exist regardless of the range of transportation modes, the number of trading partners or the variety of regulatory agencies.

Sales and Distribution

Our sales efforts are primarily directed towards two specific customer markets: (a) transportation companies and logistics service providers; and (b) manufacturers, retailers, distributors and mobile business service providers. Our sales staff is regionally based and trained to sell across our solutions to specific customer markets. In North America and Europe, we promote our products primarily through direct sales efforts aimed at existing and potential users of our products. In the Asia Pacific, Indian subcontinent, South America and African regions, we focus on making our channel partners successful. Channel partners for our other international operations include distributors, alliance partners and value-added resellers. During the ongoing period of the Pandemic we have been encouraged by the success of our sales organization to date in being able to continue to execute on sales efforts and prospecting through the use of online communication platforms and virtual meetings in place of face-to-face meetings and in person trade show events.

United by Design

Descartes' 'United By Design' strategic alliance program is intended to ensure complementary hardware, software and network offerings are interoperable with Descartes' solutions and work together seamlessly to solve multi-party business problems.

'United By Design' is intended to create a global ecosystem of logistics-intensive organizations working together to standardize and automate business processes and manage resources in motion. The program centers on Descartes' Open Standard Collaborative Interfaces, which provide a wide variety of connectivity mechanisms to integrate a broad spectrum of applications and services.

Descartes has partnering relationships with multiple parties across the following three categories:

- Technology Partners – Complementary hardware, software, network, and embedded technology providers that extend the functional breadth of Descartes' solution capabilities;
- Consulting Partners - Large system integrators and enterprise resource planning system vendors through to vertically specialized or niche consulting organizations that provide domain expertise and/or implementation services for Descartes' solutions; and
- Channel Partners (Value-Added Resellers) – Organizations that market, sell, implement and support Descartes' solutions to extend access and expand market share into territories and markets where Descartes

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might not have a focused direct sales presence.

Marketing

Our marketing efforts are focused on growing demand for our solutions and establishing Descartes as a thought leader and innovator across the markets we serve. Marketing programs are delivered through integrated initiatives designed to reach our target customer and prospect groups. These programs include digital and online marketing, partner-focused campaigns, proactive media relations, and direct corporate marketing efforts.

Fiscal 2023 and 2024 Highlights

On February 9, 2022, Descartes acquired all of the shares of NetCHB, LLC ("NetCHB"), a provider of customs filing solutions in the US. The purchase price for the acquisition was approximately $38.7 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $60.0 million based on NetCHB achieving revenue-based targets over the first two years post-acquisition.

On April 21, 2022, Descartes acquired substantially all of the assets of Foxtrot, Inc. ("Foxtrot"), a provider of machine learning-based mobile route execution solutions. The purchase price for the acquisition was approximately $4.2 million, net of cash acquired, which was funded from cash on hand.

On June 3, 2022, Descartes acquired all of the shares of XPS Technologies, LLC ("XPS"), a provider of ecommerce multi-carrier parcel shipping solutions. The purchase price for the acquisition was approximately $61.1 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $75.0 million based on XPS achieving revenue-based targets over the first two years post-acquisition.

On June 7, 2022, Descartes announced a normal course issuer bid ("NCIB"), commencing June 10, 2022, to purchase up to approximately 7.4 million common shares in the open market for cancellation. Under the NCIB, Descartes is permitted to repurchase for cancellation, at its discretion on or before June 9, 2023, up to 10% of the "public float" (calculated in accordance with the rules of the TSX) of Descartes' issued and outstanding common shares. Any purchases under the NCIB will be subject to the terms and limitations applicable to such NCIB, and will be made through the facilities of the TSX, Nasdaq, other designated exchanges and/or alternative Canadian trading systems, or by such other means as may be permitted by the Ontario Securities Commission or other applicable Canadian Securities Administrators. No common shares have yet been purchased pursuant to the NCIB.

On July 15, 2022, we filed a final short-form base shelf prospectus (the "2022 Base Shelf Prospectus"), allowing us to offer and issue an unlimited quantity of the following securities during the 25-month period following thereafter: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants offered together as a unit. These securities may be offered separately or together, in separate series, in amounts, at prices and on terms to be set forth in one or more shelf prospectus supplements. No securities have yet been sold pursuant to the 2022 Base Shelf Prospectus.

On December 7, 2022, we amended our senior secured revolving credit facility to extend the maturity date from January 2024 to December 2027. The credit facility has a five-year maturity with no fixed repayment dates prior to the end of the term. The total available amount under the facility of $350.0 million remains unchanged and with the approval of the lenders, the credit facility can be expanded to a total of $500.0 million. Borrowings under the credit facility are secured by a first charge over substantially all of Descartes' assets. Depending on the type of advance, interest rates under the revolving operating portion of the credit facility are based on the Canada or US prime rate, Canadian Dollar Offered Rate (CDOR) or the Secured Overnight Financing Rate (SOFR) plus an additional 0 to 250 basis points based on the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization, as defined in the credit facility. There were no other significant changes to the terms of the credit facility.

On January 5, 2023, Descartes acquired all of the shares of Trans-Soft, LLC, doing business as Supply Vision ("Supply Vision"), a provider of shipment management solutions for North American logistics services providers. The purchase price for the acquisition was approximately $12.0 million, net of cash acquired, which was funded from cash on

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hand, plus potential performance-based contingent consideration of up to $3.0 million based on Supply Vision achieving revenue-based targets over the first two years post-acquisition.

On February 14, 2023, Descartes acquired all of the shares of Windigo Logistics, Inc., doing business as GroundCloud ("GroundCloud"), a cloud-based provider of final-mile carrier solutions and road safety compliance tools. The purchase price for the acquisition was approximately $138.0 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $80.0 million based on GroundCloud achieving revenue-based targets over the first two years post-acquisition.

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CONSOLIDATED OPERATIONS

The following table shows, for the periods indicated, our results of operations in millions of dollars (except per share and weighted average share amounts):

Year ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Total revenues	**486.0**	424.7	348.7
Cost of revenues	**113.3**	101.8	89.9
Gross margin	**372.7**	322.9	258.8
Operating expenses	**176.7**	154.0	129.2
Other charges	**5.4**	6.4	2.3
Amortization of intangible assets	**60.2**	59.1	55.9
Income from operations	**130.4**	103.4	71.4
Investment and other income	**4.5**	0.3	0.2
Interest expense	**(1.2)**	(1.1)	(1.2)
Income before income taxes	**133.7**	102.6	70.4
Income tax expense			
Current	**28.3**	14.8	3.8
Deferred	**3.2**	1.5	14.5
Net income	**102.2**	86.3	52.1
EARNINGS PER SHARE			
BASIC	**1.21**	1.02	0.62
DILUTED	**1.18**	1.00	0.61
WEIGHTED AVERAGE SHARES OUTSTANDING (thousands)			
BASIC	**84,791**	84,591	84,360
DILUTED	**86,451**	86,200	85,756
OTHER PERTINENT INFORMATION			
Total assets	**1,316.0**	1,185.4	1,063.3
Non-current financial liabilities	**3.9**	7.4	8.9

Total revenues consist of ***license revenues, services revenues*** and ***professional services and other revenues***. License revenues are derived from perpetual licenses granted to our customers to use our software products. Services revenues are comprised of ongoing transactional and/or subscription fees for use of our services and products by our customers and maintenance, which include revenues associated with maintenance and support of our services and products. Professional services and other revenues are comprised of professional services revenues from consulting, implementation and training services related to our services and products, hardware revenues and other revenues.

Our total revenues were $486.0 million, $424.7 million, and $348.7 million in 2023, 2022 and 2021, respectively. The increase in revenues in 2023 compared to 2022 was primarily due to growth in services revenues from new and existing customers, which contributed an incremental $30.4 million in revenue in 2023. While we saw growth across many lines of our business, services revenue growth in 2023 was driven by sales of our global trade intelligence solutions partially offset by the negative impact from foreign

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exchange rates as a result of the weakening of British pound sterling, euro and Canadian dollar compared to the US dollar. The principal contributors to the balance of the increase in revenues in 2023 compared to 2022 was a partial period of contribution from the acquisitions completed in 2023 (NetCHB, Foxtrot, XPS and Supply Vision, collectively, the "2023 Acquisitions") as well as a full period of contribution from the acquisitions completed in 2022 (VitaDex Solutions, LLC, doing business as QuestaWeb ("QuestaWeb"), Portrix Logistic Software GmbH ("Portrix"), and GreenMile, LLC ("GreenMile"), collectively, the "2022 Acquisitions").

The increase in revenues in 2022 compared to 2021 was primarily due to growth in services revenues from new and existing customers which contributed an incremental $48.3 million in revenue in 2022. While we saw growth across many lines of our business, services revenue growth in 2022 was driven by sales of our solutions that address the regulatory requirements for the United Kingdom's ("UK's") withdrawal from the European Union ("Brexit"). The principal contributor to the balance of the increase in revenues in 2022 compared to the same period of 2021 was a full period of contribution from the acquisitions completed in 2021 (Peoplevox Limited "Peoplevox", Cracking Logistics Limited "Kontainers", and ShipTrack Inc. "ShipTrack", collectively, the "2021 Acquisitions").

The following table provides additional analysis of our revenues by type (in millions of dollars and as a percentage of total revenues) generated over each of the periods indicated:

Year ended	**January 31, 2023**	January 31, 2022	January 31, 2021
License revenues	**8.4**	5.1	5.1
Percentage of total revenues	***2%***	*1%*	*1%*
Services revenues	**435.7**	378.5	309.7
Percentage of total revenues	***90%***	*89%*	*89%*
Professional services and other	**41.9**	41.1	33.9
Percentage of total revenues	***8%***	*10%*	*10%*
Total revenues	**486.0**	424.7	348.7

Our ***license revenues*** were $8.4 million, $5.1 million and $5.1 million in 2023, 2022 and 2021, respectively, representing 2%, 1% and 1% of total revenues in 2023, 2022 and 2021, respectively. While our sales focus has been on generating services revenues in our SaaS business model, we continue to see a market for licensing the products in our omni-channel retailing and home delivery logistics solutions. The amount of license revenues in a period is dependent on our customers' preference to license our solutions instead of purchasing our solutions as a service and we anticipate variances from period to period.

Our ***services revenues*** were $435.7 million, $378.5 million and $309.7 million in 2023, 2022 and 2021, respectively, representing 90%, 89% and 89% of total revenues in 2023, 2022 and 2021, respectively. The increase in services revenues in 2023 compared to 2022 was primarily due to growth in services revenues from new and existing customers which contributed an incremental $30.4 million in revenue in 2023. The growth in service revenues in 2023 was driven by sales of our global trade intelligence solutions partially offset by the negative impact from foreign exchange rates as a result of the weakening of British pound sterling, euro and Canadian dollar compared to the US dollar. The principal contributors to the balance of the increase in services revenues in 2023 compared to 2022 was a partial period of contribution from the 2023 Acquisitions as well as a full period of contribution from the 2022 Acquisitions.

The increase in services revenues in 2022 compared to 2021 was primarily due to growth in services revenues from new and existing customers which contributed an incremental $48.3 million in revenue in

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2022. The growth in services revenues in 2022 was driven by sales of our solutions that address the regulatory requirements from Brexit. The principal contributor to the balance of the increase in services revenues in 2022 compared to 2021 was a full period of contribution from the 2021 Acquisitions.

Our ***professional services and other*** revenues were $41.9 million, $41.1 million and $33.9 million in 2023, 2022 and 2021, respectively, representing 8%, 10% and 10% of total revenues in 2023, 2022, and 2021, respectively. The increase in professional services and other revenues in 2023 compared to the same period of 2022 was primarily due the inclusion of a full period of revenues from the 2022 Acquisitions, which contributed an incremental $1.0 million in revenues.

The increase in professional services and other revenues in 2022 compared to 2021 was primarily due to growth in revenue from new and existing customers which contributed an incremental $3.4 million in revenues. The principal contributor to the balance of the increase in professional services and other revenues in 2022 compared to 2021 was a partial period of contribution from the 2022 Acquisitions.

We operate in one business segment providing logistics technology solutions. The following table provides additional analysis of our revenues by geographic location of customer (in millions of dollars and as a percentage of total revenues):

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
United States	**307.1**	242.1	211.2
Percentage of total revenues	***63%***	*57%*	*61%*
Europe, Middle-East and Africa ("EMEA")	**126.9**	129.0	94.2
Percentage of total revenues	***26%***	*30%*	*27%*
Canada	**34.6**	36.1	29.4
Percentage of total revenues	***7%***	*9%*	*8%*
Asia Pacific	**17.4**	17.5	13.9
Percentage of total revenues	***4%***	*4%*	*4%*
Total revenues	**486.0**	424.7	348.7

Revenues from the United States were $307.1 million, $242.1 million and $211.2 million in 2023, 2022 and 2021, respectively. The increase in 2023 as compared to 2022 was primarily a result of growth in services revenues from new and existing customers, which contributed an incremental $30.2 million and in revenue. The growth in 2023 was driven by growth in sales to new and existing customers of our global trade intelligence solutions. The principal contributor to the balance of the increase in revenues in 2023 as compared to 2022 was the inclusion of a partial period of revenues from the 2023 Acquisitions.

The increase in 2022 as compared to 2021 was primarily a result of growth in services revenues from new and existing customers which contributed an incremental $15.4 million in revenue. The growth in 2022 was primarily driven by sales of our global trade intelligence solutions. The principal contributor to the balance of the increase in 2022 as compared to 2021 was the inclusion of a partial period of revenues from the 2022 Acquisitions.

Revenues from the EMEA region were $126.9 million, $129.0 million and $94.2 million in 2023, 2022, and 2021, respectively. The decrease in 2023 compared to 2022 was primarily a result of the weakening of the British pound sterling and euro compared to the US dollar partially offset by growth in services revenues from new and existing customers.

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The increase in 2022 compared to 2021 was primarily due to growth in services revenues from new and existing customers which contributed an incremental $28.4 million in revenue, respectively. The growth in 2022 was primarily driven by sales of our solutions that address the regulatory requirements from Brexit. The principal contributor to the balance of the increase in revenues in 2022 as compared to 2021 was the inclusion of a full period of revenues from the 2021 Acquisitions.

Revenues from Canada were $34.6 million, $36.1 million and $29.4 million in 2023, 2022 and 2021, respectively. The decrease 2023 compared to 2022 was primarily a result of the weakening of the Canadian dollar compared to the US dollar partially offset by growth in services revenues from new and existing customers.

The increase in 2022 as compared to 2021 was primarily due to growth in services revenues from new and existing customers which contributed an incremental $3.4 million in revenue. The principal contributor to the balance of the increase in revenues in 2022 as compared to 2021 was primarily a result of the inclusion of a full period of revenues from the 2021 Acquisitions.

Revenues from the Asia Pacific region were $17.4 million, $17.5 million and $13.9 million in 2023, 2022 and 2021, respectively. Revenues in 2023 were consistent with 2022 as services revenue growth was offset by a negative impact from foreign exchange rates.

The increase in 2022 compared to 2021 was primarily a result of the inclusion of a full period of revenues from the 2021 Acquisitions, which contributed an incremental $1.5 million. The principal contributor to the balance of the increase in revenues in 2022 as compared to 2021 was primarily due to growth in services revenues from new and existing customers.

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The following table provides analysis of cost of revenues (in millions of dollars) and the related gross margins for the periods indicated:

Year ended	**January 31, 2023**	January 31, 2022	January 31, 2021
<u>License</u>			
License revenues	**8.4**	5.1	5.1
Cost of license revenues	**1.1**	1.1	0.7
Gross margin	**7.3**	4.0	4.4
Gross margin percentage	***87%***	*78%*	*86%*
<u>Services</u>			
Services revenues	**435.7**	378.5	309.7
Cost of services revenues	**88.3**	78.0	69.3
Gross margin	**347.4**	300.5	240.4
Gross margin percentage	***80%***	*79%*	*78%*
<u>Professional services and other</u>			
Professional services and other revenues	**41.9**	41.1	33.9
Cost of professional services and other revenues	**23.9**	22.7	19.9
Gross margin	**18.0**	18.4	14.0
Gross margin percentage	***43%***	*45%*	*41%*
<u>Total</u>			
Revenues	**486.0**	424.7	348.7
Cost of revenues	**113.3**	101.8	89.9
Gross margin	**372.7**	322.9	258.8
Gross margin percentage	***77%***	*76%*	*74%*

Cost of license revenues consists of costs related to our sale of third-party technology, such as third-party map license fees and royalties.

Gross margin percentage for license revenues was 87%, 78% and 86% in 2023, 2022 and 2021, respectively. Our gross margin on license revenues is dependent on the proportion of our license revenues that involve third-party technology. Consequently, our gross margin percentage for license revenues is higher when a lower proportion of our license revenues attracts third-party technology costs, and vice versa.

Cost of services revenues consists of internal costs of running our systems and applications and other personnel-related expenses incurred in providing maintenance, including customer support.

Gross margin percentage for services revenues was 80%, 79% and 78% in 2023, 2022 and 2021, respectively. Overall, the margin in 2023 was positively impacted by the growth in higher margin service revenue products such as our global trade intelligence solutions.

Cost of professional services and other revenues consists of personnel-related expenses incurred in providing professional services, hardware installation as well as hardware costs.

Gross margin percentage for professional services and other revenues was 43%, 45% and 41% for 2023, 2022 and 2021, respectively. Hardware and other revenues typically have lower margins than

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our professional services revenues and as such variances in gross margin can occur from period to period as a result of the sales mix.

Operating expenses, consisting of sales and marketing, research and development and general and administrative expenses, were $176.7 million, $154.0 million and $129.2 million for 2023, 2022 and 2021, respectively. Operating expenses were higher in 2023 compared to 2022 primarily due to increased headcount-related costs, excluding costs from the 2022 and 2023 Acquisitions, which added approximately $6.1 million. Operating expenses were also higher in 2023 compared to the same period of 2022 due to a partial period of costs from the 2023 Acquisitions and a full period of costs from the 2022 Acquisitions, which added approximately $4.7 million and $2.2 million, respectively.

Operating expenses were higher in 2022 compared to 2021 primarily due to increased headcount-related costs, excluding costs from the 2021 and 2022 Acquisitions, which added approximately $14.3 million. The principal contributor to the balance of the increase in operating expenses in 2022 compared to 2021 was a partial period of costs from the 2022 Acquisitions.

The following table provides analysis of operating expenses (in millions of dollars and as a percentage of total revenues) for the periods indicated:

Year ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Total revenues	**486.0**	424.7	348.7
Sales and marketing expenses	**56.6**	46.9	38.8
Percentage of total revenues	***12%***	*11%*	*11%*
Research and development expenses	**70.4**	62.6	54.1
Percentage of total revenues	***14%***	*15%*	*16%*
General and administrative expenses	**49.7**	44.5	36.3
Percentage of total revenues	***10%***	*10%*	*10%*
Total operating expenses	**176.7**	154.0	129.2
Percentage of total revenues	***36%***	*36%*	*37%*

Sales and marketing expenses include salaries, commissions, stock-based compensation and other personnel-related costs, bad debt expenses, travel expenses, advertising programs and services, and other promotional activities associated with selling and marketing our services and products. Sales and marketing expenses were $56.6 million, $46.9 million and $38.8 million in 2023, 2022 and 2021, respectively. Sales and marketing expenses as a percentage of total revenues were 12% in 2023, 11% in 2022 and 11% in 2021, respectively. The increase in sales and marketing expenses in 2023 compared to 2022 was primarily due to increased headcount-related costs.

The increase in sales and marketing expenses in 2022 compared to 2021 was also primarily due to increased headcount-related costs.

Research and development expenses consist primarily of salaries, stock-based compensation and other personnel-related costs of technical and engineering personnel associated with our research and product development activities, as well as costs for third-party outsourced development providers. We expensed all costs related to research and development in 2023, 2022 and 2021. Research and development expenses were $70.4 million, $62.6 million and $54.1 million in 2023, 2022 and 2021, respectively. Research and development expenses as a percentage of total revenues were 14% in 2023, 15% in 2022 and 16% in 2021, respectively. The increase in research and development expenses in 2023 compared to 2022 was primarily due to headcount-related costs.

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The increase in research and development expenses in 2022 compared to 2021 was primarily due to headcount-related costs from the 2021 Acquisitions and 2022 Acquisitions.

General and administrative expenses consist primarily of salaries, stock-based compensation and other personnel-related costs of administrative personnel, as well as professional fees, insurance and other administrative expenses. General and administrative costs were $49.7 million, $44.5 million, and $36.3 million in 2023, 2022 and 2021, respectively. General and administrative expenses as a percentage of total revenues were 10% in each of 2023, 2022 and 2021. The increase in general and administrative expenses in 2023 compared to 2022 was primarily due to increased computer software costs as well as increased stock-based compensation from fiscal 2022 and fiscal 2023 grants.

The increase in general and administrative expenses in 2022 compared to 2021 was primarily due to costs from the 2021 Acquisitions, increased headcount-related costs as well as increased stock-based compensation from fiscal 2021 and fiscal 2022 grants.

Other charges consist primarily of acquisition-related costs with respect to completed and prospective acquisitions, contingent consideration adjustments and restructuring charges. Acquisition-related costs primarily include advisory services, brokerage services, administrative costs and retention bonuses, and relate to completed and prospective acquisitions. Contingent consideration adjustments relate to changes in the fair value estimate of contingent consideration. Restructuring costs relate to the integration of previously-completed acquisitions and other cost-reduction activities. Other charges were $5.4 million, $6.4 million and $2.3 million in 2023, 2022 and 2021, respectively. The decrease in other charges in 2023 compared to 2022 and the increase in other charges in 2022 compared to 2021 was primarily a result of an increase in contingent consideration adjustments in 2022.

Amortization of intangible assets is amortization of the value attributable to intangible assets, including customer agreements and relationships, non-compete covenants, existing technologies and trade names, in each case associated with acquisitions completed by us as of the end of each reporting period. Intangible assets with a finite life are amortized to income over their useful life. The amount of amortization expense in a fiscal period is dependent on our acquisition activities. Amortization of intangible assets was $60.2 million, $59.1 million and $55.9 million in 2023, 2022 and 2021, respectively. Amortization expense increased in 2023 compared to 2022 primarily due to the 2023 Acquisitions, which resulted in an incremental $6.5 million of amortization expense. Amortization expense increased in 2022 compared to 2021 primarily due the 2022 Acquisitions, which resulted in an incremental $5.4 million of amortization expense.

We test the carrying value of our finite life intangible assets for recoverability when events or changes in circumstances indicate that there may be evidence of impairment. We write down intangible assets or asset groups with a finite life to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value. Fair value of intangible assets or asset groups is determined by discounting the expected related cash flows. No finite life intangible asset or asset group impairment has been identified or recorded for any of the fiscal periods reported.

Investment and other income was $4.5 million, $0.3 million and $0.2 million in 2023, 2022 and 2021, respectively. Investment and other income is generally earned on cash balances. In 2023 the increase in investment and other income was primarily due to an increase in both cash balances and interest rates.

Interest expense was $1.2 million, $1.1 million and $1.2 million in 2023, 2022 and 2021, respectively. Interest expense is primarily comprised of interest expense on the amount borrowed and outstanding on our revolving debt facility, debt standby charges as well as the amortization of deferred financing charges.

Income tax expense is comprised of current and deferred income tax expense. Income tax expense for 2023, 2022 and 2021 was 24%, 16% and 26% of income before income taxes, respectively, or $31.5 million, $16.3 million and $18.3 million, respectively. The income tax rate as a percentage of income before income taxes (the "effective tax rate") increased in 2023 compared to 2022 primarily as a result of changes in tax rates and a release in valuation allowances on tax losses carried forward in 2022.

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The income tax rate as a percentage of income before income taxes decreased in 2022 compared to 2021 primarily as a result of a 2022 release in valuation allowances on tax losses in EMEA carried forward from previous periods. In addition, the benefit of differences between the Canadian and foreign tax rates and the effect of tax rate changes in foreign jurisdictions contributed to the decrease in income tax expense in 2022.

Income tax expense – current was $28.3 million, $14.8 million and $3.8 million in 2023, 2022 and 2021, respectively. Current income tax expense increased in 2023 compared to 2022 due to the impact of the loss restriction rules in the UK and lower tax attributes available in Canada and US to deduct against income in 2023.

Current income tax expense increased in 2022 compared to 2021 primarily due to a current tax recovery in 2021 related to a voluntary change in accounting for deferred revenue for income tax purposes in the United States elected by the Company.

Income tax expense – deferred was $3.2 million, $1.5 million and $14.5 million in 2023, 2022 and 2021, respectively. Deferred income tax expense increased in 2023 compared to 2022 primarily due to a release in valuation allowances on tax losses carried forward in the comparative period, partially offset against a recovery of certain deferred tax attributes in the US recorded in 2023, as well as normal course changes in timing differences in Canada.

Deferred income tax expense decreased in 2022 compared to 2021 primarily due to additional deferred tax expense in 2021 related to a voluntary change in accounting for deferred revenue for income tax purposes in the United States elected by the Company as well as a release in valuation allowances recorded in 2022 related to tax losses in EMEA carried forward from previous periods.

Net income was $102.2 million, $86.3 million and $52.1 million in 2023, 2022 and 2021 respectively. Net income in 2023 compared to 2022 was positively impacted by the growth in services revenues from new and existing customers as well the 2023 Acquisitions.

Net income in 2022 compared to 2021 was positively impacted by the growth in services revenues.

QUARTERLY OPERATING RESULTS

The following table provides an analysis of our unaudited operating results (in thousands of dollars, except per share and weighted average number of share amounts) for each of the quarters indicated:

	Fiscal 2022				Fiscal 2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	98,838	104,570	108,911	112,371	116,395	123,011	121,467	125,141
Gross margin	74,989	79,100	83,304	85,487	88,572	94,092	93,937	96,087
Operating expenses	37,236	37,656	39,374	39,653	41,447	45,170	44,330	45,689
Net income	18,421	23,176	25,491	19,194	23,115	22,902	26,469	29,750
Basic earnings per share	0.22	0.27	0.30	0.23	0.27	0.27	0.31	0.35
Diluted earnings per share	0.21	0.27	0.30	0.22	0.27	0.27	0.31	0.34
Weighted average shares outstanding (thousands):								
Basic	84,501	84,566	84,636	84,659	84,765	84,783	84,797	84,819
Diluted	86,045	86,128	86,328	86,341	86,348	86,338	86,483	86,561

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Revenues over the comparative periods have been positively impacted by an increase in transactions processed over our GLN business document exchange, including the filing of regulatory documents resulting from Brexit, as well as an increase in subscriptions for our software solutions and global trade intelligence. In addition, we have seen increased revenues as a result of the ten acquisitions that we have completed since the beginning of fiscal 2021 through the end of the fourth quarter of fiscal 2023.

Our services revenues continue to have minor seasonal trends. In the first fiscal quarter of each year, we historically have seen slightly lower shipment volumes by air and truck which impact the aggregate number of transactions flowing through our GLN business document exchange. In the second fiscal quarter of each year, we historically have seen a slight increase in ocean services revenues as ocean carriers are in the midst of their customer contract negotiation period. In the third fiscal quarter of each year, we have historically seen shipment and transactional volumes at their highest. In the fourth fiscal quarter of each year, the various international holidays impact the aggregate number of shipping days in the quarter, and historically we have seen this adversely impact the number of transactions our network processes and, consequently, the amount of services revenues we receive during that period. In the second and fourth fiscal quarters of each year, we historically have seen a slight decrease in professional services revenues due to various international holidays and vacation seasons. Overall, the impact of seasonal trends has a relatively minor impact on our revenues quarter to quarter.

In the fourth quarter of 2023, revenues and gross margin increased compared to the third quarter of 2023 primarily due to growth in transaction and subscription revenues with new and existing customers which contributed an incremental $2.8 million in revenues. Operating expenses increased in the fourth quarter of 2023 compared to the third quarter of 2023 primarily due to increased headcount-related costs. Net income was also positively impacted in the fourth quarter of 2023 compared to the third quarter of 2023 by an increase in investment and other income and a decrease in income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash. We had $276.4 million and $213.4 million in cash as at January 31, 2023 and January 31, 2022, respectively. All cash was held in interest-bearing bank accounts, primarily with major Canadian, US and European banks. The cash balance increased from January 31, 2022 to January 31, 2023 by $63.0 million primarily due to cash generated from operations partially offset by cash used for acquisitions.

Credit facility. The facility is a $350.0 million revolving operating credit facility to be available for general corporate purposes, including the financing of ongoing working capital needs and acquisitions. On December 7, 2022, we amended our credit facility to extend the maturity date from January 2024 to December 2027. The credit facility has a five-year maturity with no fixed repayment dates prior to the end of the term. The total available amount under the facility of $350.0 million remains unchanged and with the approval of the lenders, the credit facility can be expanded to a total of $500.0 million. Borrowings under the credit facility are secured by a first charge over substantially all of Descartes' assets. Depending on the type of advance, interest rates under the revolving operating portion of the credit facility are based on the Canada or US prime rate, Canadian Dollar Offered Rate (CDOR) or the Secured Overnight Financing Rate (SOFR) plus an additional 0 to 250 basis points based on the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization, as defined in the credit facility. There were no other significant changes to the terms of the credit facility. A standby fee of between 20 to 40 basis points will be charged on all undrawn amounts. The credit facility contains certain customary representations, warranties and guarantees, and covenants.

No amounts were drawn on the credit facility as of January 31, 2023 and the balance of $350.0 million is available for use. We were in compliance with the covenants of the credit facility as of January 31, 2023 and remain in compliance as of the date of this MD&A.

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Short-form base shelf prospectus. On July 16, 2020, we filed a final short-form base shelf prospectus (the "2020 Base Shelf Prospectus"), allowing us to offer and issue the following securities: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants offered together as a unit. No securities were sold pursuant to the 2020 Base Shelf Prospectus, which was withdrawn in July 2022.

On July 15, 2022, we filed the 2022 Base Shelf Prospectus, allowing us to offer and issue an unlimited quantity of the following securities during the 25-month period following thereafter: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants offered together as a unit. These securities may be offered separately or together, in separate series, in amounts, at prices and on terms to be set forth in one or more shelf prospectus supplements. No securities have yet been sold pursuant to the 2022 Base Shelf Prospectus.

Normal course issuer bid. On June 7, 2022, Descartes announced a NCIB, commencing June 10, 2022, to purchase up to approximately 7.4 million common shares in the open market for cancellation. Under the NCIB, Descartes would be permitted to repurchase for cancellation, at its discretion on or before June 9, 2023, up to 10% of the "public float" (calculated in accordance with the rules of the TSX) of Descartes' issued and outstanding common shares. Any purchases under the NCIB will be subject to the terms and limitations applicable to such NCIB, and will be made through the facilities of the TSX, Nasdaq, other designated exchanges and/or alternative Canadian trading systems, or by such other means as may be permitted by the Ontario Securities Commission or other applicable Canadian Securities Administrators. No common shares have yet been purchased pursuant to the NCIB.

Working capital. As at January 31, 2023, our working capital surplus (current assets less current liabilities) was $189.1 million. Current assets primarily include $276.4 million of cash, $45.2 million of current trade receivables and $24.7 million of prepaid assets. Current liabilities primarily include $67.8 million of deferred revenue, $80.3 million of accrued liabilities and $10.6 million of accounts payable. Our working capital has increased from January 31, 2022 to January 31, 2023 by $30.4 million, primarily due to cash generated from operations partially offset by cash used for acquisitions.

Historically, we've financed our operations and met our capital expenditure requirements primarily through cash flows provided from operations, issuances of common shares and proceeds from debt. We anticipate that, considering the above, we have sufficient liquidity to fund our current cash requirements for working capital, contractual commitments, capital expenditures and other operating needs. We also believe that we have the ability to generate sufficient amounts of cash in the long term to meet planned growth targets and to fund strategic transactions. Should additional future financing be undertaken, the proceeds from any such transaction could be utilized to fund strategic transactions or for general corporate purposes, including the repayment of outstanding debt. We expect, from time to time, to continue to consider select strategic transactions to create value and improve performance, which may include acquisitions, dispositions, restructurings, joint ventures and partnerships, and we may undertake further financing transactions, including draws on our credit facility, other debt instruments or equity offerings, in connection with any such potential strategic transaction.

With respect to earnings of our non-Canadian subsidiaries, our intention is that these earnings will be reinvested in each subsidiary indefinitely. Of the $276.4 million of cash as at January 31, 2023, $96.8 million was held by our foreign subsidiaries, most significantly in the United States with lesser amounts held in other countries in the EMEA and Asia Pacific regions. To date, we have not encountered significant legal or practical restrictions on the abilities of our subsidiaries to repatriate money to Canada, even if such restrictions may exist in respect of certain foreign jurisdictions where we have subsidiaries. In the future, if we elect to repatriate the unremitted earnings of our foreign subsidiaries in the form of dividends, or if the shares of the foreign subsidiaries are sold or transferred, then we could be subject to additional Canadian or foreign income taxes, net of the impact of any available foreign tax credits, which would result in a higher effective tax rate. We have not provided for foreign withholding taxes or deferred income tax

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liabilities related to unremitted earnings of our non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries or are not subject to withholding taxes.

The table set forth below provides a summary of cash flows for the periods indicated in millions of dollars:

Year ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Cash provided by operating activities	**192.4**	176.1	131.2
Additions to property and equipment	**(6.1)**	(4.8)	(3.8)
Acquisition of subsidiaries, net of cash acquired	**(115.6)**	(90.3)	(48.4)
Proceeds from borrowings on credit facility	**-**	-	10.2
Credit facility and other debt repayments	**-**	(1.1)	(10.8)
Payment of debt issuance costs	**(1.1)**	(0.1)	-
Issuance of common shares, net of issuance costs	**1.7**	2.7	6.2
Payment of contingent consideration	**(5.2)**	-	-
Effect of foreign exchange rate on cash held	**(3.1)**	(2.8)	4.7
Net change in cash	**63.0**	79.7	89.3
Cash, beginning of period	**213.4**	133.7	44.4
Cash, end of period	**276.4**	213.4	133.7

Cash provided by operating activities was $192.4 million, $176.1 million and $131.2 million for 2023, 2022 and 2021, respectively. For 2023, the $192.4 million of cash provided by operating activities resulted from $102.2 million of net income, plus adjustments for $82.4 million of non-cash items included in net income and plus $7.8 million of cash generated from changes in our operating assets and liabilities. Cash provided by operating activities increased in 2023 compared to 2022 primarily due to the increase in net income adjusted for non-cash items as well as strong cash collections from customers.

For 2022, the $176.1 million of cash provided by operating activities resulted from $86.3 million of net income, plus adjustments for $77.0 million of non-cash items included in net income and plus $12.8 million of cash generated from changes in our operating assets and liabilities. Cash provided by operating activities increased in 2022 compared to 2021 primarily due to the increase in net income adjusted for non-cash items as well as strong cash collections from customers.

Additions to property and equipment were $6.1 million, $4.8 million and $3.8 million in 2023, 2022 and 2021, respectively. Additions to property and equipment increased in 2023 compared to 2022 due to the timing of investments in computing equipment and software to support our network and continue to enhance our security infrastructure. Additions to property and equipment increased in 2022 compared to 2021 primarily due to the timing of investments in computing equipment and software to support our network and continue to enhance our security infrastructure.

Acquisition of subsidiaries, net of cash acquired were $115.6 million, $90.3 million and $48.4 million in 2023, 2022 and 2021, respectively. Acquisitions in 2023 related to NetCHB, Foxtrot, XPS and Supply Vision. Acquisitions in 2022 are related to QuestaWeb, Portrix and GreenMile.

Proceeds from borrowings on credit facility were nil, nil and $10.2 million in 2023, 2022 and 2021, respectively. In 2021 the borrowings on our credit facility partially financed the acquisition of Peoplevox.

Credit facility and other debt repayments were nil, $1.1 million and $10.8 million in 2023, 2022 and 2021, respectively.

Payment of debt issuance costs were $1.1 million, $0.1 million and nil in 2023, 2022 and 2021, respectively, and relate to costs paid in amending the terms of our credit facility agreement.

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Issuance of common shares, net of issuance costs were $1.7 million, $2.7 million and $6.2 million in 2023, 2022 and 2021, respectively, and were primarily a result of the exercise of employee stock options.

Payment of contingent consideration recorded in financing activities was $5.2 million, nil and nil in 2023, 2022 and 2021, respectively. Total contingent consideration paid in 2023 was $10.8 million of which $5.2 million related to the portion of the earn-out arrangements accrued for at the time of acquisition and recorded in financing activities with the remaining $5.6 million paid and recorded in cash from operating activities. In 2023, the contingent consideration paid related to the acquisitions of Kontainers and ShipTrack.

COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

To facilitate a better understanding of our commitments, the following information is provided (in millions of dollars) in respect of our operating obligations as of January 31, 2023:

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Operating lease obligations	**3.6**	**3.5**	**0.4**	**0.1**	**7.6**

Lease Obligations

We are committed under non-cancelable operating leases for buildings, vehicles and computer equipment with terms expiring at various dates through 2029. The undiscounted future minimum amounts payable under these lease agreements are presented in the table above.

Other Obligations

Deferred Share Unit ("DSU") and Cash-settled Restricted Share Unit ("CRSU") Plans

As discussed in Note 2 to the audited consolidated financial statements for 2023 included in this Annual Report, we maintain DSU and CRSU plans for our directors and employees. Any payments made pursuant to these plans are settled in cash. For DSUs and CRSUs, the units vest over time and the liability recognized at any given consolidated balance sheet date reflects only those units vested at that date that have not yet been settled in cash. As such, we had an unrecognized aggregate amount for the unvested DSUs and CRSUs of nil and $0.7 million, respectively, at January 31, 2023. The ultimate liability for any payment of DSUs and CRSUs is dependent on the trading price of our common shares. To substantially offset our exposure to fluctuations in our stock price, we have entered into equity derivative contracts, including floating-rate equity forwards. As at January 31, 2023, we had equity derivatives for 281,768 Descartes common shares and a DSU liability for 283,338 Descartes common shares, resulting in minimal net exposure resulting from changes to our share price.

Contingencies

We are subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. The consequences of these matters are not presently determinable but, in the opinion of management after consulting with legal counsel, the ultimate aggregate liability is not currently expected to have a material effect on our results of operations or financial position.

Product Warranties

In the normal course of operations, we provide our customers with product warranties relating to the performance of our hardware, software and services. To date, we have not encountered material costs as a result of such obligations and have not accrued any liabilities related to such obligations in our consolidated financial statements.

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Business combination agreements

In respect of our acquisitions of GreenMile, NetCHB, XPS and Supply Vision, up to $148.0 million in cash may become payable if certain revenue performance targets are met in the two years following the acquisition. A balance of $30.9 million is accrued related to the fair value of this contingent consideration as at January 31, 2023.

Guarantees

In the normal course of business, we enter into a variety of agreements that may contain features that meet the definition of a guarantee under ASC Topic 460, "Guarantees". The following lists our significant guarantees:

Intellectual property indemnification obligations

We provide indemnifications of varying scope to our customers against claims of intellectual property infringement made by third parties arising from the use of our products. In the event of such a claim, we are generally obligated to defend our customers against the claim and we are liable to pay damages and costs assessed against our customers that are payable as part of a final judgment or settlement. These intellectual property infringement indemnification clauses are not generally subject to any dollar limits and remain in force for the term of our license agreement with our customer, which license terms are typically perpetual. Historically, we have not encountered material costs as a result of such indemnification obligations.

Other indemnification agreements

In the normal course of operations, we enter into various agreements that provide general indemnities. These indemnities typically arise in connection with purchases and sales of assets, securities offerings or buy-backs, service contracts, administration of employee benefit plans, retention of officers and directors, membership agreements, customer financing transactions, and leasing transactions. In addition, our corporate by-laws provide for the indemnification of our directors and officers. Each of these indemnities requires us, in certain circumstances, to compensate the counterparties for various costs resulting from breaches of representations or obligations under such arrangements, or as a result of third party claims that may be suffered by the counterparty as a consequence of the transaction. We believe that the likelihood that we could incur significant liability under these obligations is remote. Historically, we have not made any significant payments under such indemnities.

In evaluating estimated losses for the guarantees or indemnities described above, we consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. We are unable to make a reasonable estimate of the maximum potential amount payable under such guarantees or indemnities as many of these arrangements do not specify a maximum potential dollar exposure or time limitation. The amount also depends on the outcome of future events and conditions, which cannot be predicted. Given the foregoing, to date, we have not accrued any liability in our consolidated financial statements for the guarantees or indemnities described above.

OUTSTANDING SHARE DATA

We have an unlimited number of common shares authorized for issuance. As of March 1, 2023, we had 84,822,774 common shares issued and outstanding.

As of March 1, 2023, there were 1,590,759 options issued and outstanding, and 2,703,675 options remaining available for grant under all stock option plans.

As of March 1, 2023, there were 915,233 performance share units ("PSUs") and 474,631 restricted share units ("RSUs") issued and outstanding, with a potential of up to a further 260,766 PSUs being earned if a maximum 2.0 performance factor is achieved in respect of the outstanding PSU awards. Also, as of March

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1, 2023, there were 616,128 units remaining available for grant under all performance and restricted share unit plans.

Our board of directors has adopted a shareholder rights plan (the "Rights Plan") to ensure the fair treatment of shareholders in connection with any take-over offer, and to provide our board of directors and shareholders with additional time to fully consider any unsolicited take-over bid. We did not adopt the Rights Plan in response to any specific proposal to acquire control of the Company. The Rights Plan was approved by the TSX and was originally approved by our shareholders on May 18, 2005 and took effect as of November 29, 2004. An amended and restated Rights Plan was ratified by shareholders at our annual shareholders' meeting held on May 28, 2020. The Rights Plan requires re-approval by the shareholders every three years. We understand that the Rights Plan is similar to plans adopted by other Canadian companies and approved by their shareholders.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are affected by management's application of accounting policies. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period and would materially impact our financial condition or results of operations. Our accounting policies are discussed in Note 2 to the audited consolidated financial statements for 2023 included in this Annual Report.

Our management has discussed the development, selection and application of our critical accounting policies with the audit committee of the board of directors.

The following discusses the critical accounting estimates and assumptions that management has made under these policies and how they affect the amounts reported in the fiscal 2023 consolidated financial statements:

Revenue recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts that can include the delivery of various combinations of goods and/or services, which are generally capable of being distinct within the context of the contract and accounted for as separate performance obligations. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct goods and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. The accounting for a contract with a customer that contains multiple performance obligations requires an allocation of the transaction price to each distinct performance obligation based on the determination of the standalone selling price ("SSP). SSP for each distinct performance obligation in a customer contract is an estimate of the price that would be charged for the specific good or service if it was sold separately in similar circumstances and to similar customers. This estimate determines the amount of revenue recognized for each performance obligation in a customer contract. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Our contracts with customers often include promises to transfer multiple goods and services to a customer. Determining whether goods and services are considered distinct performance obligations that should be

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accounted for separately versus together may require judgment. Judgment is also needed in assessing the ability to collect the corresponding receivables.

Significant assumptions and judgment are required to determine the SSP for each distinct performance obligation, which is needed to determine whether there is a discount that needs to be allocated based on the relative SSP of the various goods and services. When estimating the SSP, we make certain significant assumptions including the basis for stratification of the underlying population of customer contracts based on pricing practices for different goods or services, as appropriate. In order to determine the SSP of its promised goods or services, we conduct a regular analysis to determine whether various goods or services have an observable standalone selling price. If the Company does not have an observable SSP for a particular good or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, and the residual approach.

Impairment of long-lived assets

We test long-lived assets or asset groups, such as property and equipment and finite life intangible assets, for recoverability when events or changes in circumstances indicate that there may be impairment. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such asset or asset groups is less than the carrying amount. Measurement of the impairment loss is based on the present value of the expected future cash flows. Our impairment analysis contains estimates due to the inherent uncertainty relating to forecasting long-term estimated cash flows and determining the ultimate useful lives of asset or asset groups. Actual results will differ, which could materially impact our impairment assessment.

Goodwill

We test for impairment of goodwill at least annually on October 31st of each year and at any other time if any event occurs or circumstances change that would more likely than not reduce our fair value below our carrying amount. Our operations are analyzed by management and our chief operating decision maker as being part of a single industry segment providing logistics technology solutions. Accordingly, our goodwill impairment assessment is based on the allocation of goodwill to a single reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, assessing qualitative factors and determining the fair value of each reporting unit. Judgments are required to estimate the fair value of reporting units and include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

Stock-based compensation plans

Stock Options

We maintain stock option plans for non-employee directors, officers, employees and other service providers. Options to purchase our common shares are granted at an exercise price equal to the fair market value of our common shares as of the date of grant. This fair market value is determined using the closing price of our common shares on the TSX on the day immediately preceding the date of the grant.

Employee stock options generally vest over a five-year period starting from the grant date and expire seven years from the grant date. Non-employee directors' and officers' stock options generally have quarterly vesting over a three to five-year period.

The fair value of employee stock option grants that are ultimately expected to vest are amortized to expense in our consolidated statement of operations based on the straight-line attribution method. The fair value of stock option grants is calculated using the Black-Scholes Merton option-pricing model. Expected volatility is based on historical volatility of our common stock and other factors. The risk-free interest rates are based on Government of Canada average bond yields for a period consistent with the

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expected life of the option in effect at the time of the grant. The expected option life is based on the historical life of our granted options and other factors.

Performance & Restricted Share Units

PSUs are measured at fair value estimated using a Monte Carlo Simulation approach and will be expensed to stock-based compensation expense over the vesting period. The ultimate number of PSUs that vest is based on the total shareholder return ("TSR") of our Company relative to the TSR of companies comprising a peer index group. TSR is calculated based on the weighted-average closing price of shares for the five trading days preceding the beginning and end of the performance period. Expected volatility is based on historical volatility of our common stock and other factors. The risk-free interest rates are based on the Government of Canada average bond yields for a period consistent with the expected life of the PSUs at the time of the grant.

RSUs vest annually over a three-year period starting from the grant date and expire ten years from the grant date. We issue new shares from treasury upon the redemption of an RSU. RSUs are measured at fair value based on the closing price of our common shares for the day preceding the date of the grant and will be expensed to stock-based compensation expense over the vesting period.

Income Taxes

We have provided for income taxes based on information that is currently available to us. Tax filings are subject to audits, which could materially change the amount of deferred income tax assets and liabilities. We record deferred tax assets on our consolidated balance sheet for tax benefits that we currently expect to realize in future periods. Over recent years, we have determined that there was sufficient positive evidence such that it was more likely than not that we would utilize all or a portion of deferred tax assets in certain jurisdictions, to offset taxable income in future periods. This positive evidence included that we have earned cumulative income, after permanent differences, in each of these jurisdictions in at least the current and two preceding tax years. As such, over recent years, we have reduced our valuation allowances by amounts which represent the amount of tax loss carry forwards that we project will be used to offset taxable income in these jurisdictions over the foreseeable future. Any further change to increase or decrease the valuation allowance for the deferred tax assets would result in an income tax expense or income tax recovery, respectively, on the consolidated statements of operations.

Business Combinations

In connection with business acquisitions that we have completed, we identify and estimate the fair value of net assets acquired, including certain identifiable intangible assets (other than goodwill) and liabilities assumed in the acquisitions. Any excess of the purchase price over the estimated fair value of the net assets acquired is assigned to goodwill. Intangible assets include customer agreements and relationships, non-compete covenants, existing technologies and trade names. Our initial allocation of purchase price is generally preliminary in nature and may not be final for up to one year from the date of acquisition. The determination of the acquisition date fair value of the intangible assets acquired required us to make estimates and assumptions regarding projected revenues, earnings before interest, taxes, depreciation and amortization, technology migration rates, customer attrition rates and discount rates. Changes to these estimates and assumptions may result in material differences depending on the size of the acquisition completed.

Contingent consideration may be payable on the achievement of certain financial targets in the post-acquisition periods. Contingent consideration is required to be measured at fair value on the date of acquisition. The estimated fair value of contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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CHANGE IN / INITIAL ADOPTION OF ACCOUNTING POLICIES

Recently issued accounting pronouncements

In October 2021, the FASB issued Accounting Standards Update 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"). ASU 2021-08 provides guidance on how to recognize and measure acquired contract assets and liabilities from revenue contracts in a business combination. ASU 2021-08 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2022, which will be our fiscal year beginning February 1, 2023 (fiscal 2024). Early adoption is permitted. The Company will adopt this guidance in the first quarter of fiscal 2024. The adoption of this guidance is not expected to have a material impact on our results of operations or disclosures.

CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management evaluated our disclosure controls and procedures (as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) as of January 31, 2023. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of our internal control over financial reporting (as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) as of January 31, 2023, based on criteria established in "Internal Control – Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our Chief Executive Officer and Chief Financial Officer concluded that, as of January 31, 2023, our internal control over financial reporting was effective.

During the period beginning on November 1, 2022 and ended on January 31, 2023, no changes were made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRENDS / BUSINESS OUTLOOK

This section discusses our outlook for fiscal 2024 and in general as of the date of this MD&A and contains forward-looking statements.

The impact of the Ukraine Conflict on our customers and suppliers, on the global economy in general and on our business specifically is uncertain at this time. While we have limited direct business dealings in either Russia or Ukraine, it's probable that the Ukraine Conflict, the political and economic measures taken by other countries in response to the Ukraine Conflict and the potential retaliatory actions that Russia or other countries might take in response to these political and economic measures could have a material impact on the global economy, global trade, global fuel prices and/or the individual economies of countries that may be dependent on Russia for oil and gas supplies and in which we may have significant business dealings. Each of these consequences could impact the level of usage and/or demand for our products and services and our resulting revenues. In addition, it has been speculated that retaliatory actions by Russia

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or other countries to economic sanctions could include widespread cyber-attacks. Any such attacks, if successful, could adversely impact our business or the businesses of our customers and suppliers.

On January 1, 2021, the UK left the European Union and agreed to terms on a trade agreement that set out the tariffs and guidelines on imports and exports between the two regions. Despite the trade agreement, both parties agreed that import and export filings would now need to be made on shipments between the UK and the European Union with special trading rules for shipments to and from Northern Ireland. In addition, the UK implemented a system for electronic filings on imports and exports. As a result, we have been actively engaging with customers and service providers with solutions that assist them with these electronic filing requirements and as a result have seen a positive impact to our revenues starting in fiscal 2022. In May 2022, following political elections in Northern Ireland, some uncertainty was introduced as to whether changes will be introduced to the existing filing regime. On February 27, 2023, the Windsor Framework was announced which, if ratified by the UK Parliament, will replace the Northern Ireland Protocol as the constitutional framework governing the movement of goods to and from Northern Ireland. Should changes be made to regulations relating to the movement of goods between the UK and the European Union, or the special trading rules for shipments to and from Northern Ireland, such that the filing requirements related to imports and exports are reduced, this could have an impact on the revenues we have been generating in this area of our business.

More generally, our business may be impacted from time to time by the cyclical and seasonal nature of particular modes of transportation and the freight market, as well as the cyclical and seasonal nature of the industries that such markets serve. Factors which may create cyclical fluctuations in such modes of transportation or the freight market in general include legal and regulatory requirements (for example Brexit), timing of contract renewals between our customers and their own customers, seasonal-based tariffs, vacation periods applicable to particular shipping or receiving nations, weather-related or global health events that impact shipping in particular geographies and amendments to international trade agreements. In particular, the uncertainties arising from the Pandemic and steps taken by governments, businesses, other organizations and private citizens to respond to the Pandemic could continue to adversely impact global shipment volumes in all modes of transportation in fiscal 2024. Since some of our revenues from particular products and services are tied to the volume of shipments being processed, adverse fluctuations in the volume of global shipments, or shipments in any particular mode of transportation, may adversely affect our revenues. Significant declines in shipment volumes could likely have a material adverse effect on our business.

Industry consolidation, rapid technological change, growth of ecommerce and frequent new product introductions and enhancements continue to characterize the software and services industries – particularly for logistics management technology companies. Organizations are increasingly requiring greater levels of functionality and more sophisticated product offerings from their software and services providers.

Increased importance is being placed on leveraging cloud-based technology to better manage logistics processes and to connect and collaborate with trading partners on a global basis, as well as to reuse and share supply chain data in order to accelerate time-to-value. Cloud-based technology also enables business networks to more easily unite and integrate services provided by a broad range of partners and technology alliances to extend functionality and further enhance collaboration between business communities. As a result, we believe there is a trend away from using manual and paper-based supply chain and logistics processes towards electronic processes powered by the exchange of electronic information between logistics and supply chain participants.

Accordingly, we expect that our future success will be dependent upon our ability to enhance current products or develop and introduce new products offering enhanced performance and new functionality at competitive prices. In particular, we believe customers are looking for end-to-end solutions that combine a multi-modal, multi-process network with business document exchange and wireless mobile resource management applications with end-to-end global trade compliance, trade content and collaborative supply chain execution applications. These applications include freight bookings, contract and rate management,

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classification of goods for tariff and duty purposes, sanctioned party screening, customs filings and electronic shipment manifest processes, transportation management, routing and scheduling, purchase order to dock door processes, and inventory visibility.

We believe there is a continued acceptance of subscription pricing and SaaS business models in the markets we serve that provide lower up-front cost and easier-to-maintain alternatives than may be available through traditional perpetual license pricing models. In 2023, our services revenues comprised 90% of our total revenues, with the balance being license, professional services and other revenues. We expect that our focus in fiscal 2024 will remain on generating services revenues, primarily by promoting the use of our GLN (including customs compliance services) and the migration of customers using our legacy license-based products to our services-based architecture. We anticipate maintaining the flexibility to license our products to those customers who prefer to buy the products in that fashion and the composition of our revenues in any one quarter will be impacted by the buying preferences of our customers.

We have significant contracts with our license customers for ongoing support and maintenance, as well as significant service contracts which provide us with recurring services revenues. After their initial term, our service contracts are generally renewable at a customer's option, and there are generally no mandatory payment obligations or obligations to license additional software or subscribe for additional services. In a typical year, based on our historic experience, we anticipate that over a one-year period we may lose approximately 4% to 6% of our aggregate annualized recurring revenues from the previous year in the ordinary course, excluding consideration of new customers.

We internally measure and manage our "baseline calibration", which we define as the difference between our "baseline revenues" and "baseline operating expenses". Each of these measures constitutes a "supplementary financial measure" under Canadian Securities Administrators' National Instrument 52-112 and does not have a directly comparable financial measure disclosed in our financial statements. We define our "baseline revenues" as our visible, recurring and contracted revenues. Baseline revenues are not a projection of anticipated total revenues for a period as they exclude any anticipated or expected new sales for a period beyond the date that the baseline revenues are measured. We define our "baseline operating expenses" as our total expenses less interest, investment and other income, taxes, depreciation and amortization, stock-based compensation (for which we include related costs and taxes), acquisition-related costs and restructuring charges. Baseline operating expenses are not a projection of anticipated total expenses for a period as they exclude any expenses associated with anticipated or expected new sales for a period beyond the date that the baseline expenses are measured. Our baseline calibration is not a projection of net income for a period or adjusted earnings before interest, taxes, depreciation and amortization for a period as it excludes anticipated or expected new sales for a period beyond the date that the baseline calibration is measured, excludes any costs of goods sold or other expenses associated with such new sales, and excludes the expenses identified as excluded in the definition of "baseline operating expenses," above. We calculate and disclose "baseline revenues," "baseline operating expenses" and "baseline calibration" because management uses these metrics in determining its planned levels of expenditures for a period and we believe this information is useful to our investors. These metrics are estimated operating metrics and not projections, nor actual financial results, and are not indicative of current or future performance. As noted above, these metrics do not have any directly comparable financial measures disclosed in our financial statements. At February 14, 2023, using foreign exchange rates of $0.75 to CAD $1.00, $1.07 to EUR 1.00 and $1.21 to £1.00, we estimated that our baseline revenues for the first quarter of 2024 are approximately $117.0 million and our baseline operating expenses are approximately $74.0 million. We consider this to be our baseline calibration of approximately $43.0 million for the first quarter of 2024, or approximately 37% of our baseline revenues as at February 14, 2023.

We estimate that aggregate amortization expense for existing intangible assets will be $49.4 million for 2024, $46.5 million for 2025, $42.3 million for 2026, $27.7 million for 2027, $20.6 million for 2028 and $43.3 million thereafter. Expected future amortization expense is based on the level of existing intangible assets at January 31, 2023, is subject to fluctuations in foreign exchange rates and assumes no future adjustments or impairment of existing intangible assets.

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We anticipate that stock-based compensation expense for fiscal 2024 for grants outstanding as at January 31, 2023 will be approximately $10.4 million, subject to any necessary adjustments resulting from actual stock-based compensation forfeitures and fluctuations in foreign exchange rates.

We performed our annual goodwill impairment tests in accordance with ASC Topic 350, "Intangibles – Goodwill and Other" ("ASC Topic 350") as at October 31, 2022 and determined that there was no evidence of impairment. We are currently scheduled to perform our next annual impairment test during the third quarter of fiscal 2024. We will continue to perform quarterly analyses of whether any event has occurred that would more likely than not reduce our enterprise value below our carrying amounts and, if so, we will perform a goodwill impairment test between the annual dates. The likelihood of any future impairment increases if our public market capitalization is adversely impacted by global economic, capital market or other conditions for a sustained period of time. Any future impairment adjustment will be recognized as an expense in the period that such adjustment is identified.

In fiscal 2023, capital expenditures were $6.1 million or 1% of revenues, as we continue to invest in computer equipment and software to support our network and build out our infrastructure. We anticipate that we will incur approximately $5.0 to $7.0 million in capital expenditures in fiscal 2024 primarily related to investments in our network and security infrastructure.

We conduct business in a variety of foreign currencies and, as a result, our foreign operations are subject to foreign exchange fluctuations. Our businesses operate in their local currency environment and use their local currency as their functional currency. Assets, including cash, and liabilities of foreign operations are translated into US dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated using daily exchange rates. Translation adjustments resulting from this process are accumulated in other comprehensive income (loss) as a separate component of shareholders' equity.

Transactions incurred in currencies other than the functional currency are converted to the functional currency at the transaction date. All foreign currency transaction gains and losses are included in net income. We currently have no specific hedging program in place to address fluctuations in international currency exchange rates. In addition, we can make no accurate prediction of what will happen with international currency exchange rates going forward.

There can be varied impacts on our results of operations as a consequence of movements in international currency exchange rates. In the fourth quarter of fiscal 2023, approximately 69% of our revenues were in US dollars, 11% in euro, 7% in Canadian dollars, 7% in British pound sterling, and the balance in mixed currencies. For that same period, approximately 46% of our operating expenses were in US dollars, 15% in euro, 25% in Canadian dollars, 4% in British pound sterling, and the balance in mixed currencies. With this distribution, we generally expect that our revenues will be negatively impacted when the US dollar strengthens compared to these foreign currencies.

However, the impact from movements in foreign exchange rates on our other aspects of our results of operations are more varied. Generally, if the US dollar strengthens against the Canadian dollar, the decrease in our expenses will be greater than the decrease in our revenue, resulting in an improvement in our results of operations. However, if the US dollar were to strengthen against the British pound or euro, the decrease in expenses would not be as large as the decrease in revenue, resulting in a weakening of our results of operations. We will continue to monitor the impact of foreign exchange on our operating results as changes in foreign exchange rates may have a significant negative impact on our revenue and results of operations.

Our tax expense for a period is difficult to predict as it depends on many factors, including the actual jurisdictions in which income is earned, the tax rates in those jurisdictions, the amount of deferred tax assets relating to the jurisdictions and the valuation allowances relating to those tax assets. We can provide no assurance as to the timing or amounts of any income tax expense or recovery, nor can we

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provide any assurance that our current valuation allowance for deferred tax assets will not need to be adjusted further.

We experienced an effective tax rate of approximately 24% in fiscal 2023, which is slightly lower than our expected range of 25% to 30%. For fiscal 2024, we believe that the tax rate may also be lower than our typical range if additional uncertain tax positions are released during this fiscal year. We currently anticipate an effective tax rate of between 22% to 27% for fiscal 2024, before returning to our typical range in subsequent periods.

We intend to continue to actively explore business combinations to add complementary services, products and customers to our existing businesses. We also intend to continue to focus our acquisition activities on companies that are targeting the same customers as us and processing similar data and, to that end, we listen to our customers' suggestions as they relate to acquisition opportunities. Depending on the size and scope of any business combination, or series of business combinations, we may choose or need to use our existing credit facility or need to raise additional debt or equity capital. However, there can be no assurance that we will be able to undertake such a financing transaction. If we use debt in connection with acquisition activity, we will incur additional interest expense from the date of the draw under such facility. Considering the balance of the credit facility as at January 31, 2023, and subject to any further draws or repayments on the credit facility, we anticipate that interest expense will be approximately $1.1 million in fiscal 2024, which includes debt standby charges as well as the amortization of deferred financing charges.

Certain future commitments are set out above in the section of this MD&A called "Commitments, Contingencies and Guarantees". We believe that we have sufficient liquidity to fund our current operating and working capital requirements, including the payment of these commitments.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

Any investment in us will be subject to risks inherent to our business. Before making an investment decision, you should carefully consider the risks described below together with all other information included in this report. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are not aware of or have not focused on, or that we currently deem immaterial, may also impair our business operations. This report is qualified in its entirety by these risk factors.

If any of the risks actually occur, they could materially adversely affect our business, financial condition, liquidity or results of operations. In that case, the trading price of our securities could decline and you may lose all or part of your investment.

System or network failures, information security breaches or other cyber-security threats in connection with our services and products could reduce our sales, impair our reputation, increase costs or result in liability claims, and seriously harm our business.

We rely on information technology networks and systems to process, transmit and store electronic information. Any disruption to our services and products, our own information systems or communications networks or those of third-party providers on which we rely as part of our own product offerings could result in the inability of our customers to receive our products for an indeterminate period of time. Our ability to deliver our products and services depends on the development and maintenance of internet infrastructure by third parties. This includes maintenance of reliable networks with the necessary security, speed, data capacity and bandwidth. While our services are designed to operate without interruption, we have experienced, and may in the future experience, interruptions and delays in services and availability from time to time. In the event of a catastrophic event with respect to one or more of our systems, we may experience an extended period of system unavailability, which could negatively impact our relationship with customers. Our services and products may not function properly for reasons which may include, but are not limited to, the following:

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- System or network failure;
- Software errors, failures and crashes;
- Interruption in the supply of power;
- Virus proliferation or malware;
- Communications failures;
- Information or infrastructure security breaches;
- Insufficient investment in infrastructure;
- Earthquakes, fires, floods, natural disasters, or other force majeure events outside our control; and
- Acts of war, sabotage, cyber-attacks, denial-of-service attacks and/or terrorism.

In addition, any disruption to the availability of customer information, or any compromise to the integrity or confidentiality of customer information in our systems or networks, or the systems or networks of third parties on which we rely, could result in our customers being unable to effectively use our products or services or being forced to take mitigating actions to protect their information. Back-up and redundant systems may be insufficient or may fail and result in a disruption of availability of our products or services to our customers or the integrity or availability of our customers' information.

Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and in some cases our agreements with certain customers require us to notify them in the event of a security incident. Such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers to lose confidence in the effectiveness of our data security measures. Moreover, if a high-profile security breach occurs with respect to another SaaS provider, customers may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain existing customers or attract new ones.

Any actual or perceived threat of disruption to our services or any compromise of customer information could impair our reputation and cause us to lose customers or revenue, or face litigation, necessitate customer service or repair work that would involve substantial costs and distract management from operating our business. Despite the implementation of advanced threat protection, information and network security measures and disaster recovery plans, our systems and those of third parties on which we rely may be vulnerable. If we are unable (or are perceived as being unable) to prevent, or promptly identify and remedy, such outages and breaches, our operations may be disrupted, our business reputation could be adversely affected, and there could be a negative impact on our financial condition and results of operations.

General economic conditions may affect our results of operations and financial condition.
Demand for our products depends in large part upon the level of capital and operating expenditures by many of our customers. Decreased capital and operational spending could have a material adverse effect on the demand for our products and our business, results of operations, cash flow and overall financial condition. Decreased spending from customers could be caused by pessimism relating to particular economic indicators, such as increases in inflation and interest rates. Decreased spending could also be caused by the impact of geopolitical events, such as the Ukraine Conflict, or catastrophic events, such as the Pandemic. These types of economic indicators and events may also cause disruptions in the financial markets. Disruptions in the financial markets may adversely impact the availability of credit already arranged and the availability and cost of credit in the future, which could result in the delay or cancellation of projects or capital programs on which our business depends. In addition, disruptions in the financial markets may also have an adverse impact on regional economies or the world economy, which could negatively impact the capital and operating expenditures of our customers. Decreased capital and operational spending or disruptions in the financial markets could be caused by inflationary pressures, acts of war, or the outbreak of a contagious illness, such as the Pandemic (and any intensification thereof). Any of these conditions may reduce the willingness or ability of our customers and prospective customers to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.

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Catastrophic events, armed conflict, wars, natural disasters, severe weather and disease and similar events could disrupt the demand of our customers for our products and services and our ability to operate our business.

Our business may be negatively impacted to varying degrees by a number of events which are beyond our control, including acts of war, armed conflicts, energy blackouts, pandemics (or other public health crises), terrorist attacks, earthquakes, hurricanes, tornados, fires, floods, ice storms or other natural or manmade catastrophes. We cannot be sure that our emergency preparedness or the preparedness of our customers, including business continuity planning, to mitigate risks will be effective since such events can evolve very rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the operations and ability to carry on business of us or our customers will not be disrupted. The occurrence of such events may not release us from performing our obligations to third parties. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the Pandemic, or fear of any of the foregoing, could adversely impact us, our customers and our investments. In addition, liquidity and volatility, credit availability and market and financial conditions, generally could change at any time as a result of any of these events. Any of these events in isolation or in combination, could have a material negative impact on our performance, financial condition, results of operations and cash flows.

The Pandemic has had a significant impact on the global economy and could adversely affect our business, results of operations and financial condition.

The Pandemic and the efforts to respond to it have negatively impacted the global economy. The Pandemic has, at times, disrupted some manufacturing operations, global supply chains and created significant volatility and disruption of financial markets. These disruptions may continue in the future resulting in reduced commercial and consumer confidence and spending, increased unemployment, closure or restricted operating conditions for businesses, volatility in the global economy, instability in the credit and financial markets, labor shortages, and disruption in supply chains. In addition, potential price inflation caused by an excess of liquidity in countries where we conduct business may continue to increase the costs we incur to provide our solutions and may reduce profit margins.

We expect the significance of the Pandemic, including the extent of its effect on our financial condition and results of operations, to depend on, among other things, its duration, the success of efforts to contain it, its impact on the global economy and on our customers, and the impact of ongoing actions and future actions taken by government authorities and by us in response. While we are not able at this time to estimate the impact of the Pandemic, an extended period of global supply chain and economic disruption could materially and adversely affect our business, results of operations, access to sources of liquidity and financial condition. In addition, an extended global recession caused by the Pandemic could have a further adverse impact on our financial condition and operations.

We may have difficulties identifying, successfully integrating or maintaining or growing our acquired businesses.

Businesses that we acquire may sell products or services that we have limited experience operating or managing. We may experience unanticipated challenges or difficulties identifying suitable acquisition candidates, integrating their businesses into our company, maintaining these businesses at their current levels or growing these businesses. Factors that may impair our ability to identify, successfully integrate, maintain or grow acquired businesses may include, but are not limited to:

- Challenges identifying suitable businesses to buy and negotiating the acquisition of those businesses on acceptable terms;
- Challenges completing the acquisitions within our expected time frames and budgets;
- Challenges in integrating acquired businesses with our business;
- Loss of customers of the acquired business;
- Loss of key personnel from the acquired business, such as former executive officers or key technical personnel;
- Non-compatible business cultures;

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- For regulatory compliance businesses, changes in government regulations impacting electronic regulatory filings or import/export compliance, including changes in which government agencies are responsible for gathering import and export information;
- Difficulties in gaining necessary approvals in international markets to expand acquired businesses as contemplated;
- Our inability to obtain or maintain necessary security clearances to provide international shipment management services;
- Our failure to make appropriate capital investments in infrastructure to facilitate growth; and
- *Other risk factors identified in this report.*

We may fail to properly respond to any of these risks, which may have a material adverse effect on our business results.

Investments in acquisitions and other business initiatives involve a number of risks that could harm our business.

We have in the past acquired, and in the future, expect to seek to acquire, additional products, services, customers, technologies and businesses that we believe are complementary to ours. We are unable to predict whether or when we will be able to identify any appropriate products, technologies or businesses for acquisition, or the likelihood that any potential acquisition will be available on terms acceptable to us or will be completed. We also, from time to time, take on investments in other business initiatives, such as the implementation of new systems.

Acquisitions and other business initiatives involve a number of risks, including: substantial investment of funds, diversion of management's attention from current operations; additional demands on resources, systems, procedures and controls; and disruption of our ongoing business. Acquisitions specifically involve risks, including: difficulties in integrating and retaining all or part of the acquired business, its customers and its personnel; assumption of disclosed and undisclosed liabilities; dealing with unfamiliar laws, customs and practices in foreign jurisdictions; and the effectiveness of the acquired company's internal controls and procedures. In addition, we may not identify all risks or fully assess risks identified in connection with an investment. As well, by investing in such initiatives, we may deplete our cash resources or dilute our shareholder base by issuing additional shares. Furthermore, for acquisitions, there is a risk that our valuation assumptions, customer retention expectations and our models for an acquired product or business may be erroneous or inappropriate due to foreseen or unforeseen circumstances and thereby cause us to overvalue an acquisition target. There is also a risk that the contemplated benefits of an acquisition or other investment may not materialize as planned or may not materialize within the time period or to the extent anticipated. The individual or combined effect of these risks could have a material adverse effect on our business.

If we fail to attract and retain key personnel, it would adversely affect our ability to develop and effectively manage our business and inflationary pressures in compensation could impact the cost structure of our business.

Our performance is substantially dependent on the performance of our highly qualified management, technical expertise, and sales and marketing personnel, which we regard as key individuals to our business. Significant competition exists for management and skilled personnel and as a result of that competition we are seeing wage and labor cost escalation in various areas and levels within our workforce. Our success is highly dependent on our ability to identify, hire, train, motivate, promote, and retain key individuals. In responding to inflationary wage pressure to retain or attract key individuals, we could see increases in our operating costs that outpace our ability to grow revenues. If we fail to cross train key employees, particularly those with specialized knowledge it could impair our ability to provide consistent and uninterrupted service to our customers. If we are not able to attract, retain or establish an effective succession planning program for key individuals it could have a material adverse effect on our business, results of operations, financial condition and the price of our common shares.

We have in the past, and may in the future, make changes to our executive management team or board of directors. There can be no assurance that any such changes and the resulting transition will not have a

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material adverse effect on our business, results of operations, financial condition and the price of our common shares.

Changes in government filing or screening requirements for global trade may adversely impact our business.

Our regulatory compliance services help our customers comply with government filing and screening requirements relating to global trade. The services that we offer may be impacted, from time to time, by changes in these requirements, including potential future changes as a consequence of Brexit, the United States-Mexico-Canada Agreement or similar cross-border trade agreements. Beginning in our fiscal 2021 year, we saw increased customs filing transactions and resulting revenues from our customs filing solutions in the UK as a result of Brexit and the changes in way goods moved between the EU and the UK (including goods moving to and from Northern Ireland) following Brexit. If the regulations relating to these requirements were to change, it could adversely impact that area of our business. In addition, and more generally, changes in requirements that impact electronic regulatory filings or import/export compliance, including changes adding or reducing filing requirements, changes in enforcement practices or changes in the government agency responsible for such requirements could adversely impact our business, results of operations and financial condition.

Disruptions in the movement of freight could negatively affect our revenues.

Our business is highly dependent on the movement of freight from one point to another since we generate transaction revenues as freight is moved by, to or from our customers. If there are disruptions in the movement of freight, proper reporting or the overall volume of international shipments, whether as a result of labor disputes, weather or natural disasters, acts of war, terrorist events, political instability, changes in cross border trade agreements, contagious illness outbreaks (such as the Pandemic), or otherwise, then the traffic volume on our Global Logistics Network will be impacted and our revenues will be adversely affected. As these types of freight disruptions are generally unpredictable, there can be no assurance that our business, results of operations and financial condition will not be adversely affected by such events.

Our existing customers might cancel contracts with us, fail to renew contracts on their renewal dates, and/or fail to purchase additional services and products, and we may be unable to attract new customers.

We depend on our installed customer base for a significant portion of our revenues. We have significant contracts with our license customers for ongoing support and maintenance, as well as significant service contracts that provide recurring services revenues to us. In addition, our installed customer base has historically generated additional new license and services revenues for us. Service contracts are generally renewable at a customer's option and/or subject to cancellation rights, and there are generally no mandatory payment obligations or obligations to license additional software or subscribe for additional services.

If our customers fail to renew their service contracts, fail to purchase additional services or products, or we are unable to attract new customers, then our revenues could decrease and our operating results could be adversely affected. Factors influencing such contract terminations could include changes in the financial circumstances of our customers, dissatisfaction with our products or services, our retirement or lack of support for our legacy products and services, our customers selecting or building alternate technologies to replace us, the cost of our products and services as compared to the cost of products and services offered by our competitors, acceptance of future price increases, our ability to attract, hire and maintain qualified personnel to meet customer needs, consolidating activities in the market, and changes in our customers' business or in regulation impacting our customers' business that may no longer necessitate the use of our products or services, general economic or market conditions, or other reasons. Further, our customers could delay or terminate implementations or use of our services and products or be reluctant to migrate to new products. Such customers will not generate the revenues we may have anticipated within the timelines anticipated, if at all, and may be less likely to invest in additional services or products from us in the future. We may not be able to adjust our expense levels quickly enough to account for any such revenue losses. In addition, loss of one or more of our key customers could adversely impact our competitive position in the marketplace and hurt our credibility and ability to attract new customers.

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Our success depends on our ability to continue to innovate and to create new solutions and enhancements to our existing products

We may not be able to develop and introduce new solutions and enhancements to our existing products that respond to new technologies or shipment regulations on a timely basis. If we are unable to develop and sell new products and new features for our existing products that keep pace with rapid technological and regulatory change as well as developments in the transportation logistics industry, our business, results of operations and financial condition could be adversely affected. We intend to continue to invest significant resources in research and development to enhance our existing products and services and introduce new high-quality products that customers will want. If we are unable to predict or quickly react to user preferences or changes in the transportation logistics industry, or its regulatory requirements, or if we are unable to modify our products and services on a timely basis or to effectively bring new products to market, our sales may suffer.

In addition, we may experience difficulties with software or hardware development, design, integration with third-party software or hardware, or marketing that could delay or prevent our introduction, deployment or implementation of new solutions and enhancements. The introduction of new solutions by competitors, the emergence of new industry standards or the development of entirely new technologies to replace existing offerings could render our existing or future solutions obsolete.

We may not have sufficient resources to make the necessary investments in software development and our technical infrastructure, and we may experience difficulties that could delay or prevent the successful development, introduction or marketing of new products or enhancements. In addition, our products or enhancements may not meet increasingly complex customer requirements or achieve market acceptance at the rate we expect, or at all. Any failure by us to anticipate or respond adequately to technological advancements, customer requirements and changing industry standards, or any significant delays in the development, introduction or availability of new products or enhancements, could undermine our current market position and negatively impact our business, results of operations or financial condition.

We may not remain competitive. Increased competition could seriously harm our business.

The market for supply chain technology is highly competitive and subject to rapid technological change. We expect that competition will increase in the future. To maintain and improve our competitive position, we must continue to develop and introduce in a timely and cost-effective manner new products, product features and services to keep pace with our competitors. We currently face competition from a large number of specific market entrants, some of which are focused on specific industries, geographic regions or other components of markets we operate in.

Current and potential competitors include supply chain application software vendors, customers that undertake internal software development efforts, value-added networks and business document exchanges, enterprise resource planning software vendors, regulatory filing companies, trade data vendors and general business application software vendors. Many of our current and potential competitors may have one or more of the following relative advantages:

- Established relationships with existing customers or prospects that we are targeting;
- Superior product functionality and industry-specific expertise;
- Broader range of products to offer and better product life cycle management;
- Larger installed base of customers;
- Greater financial, technical, marketing, sales, distribution and other resources;
- Better performance;
- Lower cost structure and more profitable operations;
- Greater investment in infrastructure;
- Greater worldwide presence;
- Early adoption of, or adaptation to changes in, technology; or
- Longer operating history; and/or greater name recognition.

Further, current and potential competitors have established, or may establish, cooperative relationships and business combinations among themselves or with third parties to enhance their products, which may result in increased competition. In addition, we expect to experience increasing price competition and

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competition surrounding other commercial terms as we compete for market share. In particular, larger competitors or competitors with a broader range of services and products may bundle their products, rendering our products more expensive and/or less functional. As a result of these and other factors, we may be unable to compete successfully with our existing or new competitors.

Emergence or increased adoption of alternative sources for trade data may adversely impact our business.

With recent acquisitions in the area of supplying trade data and content, an increasing portion of our business relates to the supply of trade data and content that is often used by our customers in other systems, such as enterprise resource planning systems. Emergence or increased adoption of alternative sources of this data and content could have an adverse impact on our customers' needs to obtain this data and content from us and/or the need for certain of the third-party system vendors in this field to refer customers to us for this data and content, each of which could adversely impact upon the revenues and income we generate from these areas of our business.

If we need additional capital in the future and are unable to obtain it or can only obtain it on unfavorable terms, our operations may be adversely affected, and the market price for our securities could decline.

Historically, we have financed our operations primarily through cash flows from our operations, the sale of our equity securities and borrowings under our credit facility. In addition to our current cash and available debt facilities, we may need to raise additional debt or equity capital to repay existing debt, fund expansion of our operations, to enhance our services and products, or to acquire or invest in complementary products, services, businesses or technologies. However, there can be no assurance that we will be able to undertake incremental financing transactions. If we raise additional funds through further issuances of convertible debt or equity securities, our existing shareholders could suffer significant dilution and any new equity securities we issue could have rights, preferences and privileges superior to those attaching to our common shares. Our current credit facility contains, and any debt financing secured by us in the future could contain restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If adequate funds are not available on terms favorable or at all, our operations and growth strategy may be adversely affected and the market price for our common shares could decline.

Changes in the value of the U.S. dollar, as compared to the currencies of other countries where we transact business, could harm our operating results and financial condition.

Historically, the largest percentage of our revenues has been denominated in U.S. dollars. However, the majority of our international expenses, including the wages of our non-U.S. employees and certain key supply agreements, have been denominated in Canadian dollars, British pounds, euros and other foreign currencies. Therefore, changes in the value of the U.S. dollar as compared to the Canadian dollar, the British pound, the euro and other foreign currencies may materially affect our operating results. We generally have not implemented hedging programs to mitigate our exposure to currency fluctuations affecting international accounts receivable, cash balances and inter-company accounts. We also have not hedged our exposure to currency fluctuations affecting future international revenues and expenses and other commitments. Accordingly, currency exchange rate fluctuations have caused, and may continue to cause, variability in our foreign currency denominated revenue streams, expenses, and our cost to settle foreign currency denominated liabilities.

We may have exposure to greater than anticipated tax liabilities or expenses.

We are subject to income and non-income taxes in various jurisdictions, our tax structure is subject to review by both domestic and foreign taxation authorities and we currently have tax audits open in a number of jurisdictions in which we operate. On a quarterly basis, we assess the status of these audits and the potential for adverse outcomes to determine whether a provision for income and other taxes is appropriate. The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from any amounts that we accrue from time to time. The actual amount of any change could vary significantly

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depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes.

The determination of our worldwide provision for income taxes and other tax liabilities requires judgment. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Any audit of our tax filings could materially change the amount of current and deferred income tax assets and liabilities. We have recorded a valuation allowance against a portion of our net deferred tax assets. If we achieve a consistent level of profitability, the likelihood of further reducing our deferred tax valuation allowance for some portion of the losses incurred in prior periods in one of our jurisdictions will increase. We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during subsequent years. Adjustments based on filed returns are generally recorded in the period when the tax returns are filed and the global tax implications are known. Our estimate of the potential outcome for any uncertain tax issue is based on a number of assumptions. Any further changes to the valuation allowance for our deferred tax assets would also result in an income tax recovery or income tax expense, as applicable, on the consolidated statements of operations in the period in which the valuation allowance is changed.

Changes to earnings resulting from past acquisitions may adversely affect our operating results.

Under ASC Topic 805, "Business Combinations", we allocate the total purchase price to an acquired company's net tangible assets, intangible assets and in-process research and development based on their values as of the date of the acquisition (including certain assets and liabilities that are recorded at fair value) and record the excess of the purchase price over those values as goodwill. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain. After we complete an acquisition, the following factors, among others, could result in material charges that would adversely affect our operating results and may adversely affect our cash flows:

- Impairment of goodwill or intangible assets;
- A reduction in the useful lives of intangible assets acquired;
- Identification of assumed contingent liabilities after we finalize the purchase price allocation period;
- Charges to our operating results to eliminate certain pre-merger activities that duplicate those of the acquired company or to reduce our cost structure; and
- Charges to our operating results resulting from revised estimates to restructure an acquired company's operations after we finalize the purchase price allocation period.

Routine charges to our operating results associated with acquisitions include amortization of intangible assets, acquisition-related costs and restructuring charges. Acquisition-related costs primarily include retention bonuses, advisory services, brokerage services and administrative costs with respect to completed and prospective acquisitions.

We expect to continue to incur additional costs associated with combining the operations of our acquired companies, which may be substantial. Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, accelerated stock-based compensation expenses and severance payments, reorganization or closure of facilities, taxes, and termination of contracts that provide redundant or conflicting services. These costs would be accounted for as expenses and would decrease our net income and earnings per share for the periods in which those adjustments are made.

As we continue to increase our international operations we increase our exposure to international business risks that could cause our operating results to suffer.

While our headquarters are in Canada, we currently have direct operations in the U.S., EMEA, Asia Pacific and South American regions. We anticipate that these international operations will continue to require significant management attention and financial resources to localize our services and products for delivery in these markets, to develop compliance expertise relating to international regulatory agencies, and to develop direct and indirect sales and support channels in those markets. We face a number of risks

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associated with conducting our business internationally that could negatively impact our operating results. These risks include, but are not limited to:

- The risk of continued or increased limitations of travel advisories or travel restrictions related to the outbreak of contagious illnesses, such as the Pandemic, could impact our ability to operate in certain markets and/or manage our operations in those markets;
- Longer collection time from foreign clients, particularly in the EMEA region and the Asia Pacific region;
- Difficulty in repatriating cash from certain foreign jurisdictions;
- Language barriers, conflicting international business practices, and other difficulties related to the management and administration of a global business;
- Increased management, travel, infrastructure and legal compliance costs associated with having international operations;
- Difficulties and costs of staffing and managing geographically disparate direct and indirect operations;
- Volatility or fluctuations in foreign currency and tariff rates;
- Multiple, and possibly overlapping, tax structures;
- Complying with complicated and widely differing global laws and regulations in areas such as employment, tax, privacy and data protection;
- Trade restrictions;
- Enhanced security procedures and requirements relating to certain jurisdictions;
- The need to consider characteristics unique to technology systems used internationally;
- Economic or political instability in some markets; and
- Other risk factors set out herein.

From time to time, we may be subject to litigation or dispute resolution that could result in significant costs to us and damage to our reputation.

From time to time, we may be subject to litigation or dispute resolution relating to any number or type of claims, including claims for damages related to undetected errors or malfunctions of our services and products or their deployment, claims related to previously-completed acquisition transactions or claims relating to applicable securities laws. Litigation may seriously harm our business because of the costs of defending the lawsuit, diversion of employees' time and attention and potential damage to our reputation.

Further, our services and products are complex and often implemented by our customers to interact with third-party technology or networks. Claims may be made against us for damages properly attributable to those third-party technologies or networks, regardless of our lack of responsibility for any failure resulting in a loss, even if our services and products perform in accordance with their functional specifications. We may also have disputes with key suppliers for damages incurred which, depending on resolution of the disputes, could impact the ongoing quality, price or availability of the services or products we procure from the supplier. Limitation of liability provisions in certain third-party contracts may not be enforceable under the laws of some jurisdictions. As a result, we could be required to pay substantial amounts of damages in settlement or upon the determination of any of these types of claims and incur damage to our reputation and products. The likelihood of such claims and the amount of damages we may be required to pay may increase as our customers increasingly use our services and products for critical business functions, or rely on our services and products as the systems of record to store data for use by other customer applications. Our insurance may not cover potential claims or may not be adequate to cover all costs incurred in defense of potential claims or to indemnify us for all liability that may be imposed. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby harming our operating results and leading analysts or potential investors to lower their expectations of our performance, which could reduce the trading price of our common shares.

Increases in fuel prices, driver shortages and other increased transportation costs may have an adverse effect on the businesses of our customers resulting in them spending less money with us.

Our customers are all involved, directly or indirectly, in the delivery of goods from one point to another, particularly transportation providers and freight forwarders. As the costs of these deliveries become more expensive, whether as a result of increases in fuel costs or otherwise, our customers may have fewer

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funds available to spend on our products and services. There can be no assurance that these companies will be able to allocate sufficient funds to use our products and services. In addition, rising fuel costs or driver shortages may cause global or geographic-specific reductions in the number of shipments being made, thereby impacting the number of transactions being processed by our Global Logistics Network and our corresponding network revenues.

We may not be able to compensate for downward pricing pressure on certain products and services by increased volumes of transactions or increased prices elsewhere in our business, ultimately resulting in lower revenues.
Some of our products and services are sold to industries where there is downward pricing pressure on the particular product or service due to competition, general industry conditions or other causes. If we cannot offset any such downward pricing pressure, then the particular customer may generate less revenue for our business or we may have less aggregate revenue. This could have an adverse impact on our operating results.

Our success and ability to compete depend upon our ability to secure and protect patents, trademarks and other proprietary rights.
We consider certain aspects of our internal operations, products, services and related documentation to be proprietary, and we primarily rely on a combination of patent, copyright, trademark and trade secret laws and other measures to protect our proprietary rights. Patent applications or issued patents, as well as trademark, copyright, and trade secret rights may not provide adequate protection or competitive advantage and may require significant resources to obtain and defend. We will also not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. 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 products and services that compete with ours. We also rely on contractual restrictions in our agreements with customers, employees, outsourced developers and others to protect our intellectual property rights. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, or that our patents, copyrights, trademarks or trade secrets will not otherwise become known. Through an escrow arrangement, we have granted some of our customers a contingent future right to use our source code for software products solely for their internal maintenance services. If our source code is accessed through an escrow, the likelihood of misappropriation or other misuse of our intellectual property may increase.

Moreover, the laws of some countries do not protect proprietary intellectual property rights as effectively as do the laws of the U.S. and Canada. Protecting and defending our intellectual property rights could be costly regardless of venue. In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. The Company is currently involved in, and expects to remain involved in, certain litigation to protect its intellectual property from infringement by third parties. In addition, further litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against claims of infringement or invalidity. 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. Furthermore, 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 and/or exposing us to claims for damages in any related counterclaims or countersuits. 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 solutions, impair the functionality of our solutions, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our solutions, or injure our reputation.

We are dependent on certain key vendors for the availability of hardware devices, which could impede our development and expansion.
We currently have relationships with a small number of hardware device vendors over which we have no operational or financial control and no influence in how these vendors conduct their businesses. Suppliers of hardware devices could among other things, extend delivery times, raise prices and limit supply due to

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their own shortages and business requirements. Interruption in the supply of equipment from these vendors could delay our ability to maintain, grow and expand our telematics solutions business and those areas of our business that interact with telematics units. If our relationships with any of these unit vendors were to terminate, there is no guarantee that our remaining unit vendors would be able to handle the increased equipment supply required to maintain and grow our expansive networks at our desired rates. There is also no guarantee that business relationships with other key unit vendors could be entered into on terms desirable or favorable to us, if at all. Fewer key vendors might mean that existing or potential customers are unable to meaningfully communicate using our Global Logistics Network, which may cause existing and potential customers to move to competitors' products. Such equipment supply issues could adversely affect our business, results of operations and financial condition.

Concerns about the environmental impacts of greenhouse gas emissions and global climate change may result in environmental taxes, charges, regulatory schemes, assessments or penalties, which could restrict or negatively impact our operations or reduce our profitability.
The impacts of human activity on global climate change have attracted considerable public and scientific attention, as well as the attention of the U.S. and other governments. Efforts are being made to reduce greenhouse gas emissions and energy consumption, including those from automobiles and other modes of transportation. The added cost of any environmental regulation, taxes, charges, assessments or penalties levied or imposed on our customers in light of these efforts could result in additional costs for our customers, which could lead them to reduce use of our services. There are also a number of legislative and environmental regulatory initiatives internationally that could restrict or negatively impact our operations or increase our costs. Additionally, environmental regulation, taxes, charges, assessments or penalties could be levied or imposed directly on us. Any enactment of laws or passage of regulations regarding greenhouse gas emissions by Canada, the U.S., or any other jurisdiction we conduct our business in, could adversely affect our operations and financial results.

The general cyclical and seasonal nature of the freight market may have a material adverse effect on our business, results of operations and financial condition.
Our business may be impacted from time to time by the general cyclical and seasonal nature of particular modes of transportation and the freight market in general, as well as the cyclical and seasonal nature of the industries that such markets serve. Factors which may create cyclical fluctuations in such modes of transportation or the freight market in general include legal and regulatory requirements, timing of contract renewals between our customers and their own customers, seasonal-based tariffs, vacation periods applicable to particular shipping or receiving nations, weather-related events that impact shipping in particular geographies and amendments to international trade agreements. Since some of our revenues from particular products and services are tied to the volume of shipments being processed, adverse fluctuations in the volume of global shipments or shipments in any particular mode of transportation may adversely affect our revenues. Declines in shipment volumes would likely have a material adverse effect on our business.

If we are unable to generate broad market acceptance of our services, products and pricing, serious harm could result to our business.
We currently derive substantially all of our revenues from our federated network and global logistics technology solutions and expect to do so in the future. Broad market acceptance of these types of services and products, and their related pricing, is therefore critical to our future success. The demand for, and market acceptance of, our services and products is subject to a high level of uncertainty. Some of our services and products are often considered complex and may involve a new approach to the conduct of business by our customers. The market for our services and products may weaken, competitors may develop superior services and products that perform logistics services on a global scale or within a particular geographic region, or we may fail to develop or maintain acceptable services and products to address new market conditions, governmental regulations or technological changes. Any one of these events could have a material adverse effect on our business, results of operations and financial condition.

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Claims that we infringe third-party proprietary rights could trigger indemnification obligations and result in significant expenses or restrictions on our ability to provide our products or services.

Competitors and other third parties have claimed, and in the future, may claim, that our current or future services or products infringe their proprietary rights or assert other claims against us. Many of our competitors have obtained patents covering products and services generally related to our products and services, and they may assert these patents against us. Such claims, whether with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from focusing on our core business.

As a result of such a dispute, we may have to pay damages, incur substantial legal fees, suspend the sale or deployment of our services and products, develop costly non-infringing technology, if possible, or enter into license agreements, which may not be available on terms acceptable to us, if at all. Any of these results would increase our expenses and could decrease the functionality of our services and products, which would make our services and products less attractive to our current and/or potential customers. We have agreed in some of our agreements, and may agree in the future, to indemnify other parties for any expenses or liabilities resulting from claimed infringements of the proprietary rights of third parties. If we are required to make payments pursuant to these indemnification agreements, such payments could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations may vary significantly from quarter to quarter and therefore may be difficult to predict or may fail to meet investment community expectations.

Our results of operations may vary from quarter to quarter in the future due to a variety of factors, many of which are outside of our control. Such factors include, but are not limited to:

- Volatility or fluctuations in foreign currency exchange rates;
- Volatility or fluctuations in interest rates;
- Timing of acquisitions and related costs;
- Timing of restructuring activities;
- The introduction of enhanced products and services from competitors;
- Our ability to introduce new products and updates to our existing products on a timely basis;
- The termination of any key customer contracts, whether by the customer or by us;
- Recognition and expensing of deferred tax assets;
- Legal costs incurred in bringing or defending any litigation with customers or third-party providers, and any corresponding judgments or awards;
- Legal and compliance costs incurred to comply with regulatory requirements;
- Fluctuations in the demand for our services and products;
- The impact of stock-based compensation expense;
- Price and functionality competition in our industry;
- Changes in legislation and accounting standards;
- Our ability to satisfy contractual obligations in customer contracts and deliver services and products to the satisfaction of our customers; and
- Other risk factors discussed in this report.

Although our revenues may fluctuate from quarter to quarter, significant portions of our expenses are not variable in the short term, and we may not be able to reduce them quickly to respond to decreases in revenues. If revenues are below expectations, this shortfall is likely to adversely and/or disproportionately affect our operating results. If this occurs, the trading price of our common shares may fall substantially.

We may not be able to prevent or detect all errors or fraud.

Due to the inherent limitations of internal control systems, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. Accordingly, we cannot provide absolute assurance that all control issues, errors or instances of fraud, if any, impacting us have been or will be prevented or detected. In addition, over time, certain aspects of a control system may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate, which we may not be able to address quickly enough to prevent all instances of error or fraud. In connection with our on-going assessment of the effectiveness of our internal control over financial reporting, we may

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discover "material weaknesses" in our internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The existence of any material weakness may require management to devote significant time and incur significant expense to remediate any such material weaknesses. The existence of any material weakness in our internal control over financial reporting may result in errors in our financial statements that could require us to make corrective adjustments, restate our financial statements, cause us to fail to meet our reporting obligations, and cause shareholders to lose confidence in our reported financial information, all of which could materially and adversely affect the market price of our securities. If we are unable to successfully identify and remediate any material weaknesses that may arise in a timely manner, the accuracy and timing of our financial reporting may be adversely affected, and we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports and applicable stock exchange listing requirements.

Privacy laws and regulations are extensive, open to various interpretations, complex to implement and may reduce demand for our products, and failure to comply may impose significant liabilities.

Our customers can use our products to collect, use, process and store information regarding their transactions with their customers. Federal, state and foreign government bodies and agencies have been increasingly adopting new laws and regulations regarding the collection, use, processing, storage and disclosure of such information obtained from consumers and individuals. In addition to government regulatory activity, privacy advocacy groups and the technology industry and other industries may consider various new, additional or different self-regulatory standards that may place additional burdens directly on our customers and target customers, and indirectly on us. Our products are expected to be capable of use by our customers in compliance with such laws and regulations. The functional and operational requirements and costs of compliance with such laws and regulations may adversely impact our business, and failure to enable our products to comply with such laws and regulations could lead to significant fines and penalties imposed by regulators, as well as claims by our customers or third parties. Additionally, all of these domestic and international legislative and regulatory initiatives could adversely affect our customers' ability or desire to collect, use, process and store shipment logistics information, which could reduce demand for our products.

The price of our common shares has in the past, including recently, been volatile and may also be volatile in the future.

The trading price of our common shares may be subject to fluctuation in the future. This may make it more difficult for you to resell your common shares when you want at prices that you find attractive or make it more difficult for us to raise capital through the issuance of commons shares. Increases in our common share price may also increase our compensation expense pursuant to our existing director, officer and employee compensation arrangements. We enter into equity derivative contracts including floating-rate equity forwards to partially offset the potential fluctuations of certain share-based compensation expenses. Fluctuations in our common share price may be caused by events unrelated to our operating performance and beyond our control. Factors that may contribute to fluctuations include, but are not limited to:

- Revenue or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;
- Changes in recommendations or financial estimates by industry or investment analysts;
- Changes in management or the composition of our board of directors;
- Outcomes of litigation or arbitration proceedings;
- Announcements of technological innovations or acquisitions by us or by our competitors;
- Introduction of new products or significant customer wins or losses by us or by our competitors;
- Developments with respect to our intellectual property rights or those of our competitors;
- Fluctuations in the share prices of other companies in the technology and emerging growth sectors;
- General market conditions; and
- Other risk factors set out in this report.

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If the market price of our common shares drops significantly, shareholders could institute securities class action lawsuits against us, regardless of the merits of such claims. Such a lawsuit could cause us to incur substantial costs and could divert the time and attention of our management and other resources from our business.

Fair value assessments of our intangible assets required by GAAP may require us to record significant non-cash charges associated with intangible asset impairment.

Significant portions of our assets, which include customer agreements and relationships, non-compete covenants, existing technologies and trade names, are intangible. We amortize intangible assets on a straight-line basis over their estimated useful lives. We review the carrying value of these assets at least annually for evidence of impairment. In accordance with ASC Topic 360-10-35, "Property, Plant, and Equipment: Overview: Subsequent Measurement" an impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying amount. Measurement of the impairment loss is based on the present value of the expected future cash flows. Future fair value assessments of intangible assets may require impairment charges to be recorded in the results of operations for future periods. This could impair our ability to achieve or maintain profitability in the future.

If our common share price decreases to a level such that the fair value of our net assets is less than the carrying value of our net assets, we may be required to record additional significant non-cash charges associated with goodwill impairment.

We account for goodwill in accordance with ASC Topic 350, "Intangibles – Goodwill and Other", which among other things, requires that goodwill be tested for impairment at least annually. We have designated October 31st for our annual impairment test. Should the fair value of our net assets, determined by our market capitalization, be less than the carrying value of our net assets at future annual impairment test dates, we may have to recognize goodwill impairment losses in our results of operations in future periods. This could impair our ability to achieve or maintain profitability in the future.

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MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Financial Statements
Management is responsible for the accompanying consolidated financial statements and all other information in this Annual Report. These consolidated financial statements have been prepared in accordance with US generally accepted accounting principles ("GAAP") and necessarily include amounts that reflect management's judgment and best estimates. Financial information contained elsewhere in this Annual Report is prepared on a basis consistent with the consolidated financial statements.

The Board of Directors carries out its responsibilities for the consolidated financial statements through its Audit Committee, consisting solely of independent directors. The Audit Committee meets with management and the independent auditors to review the consolidated financial statements and internal controls as they relate to financial reporting. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to shareholders.

Internal Control Over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of our internal control over financial reporting as of January 31, 2023, based on criteria established in "Internal Control – Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management concluded that, as of January 31, 2023, the design and operation of our internal control over financial reporting was effective.

Management's internal control over financial reporting as of January 31, 2023, has been audited by KPMG LLP, Independent Registered Public Accounting Firm, who also audited our Consolidated Financial Statements for the year ended January 31, 2023, as stated in the Report of Independent Registered Public Accounting Firm, which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of January 31, 2023.

Changes in Internal Control Over Financial Reporting
During the fiscal year ended January 31, 2023, no changes were made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

'Edward J. Ryan'
Edward J. Ryan
Chief Executive Officer
Waterloo, Ontario

'Allan Brett'
Allan Brett
Chief Financial Officer
Waterloo, Ontario

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KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place
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Vaughan, ON Canada L4K 0J3
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of The Descartes Systems Group Inc. (the Company)

Opinion on the Consolidated *Financial Statements*

We have audited the accompanying consolidated balance sheets of the Company as of January 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the *consolidated* financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Determination of standalone selling prices of distinct performance obligations for customer contracts with multiple performance obligations

As discussed in Note 2 to the consolidated financial statements, the Company enters into contracts that can include the delivery of various combinations of goods and/or services. The accounting for a contract with a customer that contains multiple performance obligations requires an allocation of the transaction price to each distinct performance obligation based on the determination of the standalone selling price (SSP). SSP for each distinct performance obligation in a customer contract is an estimate of the price that would be charged for the specific good or service if it was sold separately in similar circumstances and to similar customers. This estimate determines the amount of revenue recognized for each performance obligation in a customer contract. If the Company does not have an observable SSP for a particular good or service, then SSP is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, and the residual approach. When estimating the SSP, the Company makes certain significant assumptions including the basis for stratification of the underlying population of customer contracts based on pricing practices for different goods or services, as appropriate. The Company's consolidated revenues were $486,014 thousand for the year ended January 31, 2023.

We identified the evaluation of the determination of the SSP of distinct performance obligations for customer contracts with multiple performance obligations as a critical audit matter. A higher degree of auditor judgment was required to evaluate the approach and the significant assumptions, including the basis for stratification, used to determine SSP for each distinct performance obligation in a customer contract.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of internal controls related to the critical audit matter, including controls related to the approach and significant assumptions used to determine SSP for distinct performance obligations in customer contracts with multiple performance obligations. We evaluated the approach used to determine SSP by comparing it to current pricing patterns in relevant customer contracts and the pricing practices observed in the industry. We examined certain revenue transactions from the SSP population and compared attributes such as price and level of the employee rendering the service to customer contracts and invoices to evaluate the significant assumptions used, including the basis of stratification.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2015.

Vaughan, Canada
March 1, 2023

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of The Descartes Systems Group Inc. (the Company)

Opinion on Internal Control Over Financial Reporting

We have audited the Company's internal control over financial reporting as of January 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2023 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Financial Statements and Internal Control Over Financial Reporting preceding our reports. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the

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assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 1, 2023

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THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED BALANCE SHEETS
(US DOLLARS IN THOUSANDS; US GAAP)

	January 31, 2023	January 31, 2022
ASSETS		
CURRENT ASSETS		
Cash	**276,385**	213,437
Accounts receivable (net)		
Trade (Note 5)	**45,173**	41,705
Other (Note 6)	**11,658**	14,075
Prepaid expenses and other	**24,676**	21,974
Inventory (Note 7)	**759**	868
	358,651	292,059
OTHER LONG-TERM ASSETS (Note 19)	**22,247**	18,652
PROPERTY AND EQUIPMENT, NET (Note 8)	**11,434**	10,817
RIGHT-OF-USE ASSETS (Note 13)	**6,774**	10,571
DEFERRED INCOME TAXES	**11,483**	14,962
INTANGIBLE ASSETS, NET (Note 9)	**229,808**	229,609
GOODWILL (Note 10)	**675,647**	608,761
	1,316,044	1,185,431
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**10,569**	10,566
Accrued liabilities (Note 11)	**80,309**	56,442
Lease obligations (Note 13)	**3,397**	4,029
Income taxes payable	**7,536**	5,616
Deferred revenue (Note 19)	**67,784**	56,780
	169,595	133,433
LONG-TERM DEBT (Note 12)	**-**	-
LEASE OBLIGATIONS (Note 13)	**3,923**	7,382
DEFERRED REVENUE (Note 19)	**1,615**	1,920
INCOME TAXES PAYABLE	**6,120**	7,354
DEFERRED INCOME TAXES	**35,400**	35,523
	216,653	185,612
COMMITMENTS, CONTINGENCIES AND GUARANTEES (Note 14)		
SHAREHOLDERS' EQUITY (Note 15)		
Common shares – unlimited shares authorized; Shares issued and outstanding totaled 84,820,100 at January 31, 2023 (January 31, 2022 – 84,756,210)	**538,448**	536,297
Additional paid-in capital	**486,551**	473,303
Accumulated other comprehensive loss	**(30,456)**	(12,393)
Retained earnings	**104,848**	2,612
	1,099,391	999,819
	1,316,044	1,185,431

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

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THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(US DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND WEIGHTED AVERAGE SHARE AMOUNTS; US GAAP)

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
REVENUES	**486,014**	424,690	348,664
COST OF REVENUES	**113,326**	101,810	89,910
GROSS MARGIN	**372,688**	322,880	258,754
EXPENSES			
Sales and marketing	**56,573**	46,895	38,785
Research and development	**70,353**	62,570	54,066
General and administrative	**49,710**	44,454	36,267
Other charges (Note 20)	**5,441**	6,428	2,335
Amortization of intangible assets	**60,177**	59,099	55,905
	242,254	219,446	187,358
INCOME FROM OPERATIONS	**130,434**	103,434	71,396
INTEREST EXPENSE	**(1,167)**	(1,123)	(1,186)
INVESTMENT AND OTHER INCOME	**4,461**	299	159
INCOME BEFORE INCOME TAXES	**133,728**	102,610	70,369
INCOME TAX EXPENSE (Note 18)			
Current	**28,248**	14,814	3,746
Deferred	**3,244**	1,514	14,523
	31,492	16,328	18,269
NET INCOME	**102,236**	86,282	52,100
EARNINGS PER SHARE (Note 16)			
Basic	**1.21**	1.02	0.62
Diluted	**1.18**	1.00	0.61
WEIGHTED AVERAGE SHARES OUTSTANDING (thousands)			
Basic	**84,791**	84,591	84,360
Diluted	**86,451**	86,200	85,756

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

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THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(US DOLLARS IN THOUSANDS; US GAAP)

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Comprehensive income			
Net Income	**102,236**	86,282	52,100
Other comprehensive income (loss):			
Foreign currency translation adjustment, net of income tax (recovery) expense of ($58) for the year ended January 31, 2023 (January 31, 2022 – ($348); January 31, 2021 – $290)	**(18,063)**	(11,204)	24,755
Total other comprehensive income (loss)	**(18,063)**	(11,204)	24,755
COMPREHENSIVE INCOME	**84,173**	75,078	76,855

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

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THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(US DOLLARS IN THOUSANDS; US GAAP)

	January 31, 2023	January 31, 2022	January 31, 2021
Common shares			
Balance, beginning of year	**536,297**	531,825	524,154
Stock options and share units exercised	**2,151**	4,472	7,671
Balance, end of year	**538,448**	536,297	531,825
Additional paid-in capital			
Balance, beginning of year	**473,303**	464,102	459,269
Stock-based compensation expense (Note 17)	**13,667**	11,017	6,313
Stock options and share units exercised	**(419)**	(1,816)	(1,480)
Balance, end of year	**486,551**	473,303	464,102
Accumulated other comprehensive income (loss)			
Balance, beginning of year	**(12,393)**	(1,189)	(25,944)
Other comprehensive income (loss), net of income taxes	**(18,063)**	(11,204)	24,755
Balance, end of year	**(30,456)**	(12,393)	(1,189)
Retained earnings (accumulated deficit)			
Balance, beginning of year	**2,612**	(83,670)	(135,770)
Net income	**102,236**	86,282	52,100
Balance, end of year	**104,848**	2,612	(83,670)
Total Shareholders' Equity	**1,099,391**	999,819	911,068

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

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THE DESCARTES SYSTEMS GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US DOLLARS IN THOUSANDS; US GAAP)

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
OPERATING ACTIVITIES			
Net income	**102,236**	86,282	52,100
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	**5,225**	5,129	5,757
Amortization of intangible assets	**60,177**	59,099	55,905
Stock-based compensation expense (Note 17)	**13,667**	11,017	6,313
Other non-cash operating activities	**53**	308	207
Deferred tax expense	**3,244**	1,514	14,523
Changes in operating assets and liabilities (Note 21)	**7,793**	12,789	(3,575)
Cash provided by operating activities	**192,395**	176,138	131,230
INVESTING ACTIVITIES			
Additions to property and equipment	**(6,071)**	(4,829)	(3,759)
Acquisition of subsidiaries, net of cash acquired (Note 3)	**(115,561)**	(90,278)	(48,403)
Cash used in investing activities	**(121,632)**	(95,107)	(52,162)
FINANCING ACTIVITIES			
Proceeds from borrowings on the credit facility	**-**	-	10,196
Credit facility and other debt repayments	**-**	(1,068)	(10,793)
Payment of debt issuance costs	**(1,118)**	(72)	(40)
Issuance of common shares for cash, net of issuance costs (Note 15)	**1,730**	2,656	6,194
Payment of contingent consideration	**(5,215)**	-	-
Cash (used in) provided by financing activities	**(4,603)**	1,516	5,557
Effect of foreign exchange rate changes on cash	**(3,212)**	(2,771)	4,633
Increase in cash	**62,948**	79,776	89,258
Cash, beginning of year	**213,437**	133,661	44,403
Cash, end of year	**276,385**	213,437	133,661
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	**-**	-	89
Cash paid during the year for income taxes	**23,791**	12,575	8,214

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

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Note 1 - Description of the Business

The Descartes Systems Group Inc. ("Descartes", "Company", "our" or "we") is a provider of global logistics technology solutions. Customers use our modular, software-as-a-service ("SaaS") and data solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access and analyze global trade data; research and perform trade tariff and duty calculations; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in a large, collaborative multi-modal logistics community. Our pricing model provides our customers with flexibility in purchasing our solutions either on a subscription, transactional or perpetual license basis. Our primary focus is on serving transportation providers (air, ocean and truck modes), logistics service providers (including third-party logistics providers, freight forwarders and customs brokers) and distribution-intensive companies for which logistics is either a key or a defining part of their own product or service offering, or for which our solutions can provide an opportunity to reduce costs, improve service levels, or support growth by optimizing the use of assets and information.

Note 2 –Basis of Presentation

The accompanying consolidated financial statements are presented in United States ("US") dollars and are prepared in accordance with generally accepted accounting principles in the US ("GAAP") and the rules and regulations of the Canadian Securities Administrators and the US Securities and Exchange Commission ("SEC") for the preparation of consolidated financial statements.

Our fiscal year commences on February 1st of each year and ends on January 31st of the following year. Our fiscal year, which ends on January 31, 2023, is referred to as the "current fiscal year", "fiscal 2023", "2023" or using similar words. Our previous fiscal year, which ended on January 31, 2022, is referred to as the "previous fiscal year", "fiscal 2022", "2022" or using similar words. Other fiscal years are referenced by the applicable year during which the fiscal year ends. For example, "2024" refers to the annual period ending January 31, 2024 and the "fourth quarter of 2024" refers to the quarter ending January 31, 2024.

Basis of consolidation
The consolidated financial statements include the financial statements of Descartes and our wholly-owned subsidiaries. We do not have any variable interests in variable interest entities. All intercompany accounts and transactions have been eliminated during consolidation.

Foreign currency translation
The US dollar is the presentation currency of the Company. Assets and liabilities of our subsidiaries are translated into US dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated into US dollars using daily exchange rates. Translation adjustments resulting from this process are accumulated in other comprehensive income (loss) as a separate component of shareholders' equity. On substantial liquidation of a foreign operation, the component of accumulated other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of operations.

The functional currency of each of our entities is generally the local currency in which they operate. Transactions incurred in currencies other than the local currency of an entity are converted to the local currency at the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-measured into the local currency at the exchange rate in effect at the balance sheet date. All foreign currency re-measurement gains and losses are included in net income. For the year ended January 31,

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2023, foreign currency re-measurement loss of $1.2 million was included in net income (January 31, 2022 – loss of $0.3 million; January 31, 2021 – loss of $0.8 million).

Use of estimates

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different from the estimates. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions are used when accounting for items such as allocations of the purchase price and the fair value of net assets acquired in business combination transactions, useful lives of intangible assets and property and equipment, revenue related estimates including determining the nature and timing of satisfaction of performance obligations, variable consideration, and other obligations such as product returns and refunds, allowance for doubtful accounts, collectability of other receivables, provisions for excess or obsolete inventory, determining the Company's incremental borrowing rate, restructuring accruals, fair value of stock-based compensation, assumptions embodied in the valuation of assets for impairment assessment, accounting for income taxes, valuation allowances for deferred income tax assets, realization of investment tax credits, uncertain tax positions and recognition of contingencies. Significant assumptions and judgment are used when determining the standalone selling price ("SSP") of performance obligations in contracts with customers.

Cash

Cash included highly liquid short-term deposits with original maturities of three months or less.

Financial instruments

Fair value of financial instruments

The carrying amounts of the Company's cash, accounts receivable (net), accounts payable, accrued liabilities and income taxes payable approximate their fair value due to their short maturities.

Derivative instruments

We use derivative instruments to manage equity risk relating to our share-based compensation. We account for these instruments in accordance with ASC Topic 815 "Derivatives and Hedging" (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or a liability measured at its fair value as of the reporting date. We do not designate our derivative instruments as hedges and as such the changes in our derivative financial instruments' fair values are recognized in earnings. The fair value of equity contract derivatives is determined utilizing a valuation model based on the quoted market value of our common shares at the balance sheet date.

Foreign exchange risk

We are exposed to foreign exchange risk because the Company transacts business in currencies other than the US dollar. Accordingly, our results are affected, and may be affected in the future, by exchange rate fluctuations of the US dollar relative to the Canadian dollar, euro, British pound sterling and various other foreign currencies.

Interest rate risk

Depending on the type of advance under the available facilities, interest on such borrowings will be charged based on either i) Canada or US prime rate; or ii) Canadian Dollar Offered Rate (CDOR); or iii) the Secured Overnight Financing Rate (SOFR). We are exposed to interest rate fluctuations to the extent that we borrow on our credit facility.

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Credit risk
We are exposed to credit risk through our invested cash and accounts receivable. We hold our cash with reputable financial institutions. The lack of concentration of accounts receivable from a single customer and the dispersion of customers among industries and geographical locations mitigate our credit risk.

We do not use any type of speculative financial instruments, including but not limited to foreign exchange contracts, futures, swaps and option agreements, to manage our foreign exchange or interest rate risks. In addition, we do not hold or issue financial instruments for trading purposes.

Equity risk
We are exposed to equity risk through certain share-based compensation expenses that are fair valued at the balance sheet date. The Company enters into equity derivative contracts including floating-rate equity forwards to partially offset the potential fluctuations of certain future share-based compensation expenses. The Company does not hold derivatives for speculative purposes.

Provision for Credit Losses
We are exposed to credit losses primarily through our trade accounts receivable and contract assets. The provision for credit losses is determined utilizing a model of historical losses data. In estimating the provision for credit losses, we considered the age of the receivable, our historical write-offs and the historical creditworthiness of the customer, among other factors. Should any of these factors change, the estimates made by us will also change accordingly, which could affect the level of our future provisions.

Inventory
Finished goods inventories are stated at the lower of cost and net realizable value. The cost of finished goods is determined on the basis of average cost of units.

The valuation of inventory, including the determination of obsolete or excess inventory, requires management to estimate the future demand for our products within specified time horizons. We perform an assessment of inventory which includes a review of, among other factors, demand requirements, product life cycle and development plans, product pricing and quality issues. If the demand for our products indicates we are no longer able to sell inventories above cost or at all, we write down inventory to market or excess inventory is written off.

Impairment of long-lived assets
We test long-lived assets or asset groups, such as property and equipment and finite life intangible assets, for recoverability when events or changes in circumstances indicate that there may be impairment. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset or asset group; and a current expectation that the asset or asset group will more likely than not be sold or disposed of before the end of its estimated useful life. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such asset or asset group is less than the carrying amount. Measurement of the impairment loss is based on the present value of the expected future cash flows. No impairment of long-lived assets has been identified or recorded in our consolidated statements of operations for any of the fiscal years presented.

Goodwill and intangible assets
Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not subject to amortization.

We test for impairment of goodwill at least annually on October 31st of each year and at any other time if any event occurs or circumstances change that would more likely than not reduce our fair value below our reporting unit's carrying amount. Our operations are analyzed by management and our chief operating decision maker as being part of a single industry segment providing logistics technology solutions. Accordingly, our goodwill impairment assessment is based on the allocation of goodwill to a single

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reporting unit. We completed the qualitative assessment during our third quarter of 2023 and concluded that it was more likely than not that the fair value of the goodwill was greater than the carrying value. As a result, no impairment of goodwill was recorded in fiscal 2023 (no impairments were recorded for fiscal 2022 or fiscal 2021).

Intangible assets related to our acquisitions are recorded at their fair value at the acquisition date. Intangible assets include customer agreements and relationships, non-compete covenants, existing technologies and trade names. Intangible assets are amortized on a straight-line basis over their estimated useful lives. We write down intangible asset or asset groups with a finite life to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value. Fair value of intangible asset or asset groups is determined by discounting the expected related future cash flows.

Amortization of our intangible assets is generally recorded at the following rates:

Customer agreements and relationships	Straight-line over two to twenty years
Existing technologies	Straight-line over four to twelve years
Trade names	Straight-line over three to fifteen years
Non-compete covenants	Straight-line over two to twelve years

Property and equipment
Property and equipment is recorded at cost.

Effective February 1, 2020, we changed our accounting method for property & equipment from the declining balance method of depreciation to the straight-line method of depreciation to better reflect the consumption of the assets' economic benefits. Our change in the method of depreciation is considered a change in accounting estimate effected by a change in accounting principle and was applied prospectively. The change in the method of depreciation did not have a material impact on our results of operations.

Depreciation of our property and equipment is generally recorded at the following rates:

Computer equipment and software	Straight-line over 1 to 13 years
Furniture and fixtures	Straight-line over 3 to 14 years
Leasehold improvements	Straight-line over lesser of useful life or term of lease
Equipment installed with customers	Straight-line over 3 years

Fully depreciated property and equipment are removed from the balance sheet when they are no longer in use.

Leases
At the inception of a contract we assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We have building lease agreements with lease and non-lease components, which are accounted for separately. For computer equipment and vehicle leases, we have elected to account for the lease and non-lease components as a single lease component.

We recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. As most of our leases do not provide an

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implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

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 rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

We have elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts that can include the delivery of various combinations of goods and/or services, which are generally capable of being distinct within the context of the contract and accounted for as separate performance obligations. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct goods and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. The accounting for a contract with a customer that contains multiple performance obligations requires an allocation of the transaction price to each distinct performance obligation based on the determination of the SSP. SSP for each distinct performance obligation in a customer contract is an estimate of the price that would be charged for the specific good or service if it was sold separately in similar circumstances and to similar customers. This estimate determines the amount of revenue recognized for each performance obligation in a customer contract.

Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. In addition to these general policies, the specific revenue recognition policies for each major category of revenue are included below.

License

Revenues for distinct licenses for on-premise or hosted software are derived from perpetual licenses granted to our customers for the right to use our software products. License revenues are billed on the effective date of a contract and revenue is recognized at the point in time when the customer is provided control of the respective software.

Services

Services, which allow customers to access hosted software over a contract term without taking possession of the software, is provided on a subscription and/or transactional fee basis. Revenues from hosted software subscriptions and maintenance are typically billed annually in advance and revenue is recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Transaction fees are typically billed and recognized as revenue on a monthly basis based on the customer usage for that period.

Professional Services & Other

Professional services are comprised of consulting, implementation and training services related to our services and products. These services are generally considered to be separate performance obligations as they provide incremental benefit to customers beyond providing access to the software. Professional services are typically billed on a time and materials basis and revenue is recognized over time as the services are performed. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Revenue related to customer

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reimbursement of travel related expenses is recognized on a gross basis as incurred. Other revenues include hardware revenue and is generally billed, and revenue is recognized, when control of the product has transferred under the terms of an enforceable contract.

Our contracts with customers often include promises to transfer multiple goods and services to a customer. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately versus together may require judgment. Judgment is also needed in assessing the ability to collect the corresponding receivables.

Significant assumptions and judgment are required to determine the SSP for each distinct performance obligation, which is needed to determine whether there is a discount that needs to be allocated based on the relative SSP of the various goods and services. When estimating the SSP, we make certain significant assumptions including the basis for stratification of the underlying population of customer contracts based on pricing practices for different goods or services, as appropriate. In order to determine the SSP of our promised goods or services, we conduct a regular analysis to determine whether various goods or services have an observable standalone selling price. If the Company does not have an observable SSP for a particular good or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, and the residual approach.

Costs to obtain a contract with a customer

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the costs to be recoverable. We have determined that certain sales incentive programs meet the requirements to be capitalized. These capitalized costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates, including specifically identifiable contract renewals. The period of benefit including renewals is determined to be generally between four to six years, taking into consideration our customer contracts, our technology, renewal behaviors and other factors. Amortization of the asset is included in sales and marketing expenses in the consolidated statements of operations. Applying the practical expedient, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less.

Contract assets and liabilities

The payment terms and conditions in our customer contracts may vary from the timing of revenue recognition. In some cases, customers pay in advance of delivery of products or services; in other cases, payment is due as services are performed or in arrears following delivery. Timing differences between revenue recognition and invoicing result in unbilled receivables, contract assets, or deferred revenue. Receivables are accrued when revenue is recognized prior to invoicing but the right to payment is unconditional (i.e., only the passage of time is required). This occurs most commonly when software term licenses recognized at a point in time are paid for periodically over the license term. Contract assets result when amounts allocated to distinct performance obligations are recognized as revenue and control of a product or service is transferred to the customer, but invoicing is contingent on performance of other performance obligations or on completion of contractual milestones and is presented as other receivables. Contract assets are transferred to receivables when the rights become unconditional, typically upon invoicing of the related performance obligations in the contract or upon achieving the requisite project milestone. Contract liabilities primarily relate to the advance consideration received from customers and is presented as deferred revenue. Deferred revenue results from customer payments in advance of our satisfaction of the associated performance obligation(s) and relates primarily to prepaid maintenance or other recurring services. Deferred revenues are relieved as revenue is recognized. Contract assets and deferred revenues are reported on a contract-by-contract basis at the end of each reporting period.

Research and development costs

To date, we have not capitalized any costs related to research and development of our computer software products. Costs incurred between the dates that the product is considered to be technologically feasible and is considered to be ready for general release to customers have historically been expensed as they have not been significant.

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Stock-based compensation plans

Stock Options

We maintain stock option plans for non-employee directors, officers, employees and other service providers. Options to purchase our common shares are granted at an exercise price equal to the fair market value of our common shares as of the date of grant. This fair market value is determined using the closing price of our common shares on the TSX on the day immediately preceding the date of the grant.

Employee stock options generally vest over a five-year period starting from the grant date and expire seven years from the grant date. Non-employee directors' and officers' stock options generally have quarterly vesting over a three to five-year period. We issue new shares from treasury upon the exercise of a stock option. Forfeitures are accounted for as they occur.

The fair value of employee stock option grants that are ultimately expected to vest are amortized to expense in our consolidated statement of operations based on the straight-line attribution method. The fair value of stock option grants is calculated using the Black-Scholes Merton option-pricing model. Expected volatility is based on historical volatility of our common stock and other factors. The risk-free interest rates are based on Government of Canada average bond yields for a period consistent with the expected life of the option in effect at the time of the grant. The expected option life is based on the historical life of our granted options and other factors.

Performance & Restricted Share Units

We maintain a performance and restricted share unit plan pursuant to which certain of our officers are eligible to receive grants of performance share units ("PSUs") and restricted share units ("RSUs").

PSUs vest at the end of a three-year performance period. The ultimate number of PSUs that vest is based on the total shareholder return ("TSR") of our Company relative to the TSR of companies comprising a peer index group. TSR is calculated based on the weighted-average closing price of shares for the five trading days preceding the beginning and end of the performance period. The fair value of PSUs is expensed to stock-based compensation expense over the vesting period. PSUs expire ten years from the grant date. New shares are issued from treasury upon the redemption of a PSU.

PSUs are measured at fair value estimated using a Monte Carlo Simulation approach. Expected volatility is based on historical volatility of our common stock and other factors. The risk-free interest rates are based on the Government of Canada average bond yields for a period consistent with the expected life of the PSUs at the time of the grant.

RSUs vest annually over a three-year period starting from the grant date and expire ten years from the grant date. We issue new shares from treasury upon the redemption of an RSU.

RSUs are measured at fair value based on the closing price of our common shares for the day preceding the date of the grant and will be expensed to stock-based compensation expense over the vesting period.

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Deferred Share Unit Plan

Our board of directors adopted a deferred share unit plan effective as of June 28, 2004, pursuant to which non-employee directors are eligible to receive grants of deferred share units ("DSUs"), each of which has an initial value equal to the weighted-average closing price of our common shares for the five trading days preceding the grant date. The plan allows each director to choose to receive, in the form of DSUs, all, none or a percentage of the eligible director's fees which would otherwise be payable in cash. If a director has invested less than the minimum amount of equity in Descartes, as prescribed from time to time by the board of directors, then the director must take at least 50% of the base annual fee for serving as a director in the form of DSUs. Each DSU fully vests upon award but is distributed only when the director ceases to be a member of the board of directors. Vested units are settled in cash based on our common share price when conversion takes place. Fair value of the liability is based on the closing price of our common shares at the balance sheet date.

Cash-Settled Restricted Share Unit Plan

Our board of directors adopted a cash-settled restricted share unit plan effective as of May 23, 2007, pursuant to which certain of our employees and non-employee directors are eligible to receive grants of cash-settled restricted share units ("CRSUs"), each of which has an initial value equal to the weighted-average closing price of our common shares for the five trading days preceding the date of the grant. The CRSUs generally vest based on continued employment and have annual vesting over three to five-year periods. Vested units are settled in cash based on our common share price when conversion takes place, which is within 30 days following a vesting date and in any event prior to December 31st of the calendar year in which a vesting date occurs. Fair value of the liability is based on the closing price of our common shares at the balance sheet date.

Business combinations

We apply the provisions of ASC Topic 805, "Business Combinations" (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill, the assets acquired and the liabilities assumed at their acquisition date fair values including certain identifiable intangible assets (other than goodwill). Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. The determination of the acquisition date fair value of the intangible assets acquired requires us to make estimates and assumptions regarding projected revenues, earnings before interest, taxes, depreciation and amortization, technology migration rates, customer attrition rates and discount rates.

Contingent consideration may be payable on the achievement of certain financial targets in the post-acquisition periods. Contingent consideration is required to be measured at fair value on the date of acquisition. The estimated fair value of contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our consolidated statement of operations.

Costs to exit or restructure certain activities of an acquired company or our internal operations are accounted for as termination and exit costs pursuant to ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420) and are accounted for separately from the business combination.

For a given acquisition, we generally identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the

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measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts. If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequent to the measurement period, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in our provision for income taxes in our consolidated statement of operations.

Income taxes

We use the liability method of income tax allocation to account for income taxes. Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, our history of losses for tax purposes, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We evaluate our uncertain tax positions by using a two-step approach to recognize and measure uncertain tax positions and provisions for income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provisions, income taxes payable and deferred income taxes in the period in which the facts that give rise to a revision become known.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The treasury stock method is used to compute the dilutive effect of stock-based compensation.

Recently issued accounting pronouncements

In October 2021, the FASB issued Accounting Standards Update 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"). ASU 2021-08 provides guidance on how to recognize and measure acquired contract assets and liabilities from revenue contracts in a business combination. ASU 2021-08 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2022, which will be our fiscal year beginning February 1, 2023 (fiscal 2024). Early adoption is permitted. The Company will adopt

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this guidance in the first quarter of fiscal 2024. The adoption of this guidance is not expected to have a material impact on our results of operations or disclosures.

Note 3 – Acquisitions

Fiscal 2023 Acquisitions

On February 9, 2022, Descartes acquired all of the shares of NetCHB, LLC ("NetCHB"), a provider of customs filing solutions in the US. The purchase price for the acquisition was approximately $38.7 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $60.0 million based on NetCHB achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent considerations was valued at $13.9 million at the acquisition date. The gross contractual amount of trade receivables acquired was $0.1 million with a fair value of $0.1 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended January 31, 2023 with no adjustments.

On April 21, 2022, Descartes acquired substantially all of the assets of Foxtrot, Inc. ("Foxtrot"), a provider of machine learning-based mobile route execution solutions. The purchase price for the acquisition was approximately $4.2 million, net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was $0.7 million with a fair value of $0.7 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before April 21, 2023.

On June 3, 2022, Descartes acquired all of the shares of XPS Technologies, LLC ("XPS"), a provider of ecommerce multi-carrier parcel shipping solutions. The purchase price for the acquisition was approximately $61.1 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $75.0 million based on XPS achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at $9.4 million at the acquisition date. The gross contractual amount of trade receivables acquired was $1.5 million with a fair value of $1.5 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before June 3, 2023.

On January 5, 2023, Descartes acquired all of the shares of Tran-Soft, LLC, doing business as Supply Vision ("Supply Vision"), a provider of shipment management solutions for North American Logistics Services Providers. The purchase price for the acquisition was approximately $12.0 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $3.0 million based on Supply Vision achieving revenue-based targets over the first two years post-acquisition. The fair value of the contingent consideration was valued at $2.7 million at the acquisition date. The gross contractual amount of trade receivables acquired was $0.3 million with a fair value of $0.3 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The completion of the initial purchase price allocation is pending the finalization of the fair value for trade receivables, accrued liability balances, deferred revenue as well as potential unrecorded liabilities. We expect to finalize the purchase price allocation on or before January 5, 2024.

For the businesses acquired during fiscal 2023, we incurred acquisition-related costs of $1.9 million for the year ended January 31, 2023. The acquisition-related costs were primarily for advisory services and are included in other charges in our consolidated statements of operations. For the year ended January 31, 2023, we have recognized revenues of $20.8 million, and net income of $6.6 million, respectively, from NetCHB, Foxtrot, XPS and Supply Vision since the date of acquisition in our consolidated statements of operations.

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The final purchase price allocation for NetCHB and the preliminary purchase price allocations for Foxtrot, XPS and Supply Vision, which have not been finalized, are as follows:

	NetCHB	Foxtrot	XPS	Supply Vision	Total
Purchase price consideration:					
Cash, less cash acquired related to NetCHB ($658), Foxtrot (Nil), XPS ($3,932) and Supply Vision ($413)	38,664	4,228	61,096	11,573	115,561
Contingent consideration	13,948	-	9,425	2,670	26,043
Net working capital adjustments payable (receivable)	51	66	978	(137)	958
	52,663	4,294	71,499	14,106	142,562
Allocated to:					
Current assets, excluding cash acquired	469	835	2,449	703	4,456
Current liabilities	(367)	(22)	(1,483)	(658)	(2,530)
Deferred revenue	-	(336)	(2,196)	(132)	(2,664)
Net tangible assets (liabilities) assumed	102	477	(1,230)	(87)	(738)
Finite life intangible assets acquired:					
Customer agreements and relationships	10,900	650	8,100	2,500	22,150
Existing technology	14,100	1,640	20,000	4,700	40,440
Trade names	64	-	100	30	194
Non-compete covenants	700	-	1,000	200	1,900
Goodwill	26,797	1,527	43,529	6,763	78,616
	52,663	4,294	71,499	14,106	142,562

The above transactions were accounted for using the acquisition method in accordance with ASC Topic 805, "Business Combinations". The purchase price allocations in the table above represents our estimates of the allocation of the purchase price and the fair value of net assets acquired. The preliminary purchase price allocations may differ from the final purchase price allocation, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The final purchase price allocations will be completed within one year from the acquisition dates.

The acquired intangible assets are being amortized over their estimated useful lives as follows:

	NetCHB	Foxtrot	XPS	Supply Vision
Customer agreements and relationships	13 years	13 years	11 years	11 years
Existing technology	6 years	6 years	6 years	6 years
Trade names	2 years	N/A	2 years	9 years
Non-compete covenants	5 years	N/A	5 years	5 years

The goodwill on the NetCHB, Foxtrot, XPS and Supply Vision acquisitions arose as a result of the combined strategic value to our growth plan. The goodwill arising from the NetCHB, Foxtrot, XPS and Supply Vision acquisitions are deductible for tax purposes.

Fiscal 2022 Acquisitions

On February 26, 2021, Descartes acquired all of the shares of VitaDex Solutions, LLC, doing business as QuestaWeb ("QuestaWeb"), a US-based provider of foreign trade zone and customs compliance solutions. The purchase price for the acquisition was approximately $35.9 million, net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was $0.6 million

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with a fair value of $0.5 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was $0.1 million. The purchase price was finalized in the three month period ended January 31, 2022 with no adjustments.

On May 7, 2021, Descartes acquired all of the shares of Portrix Logistics Software GmbH ("Portrix"), a provider of multimodal rate management solutions for logistics services providers. The purchase price for the acquisition was approximately $25.2 million (EUR 20.7 million), net of cash acquired, which was funded from cash on hand. The gross contractual amount of trade receivables acquired was $0.7 million with a fair value of $0.7 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended April 30, 2022 with no adjustments.

On July 8, 2021, Descartes acquired all of the shares of GreenMile, LLC ("GreenMile"), a provider of cloud-based mobile route execution solutions for food, beverage, and broader distribution verticals. The purchase price for the acquisition was approximately $29.2 million, net of cash acquired, which was funded from cash on hand. Additional contingent consideration of up to $10.0 million in cash is payable if certain revenue performance targets are met by GreenMile in the two years following the acquisition. The fair value of the contingent consideration was valued at $3.3 million at the acquisition date. The gross contractual amount of trade receivables acquired was $1.1 million with a fair value of $1.0 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was $0.1 million. The purchase price was finalized in the three month period ended July 31, 2022 with no adjustments.

The final purchase price allocations for businesses we acquired during 2022 are as follows:

	Questa Web	Portrix	Green Mile	Total
Purchase price consideration:				
Cash, less cash acquired related to QuestaWeb ($2,097), Portrix ($200) and GreenMile ($1,552)	35,860	25,188	29,230	90,278
Contingent consideration	-	-	3,339	3,339
Net working capital adjustments payable / (receivable)	17	(54)	(308)	(345)
	35,877	25,134	32,261	93,272
Allocated to:				
Current assets, excluding cash acquired	714	810	2,186	3,710
Property and equipment	78	-	89	167
Right-of-use assets	123	374	-	497
Other long-term assets	-	-	242	242
Current liabilities	(170)	(871)	(1,498)	(2,539)
Deferred revenue	(736)	(499)	(909)	(2,144)
Lease obligations	(123)	(374)	-	(497)
Deferred income tax liability	-	(5,185)	(752)	(5,937)
Long-term income taxes payable	-	-	(365)	(365)
Debt	-	(1,062)	-	(1,062)
Net tangible assets (liabilities) assumed	(114)	(6,807)	(1,007)	(7,928)
Finite life intangible assets acquired:				
Customer agreements and relationships	4,800	4,014	5,700	14,514
Existing technology	8,900	12,286	14,000	35,186
Trade names	100	122	100	322
Non-compete covenants	500	487	500	1,487
Goodwill	21,691	15,032	12,968	49,691
	35,877	25,134	32,261	93,272

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The acquired intangible assets are being amortized over their estimated useful lives as follows:

	QuestaWeb	Portrix	GreenMile
Customer agreements and relationships	13 years	13 years	13 years
Existing technology	6 years	6 years	6 years
Trade names	3 years	3 years	3 years
Non-compete covenants	5 years	2 years	5 years

The goodwill on the QuestaWeb, Portrix and GreenMile acquisitions arose as a result of the combined strategic value to our growth plan. The goodwill arising from the QuestaWeb and GreenMile acquisition is deductible for tax purposes. The goodwill arising from the Portrix acquisition is not deductible for tax purposes.

Fiscal 2021 Acquisitions

On February 21, 2020, Descartes acquired all of the shares of Peoplevox Limited ("Peoplevox"), a UK-based provider of cloud-based ecommerce warehouse management solutions. The purchase price for the acquisition was approximately $24.1 million, net of cash acquired, which was funded from a combination of cash on hand and drawing on Descartes' existing credit facility. The gross contractual amount of trade receivables acquired was $0.4 million with a fair value of $0.4 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended January 31, 2021 with no adjustments.

On June 10, 2020 Descartes acquired all of the shares of Cracking Logistics Limited ("Kontainers"), a UK-based provider of client-facing digital freight execution platforms. The purchase price for the acquisition was approximately $5.2 million, net of cash acquired, which was funded from cash on hand. Additional contingent consideration of up to $6.0 million in cash is payable if certain revenue performance targets are met by Kontainers in the two years following the acquisition. The fair value of the contingent consideration was valued at $1.4 million at the acquisition date. The gross contractual amount of trade receivables acquired was $0.2 million with a fair value of $0.2 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended July 31, 2021 with no adjustments.

On November 6, 2020, Descartes acquired all of the shares of ShipTrack Inc. ("ShipTrack"), a provider of cloud-based mobile resource management and shipment tracking solutions. The purchase price for the acquisition was approximately $19.0 million, net of cash acquired, which was funded from cash on hand. Additional contingent consideration of up to CAD 25.0 million in cash is payable if certain revenue performance targets are met by ShipTrack in the two years following the acquisition. The fair value of the contingent consideration was valued at $2.8 million at the acquisition date. The gross contractual amount of trade receivables acquired was $1.7 million with a fair value of $1.7 million at the date of acquisition. Our acquisition date estimate of contractual cash flows not expected to be collected was nominal. The purchase price was finalized in the three month period ended October 31, 2021 with no adjustments.

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The final purchase price allocations for businesses we acquired during 2021 are as follows:

	Peoplevox	Kontainers	ShipTrack	Total
Purchase price consideration:				
Cash, less cash acquired related to Peoplevox ($1,634), Kontainers (overdraft of $13) and ShipTrack ($529)	24,137	5,237	19,029	48,403
Consideration payable	-	100	-	100
Contingent consideration	-	1,414	2,825	4,239
Net working capital adjustments (receivable) / payable	(42)	(87)	64	(65)
	24,095	6,664	21,918	52,677
Allocated to:				
Current assets, excluding cash acquired	485	469	1,853	2,807
Right-of-use assets	-	-	151	151
Current liabilities	(776)	(1,074)	(693)	(2,543)
Deferred revenue	(748)	(102)	(204)	(1,054)
Lease obligations	-	-	(151)	(151)
Deferred income tax liability	(1,615)	-	(4,012)	(5,627)
Debt	-	-	(728)	(728)
Net tangible assets (liabilities) assumed	(2,654)	(707)	(3,784)	(7,145)
Finite life intangible assets acquired:				
Customer agreements and relationships	3,631	800	3,905	8,336
Existing technology	7,651	3,000	11,102	21,753
Trade names	-	30	77	107
Non-compete covenants	285	80	291	656
Goodwill	15,182	3,461	10,327	28,970
	24,095	6,664	21,918	52,677

The acquired intangible assets are being amortized over their estimated useful lives as follows:

	Peoplevox	Kontainers	ShipTrack
Customer agreements and relationships	10 years	12 years	13 years
Existing technology	6 years	5 years	6 years
Trade names	N/A	3 years	3 years
Non-compete covenants	5 years	5 years	5 years

The goodwill on the Peoplevox, Kontainers and ShipTrack acquisitions arose as a result of the combined strategic value to our growth plan. The goodwill arising from the Peoplevox, Kontainers and ShipTrack acquisitions are not deductible for tax purposes.

Pro Forma Results of Operations (Unaudited)

The financial information in the table below summarizes selected results of operations on a pro forma basis as if we had acquired Supply Vision, XPS, Foxtrot, NetCHB, GreenMile, Portrix and QuestaWeb as of February 1, 2020.

This pro forma information is for information purposes only and does not purport to represent what our actual results of operations for the periods presented would have been had the acquisitions of Supply Vision, XPS, Foxtrot, NetCHB, GreenMile, Portrix and QuestaWeb occurred at February 1, 2020, or to project our results of operations for any future period.

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Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Revenues	**495,874**	461,864	393,322
Net income	**103,700**	91,398	49,315
Earnings per share			
Basic	**1.22**	1.08	0.58
Diluted	**1.20**	1.06	0.58

Note 4 – Fair Value Measurements

ASC Topic 820 "Fair Value Measurements and Disclosures" (Topic 820) defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

Topic 820 establishes a fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The carrying amounts of the Company's cash, accounts receivable (net), accounts payable, accrued liabilities and income taxes payable approximate their fair value (a Level 2 measurement) due to their short maturities.

The following table shows the Company's financial instruments measured at fair value on a recurring basis as of January 31, 2023:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Equity derivative contracts	**-**	**11,610**	**-**	**11,610**
Liabilities:				
Contingent consideration	**-**	**-**	**30,949**	**30,949**

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The following table shows the Company's financial instruments measured at fair value on a recurring basis as of January 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets:				
Equity derivative contracts	-	**10,863**	-	**10,863**
Liabilities:				
Contingent consideration	-	-	**12,990**	**12,990**

The Company enters into equity derivative contracts including floating-rate equity forwards to substantially offset the potential fluctuations of certain future share-based compensation expenses. The equity derivative contracts are not designated as hedge instruments and the Company does not hold derivatives for speculative purposes. As at January 31, 2023, we had equity derivatives for 281,768 Descartes common shares with a weighted average price of $31.35.

The fair value of equity contract derivatives is determined utilizing a valuation model based on the quoted market value of our common shares at the balance sheet date (Level 2 fair value inputs). The fair value of equity contract derivatives is recorded as other current assets and gains and losses are recorded in general and administrative expenses in the consolidated financial statements. For the years ended January 31, 2023, 2022 and 2021, we recognized an expense (recovery) in general and administrative expenses of ($1.3) million, ($2.9) million and ($3.4) million, respectively.

Estimates of the fair value of contingent consideration is performed by the Company on a quarterly basis. Key unobservable inputs include revenue growth rates and the discount rates applied (10% to 13%). The estimated fair value increases as the annual revenue growth rate increases and as the discount rate decreases and vice versa. The following table presents the changes in the fair value measurements of the contingent consideration in Level 3 of the fair value hierarchy:

	Level 3
Balance at January 31, 2021	4,671
Increase from acquisitions	3,339
Charges through profit or loss	5,070
Effect of movements in foreign exchange	(90)
Balance at January 31, 2022	12,990
Increase from acquisitions	**26,043**
Cash payments	**(10,782)**
Charges through profit or loss	**2,804**
Effect of movements in foreign exchange	**(106)**
Balance at January 31, 2023	**30,949**

Note 5 – Trade Accounts Receivable

	January 31, 2023	January 31, 2022
Trade accounts receivable	**46,718**	43,565
Less: Provision for credit losses	**(1,545)**	(1,860)
	45,173	41,705

Included in accounts receivable are unbilled receivables in the amount of $0.3 million as at January 31, 2023 ($0.5 million as at January 31, 2022). No single customer accounted for more than 10% of the accounts receivable balance as of January 31, 2023 and 2022.

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The following table presents the changes in the provision for credit losses as follows:

	Provision for Credit Losses
Balance at January 31, 2021	2,330
Current period provision for expected losses	1,007
Write-offs charged against the provision	(1,456)
Effect of movements in foreign exchange	(21)
Balance at January 31, 2022	1,860
Current period provision for expected losses	**1,068**
Write-offs charged against the provision	**(1,341)**
Effect of movements in foreign exchange	**(42)**
Balance at January 31, 2023	**1,545**

Note 6 – Other Receivables

	January 31, 2023	January 31, 2022
Net working capital adjustments receivable from acquisitions	**384**	309
Other receivables	**11,274**	13,766
	11,658	14,075

Other receivables include receivables related to sales and use taxes, income taxes, non-trade receivables and contract assets. At January 31, 2023, $0.4 million ($0.3 million as at January 31, 2022) of the net working capital adjustments receivable from acquisitions is recoverable from amounts held in escrow related to the respective acquisitions.

Note 7 – Inventory

At January 31, 2023 and January 31, 2022, inventory is entirely comprised of finished goods inventory. Finished goods inventory primarily consists of hardware and related parts for mobile asset units held for sale. For the years ended January 31, 2023, 2022 and 2021, a nominal provision for excess or obsolete inventories has been recorded in cost of revenues.

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Note 8 – Property and Equipment

	January 31, 2023	January 31, 2022
Cost		
Computer equipment and software	**44,304**	40,937
Furniture and fixtures	**1,533**	1,553
Leasehold improvements	**1,076**	822
Equipment installed with customers	**1,936**	1,635
Assets under construction	**358**	524
	49,207	45,471
Accumulated depreciation		
Computer equipment and software	**34,275**	31,660
Furniture and fixtures	**1,283**	1,257
Leasehold improvements	**660**	531
Equipment installed with customers	**1,555**	1,206
	37,773	34,654
Net	**11,434**	10,817

Note 9 - Intangible Assets

	January 31, 2023	January 31, 2022
Cost		
Customer agreements and relationships	**268,712**	251,402
Existing technology	**355,695**	326,411
Trade names	**9,026**	9,038
Non-compete covenants	**13,893**	12,306
	647,326	599,157
Accumulated amortization		
Customer agreements and relationships	**151,016**	135,380
Existing technology	**248,867**	218,953
Trade names	**7,318**	6,677
Non-compete covenants	**10,317**	8,538
	417,518	369,548
Net	**229,808**	229,609

Intangible assets related to our acquisitions are recorded at their fair value at the acquisition date. The change in intangible assets during the year ended January 31, 2023 is primarily due to the acquisitions of NetCHB, Foxtrot, XPS and Supply Vision offset by amortization. The balance of the change in intangible assets is due to foreign currency translation.

Intangible assets with a finite life are amortized into income over their useful lives. Amortization expense for existing intangible assets is expected to be $229.8 million over the following periods: $49.4 million for 2024, $46.5 million for 2025, $42.3 million for 2026, $27.7 million for 2027, $20.6 million for 2028 and $43.3 million thereafter. Expected future amortization expense is subject to fluctuations in foreign exchange rates and assumes no future adjustments to acquired intangible assets.

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Note 10 – Goodwill

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired. The following table summarizes the changes in goodwill since January 31, 2021:

	January 31, 2023	January 31, 2022
Balance at beginning of period	**608,761**	565,177
Acquisition of QuestaWeb	**-**	21,691
Acquisition of Portrix	**-**	15,032
Acquisition of GreenMile	**-**	12,968
Acquisition of NetCHB	**26,797**	-
Acquisition of Foxtrot	**1,527**	-
Acquisition of XPS	**43,529**	-
Acquisition of Supply Vision	**6,763**	-
Adjustments on account of foreign exchange	**(11,730)**	(6,107)
Balance at end of period	**675,647**	608,761

Note 11 - Accrued Liabilities

	January 31, 2023	January 31, 2022
Accrued compensation and benefits	**35,536**	32,169
Accrued contingent acquisition consideration	**30,949**	12,990
Accrued professional fees	**1,619**	1,318
Other accrued liabilities	**12,205**	9,965
	80,309	56,442

Other accrued liabilities include accrued expenses related to third party resellers and royalties, suppliers, and accrued restructuring charges.

Note 12 – Long-Term Debt

We have a senior secured revolving credit facility in place with a syndicate of lenders. The facility is a $350.0 million revolving operating credit facility to be available for general corporate purposes, including the financing of ongoing working capital needs and acquisitions. On December 7, 2022, we amended our credit facility to extend the maturity date from January 2024 to December 2027. The credit facility has a five-year maturity with no fixed repayment dates prior to the end of the term. The total available amount under the facility of $350.0 million remains unchanged and with the approval of the lenders, the credit facility can be expanded to a total of $500.0 million. Borrowings under the credit facility are secured by a first charge over substantially all of Descartes' assets. Depending on the type of advance, interest rates under the revolving operating portion of the credit facility are based on the Canada or US prime rate, Canadian Dollar Offered Rate (CDOR) or the Secured Overnight Financing Rate (SOFR) plus an additional 0 to 250 basis points based on the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization, as defined in the credit facility. There were no other significant changes to the terms of the credit facility. A standby fee of between 20 to 40 basis points will be charged on all undrawn amounts. The credit facility contains certain customary representations, warranties and guarantees, and covenants.

No amounts were drawn on the credit facility as of January 31, 2023 and the balance of $350.0 million is available for use. We were in compliance with the covenants of the credit facility as of January 31, 2023.

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As at January 31, 2023, we had outstanding letters of credit of approximately $0.2 million ($0.2 million as at January 31, 2022), which were not related to our credit facility.

Note 13 – Leases

We have operating leases for buildings, vehicles and computer equipment. Our leases have remaining terms of up to 6 years, some of which include options to extend the leases for up to 5 years.

The components of operating lease expense were as follows:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Operating lease cost	**4,182**	4,466	4,590
Short-term lease cost	**636**	432	502
Total operating lease cost	**4,818**	4,898	5,092

Supplemental cash flow information related to operating leases was as follows:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Operating cash outflows from operating leases included in measurement of lease liabilities	**4,240**	4,857	4,831
New ROU assets obtained in exchange for lease obligations	**864**	2,548	2,337

Supplemental information related to operating leases was as follows:

	January 31, 2023	January 31, 2022
Weighted average remaining lease term (years)	**2.6**	3.3
Weighted average discount rate (%)	**2.4**	2.1

Maturities of operating lease liabilities were as follows as of January 31, 2023:

Years Ended January 31,	**Operating Leases**
2024	**3,569**
2025	**2,498**
2026	**994**
2027	**347**
2028	**120**
2029 and thereafter	**59**
Total lease payments	**7,587**
Less: imputed interest	**(267)**
Total lease obligations	**7,320**
Current	**3,397**
Long-term	**3,923**

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Note 14 - Commitments, Contingencies and Guarantees

Commitments

As described in Note 2 to these consolidated financial statements, we maintain deferred share unit ("DSU") and cash-settled restricted share unit ("CRSU") plans for our directors and employees. Any payments made pursuant to these plans are settled in cash. For DSUs and CRSUs, the units vest over time and the liability recognized at any given consolidated balance sheet date reflects only those units vested at that date that have not yet been settled in cash. As such, we had an unrecognized aggregate liability for the unvested DSUs and CRSUs of nil and $0.7 million, respectively, at January 31, 2023. The ultimate liability for any payment of DSUs and CRSUs is dependent on the trading price of our common shares. To substantially offset our exposure to fluctuations in our stock price, we have entered into equity derivative contracts, including floating-rate equity forwards. As at January 31, 2023, we had equity derivatives for 281,768 Descartes common shares and a DSU liability for 283,338 Descartes common shares, resulting in minimal net exposure resulting from changes to our share price.

Contingencies

We are subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. The consequences of these matters are not presently determinable but, in the opinion of management after consulting with legal counsel, the ultimate aggregate potential liability is not currently expected to have a material effect on our results of operations or financial position.

Product Warranties

In the normal course of operations, we provide our customers with product warranties relating to the performance of our hardware, software and services. To date, we have not encountered material costs as a result of such obligations and have not accrued any liabilities related to such obligations in our consolidated financial statements.

Business combination agreements

In respect of our acquisitions of GreenMile, NetCHB, XPS and Supply Vision, up to $148.0 million in cash may become payable if certain revenue performance targets are met in the two years following the acquisition. A balance of $30.9 million is accrued related to the fair value of this contingent consideration as at January 31, 2023.

Guarantees

In the normal course of business, we enter into a variety of agreements that may contain features that meet the definition of a guarantee under ASC Topic 460, "Guarantees". The following lists our significant guarantees:

Intellectual property indemnification obligations

We provide indemnifications of varying scope to our customers against claims of intellectual property infringement made by third parties arising from the use of our products. In the event of such a claim, we are generally obligated to defend our customers against the claim and we are liable to pay damages and costs assessed against our customers that are payable as part of a final judgment or settlement. These intellectual property infringement indemnification clauses are not generally subject to any dollar limits and remain in force for the term of our license agreement with our customer, which license terms are typically perpetual. Historically, we have not encountered material costs as a result of such indemnification obligations.

Other indemnification agreements

In the normal course of operations, we enter into various agreements that provide general indemnities. These indemnities typically arise in connection with purchases and sales of assets, securities offerings or buy-backs, service contracts, administration of employee benefit plans, retention of officers and directors, membership agreements, customer financing transactions, and leasing transactions. In addition, our corporate by-laws provide for the indemnification of our directors and officers. Each of these indemnities requires us, in certain circumstances, to compensate the counterparties for various costs resulting from breaches of representations or obligations under such arrangements, or as a result of third party claims

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that may be suffered by the counterparty as a consequence of the transaction. We believe that the likelihood that we could incur significant liability under these obligations is remote. Historically, we have not made any significant payments under such indemnities.

In evaluating estimated losses for the guarantees or indemnities described above, we consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. We are unable to make a reasonable estimate of the maximum potential amount payable under such guarantees or indemnities as many of these arrangements do not specify a maximum potential dollar exposure or time limitation. The amount also depends on the outcome of future events and conditions, which cannot be predicted. Given the foregoing, to date, we have not accrued any liability in our consolidated financial statements for the guarantees or indemnities described above.

Note 15 – Share Capital

On July 16, 2020, we filed a final short-form base shelf prospectus (the "2020 Base Shelf Prospectus"), allowing us to offer and issue the following securities: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants offered together as a unit. No securities were sold pursuant to the 2020 Base Shelf Prospectus, which was withdrawn in July 2022.

On July 15, 2022, we filed the 2022 Base Shelf Prospectus, allowing us to offer and issue an unlimited quantity of the following securities during the 25-month period following thereafter: (i) common shares; (ii) preferred shares; (iii) senior or subordinated unsecured debt securities; (iv) subscription receipts; (v) warrants; and (vi) securities comprised of more than one of the aforementioned common shares, preferred shares, debt securities, subscription receipts and/ or warrants offered together as a unit. These securities may be offered separately or together, in separate series, in amounts, at prices and on terms to be set forth in one or more shelf prospectus supplements. No securities have yet been sold pursuant to the 2022 Base Shelf Prospectus.

On June 7, 2022, Descartes announced a normal course issuer bid ("NCIB"), commencing June 10, 2022, to purchase up to approximately 7.4 million common shares in the open market for cancellation. Under the NCIB, Descartes would be permitted to repurchase for cancellation, at its discretion on or before June 9, 2023, up to 10% of the "public float" (calculated in accordance with the rules of the TSX) of Descartes' issued and outstanding common shares. Any purchases under the NCIB will be subject to the terms and limitations applicable to such NCIB, and will be made through the facilities of the TSX, Nasdaq, other designated exchanges and/or alternative Canadian trading systems, or by such other means as may be permitted by the Ontario Securities Commission or other applicable Canadian Securities Administrators. No common shares have yet been purchased pursuant to the NCIB.

The following table sets forth the common shares outstanding (number of shares in thousands):

(thousands of shares)	**January 31, 2023**	January 31, 2022	January 31, 2021
Balance, beginning of year	**84,756**	84,494	84,156
Shares issued:			
Stock options and share units exercised	**64**	262	338
Issuance of common shares	**-**	-	-
Acquisitions (Note 3)	**-**	-	-
Balance, end of year	**84,820**	84,756	84,494

Cash flows provided from stock options and share units exercised during 2023, 2022 and 2021 were approximately $1.7 million, $2.7 million and $6.2 million, respectively.

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Note 16 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS") (number of shares in thousands):

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Net income for purposes of calculating basic and diluted earnings per share	**102,236**	86,282	52,100
Weighted average shares outstanding	**84,791**	84,591	84,360
Dilutive effect of employee stock options	**455**	482	358
Dilutive effect of restricted and performance share units	**1,205**	1,127	1,038
Weighted average common and common equivalent shares outstanding	**86,451**	86,200	85,756
Earnings per share			
Basic	**1.21**	1.02	0.62
Diluted	**1.18**	1.00	0.61

For the years ended January 31, 2023, 2022 and 2021, the application of the treasury stock method excluded 589,658, 267,236 and 1,750 stock options, respectively, from the calculation of diluted EPS as the assumed proceeds from the unrecognized stock-based compensation expense of such stock options that are attributed to future service periods made such stock options anti-dilutive.

For the years ended January 31, 2023, 2022 and 2021, 1,315, 1,000 and 71,161 stock options, respectively, were excluded from the calculation of diluted EPS as those options had an exercise price greater than or equal to the average market value of our common shares during the applicable periods and their inclusion would have been anti-dilutive.

Additionally, for the years ended January 31, 2023, 2022 and 2021, the application of the treasury stock method excluded PSUs and RSUs of nil, nil and 43,002, respectively, from the calculation of diluted EPS as the unrecognized stock-based compensation expense of such PSUs and RSUs that are attributed to future service periods made such PSUs and RSUs anti-dilutive.

Note 17 - Stock-Based Compensation Plans

Total estimated stock-based compensation expense recognized in our consolidated statement of operations was as follows:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Cost of revenues	**940**	732	319
Sales and marketing	**2,468**	3,060	896
Research and development	**1,788**	1,419	404
General and administrative	**8,471**	5,806	4,694
Effect on net income	**13,667**	11,017	6,313

Differences between how GAAP and applicable income tax laws treat the amount and timing of recognition of stock-based compensation expense may result in a deferred tax asset. We have recorded a valuation allowance against any such deferred tax asset except for $0.8 million ($0.7 million at January 31, 2022) recognized in the United States. The tax benefit realized in connection with stock options exercised during 2023, 2022 and 2021 was nominal, $0.1 million and nominal, respectively.

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Stock Options

As of January 31, 2023, we had 1,593,433 stock options granted and outstanding under our shareholder-approved stock option plan and 2,703,675 remained available for grant.

As of January 31, 2023, $7.7 million of total unrecognized compensation costs, net of forfeitures, related to non-vested stock option awards is expected to be recognized over a weighted average period of 2.6 years. The total fair value of stock options vested during 2023 was $4.2 million.

The total number of options granted during the years ended January 31, 2023, 2022 and 2021 was 356,014, 271,025 and 381,859, respectively. The weighted average grant-date fair value of options granted during the years ended January 31, 2023, 2022 and 2021 was $18.47, $16.77 and $10.19 per option, respectively.

The weighted-average assumptions were as follows:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Expected dividend yield (%)	**-**	-	-
Expected volatility (%)	**29.2**	27.8	26.4
Risk-free rate (%)	**2.4**	0.7	0.7
Expected option life (years)	**5**	5	5

A summary of option activity under all of our plans is presented as follows:

	Number of Stock Options Outstanding	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (years)**	**Aggregate Intrinsic Value (in millions)**
Balance at January 31, 2021	1,147,720	$33.77	4.9	$28.1
Granted	271,025	$65.03		
Exercised	(90,166)	$29.38		
Forfeited	(9,300)	$53.94		
Balance at January 31, 2022	1,319,279	$42.35	4.4	$41.5
Granted	**356,014**	**$61.09**		
Exercised	**(63,890)**	**$27.34**		
Forfeited	**(17,970)**	**$52.98**		
Balance at January 31, 2023	**1,593,433**	**$45.54**	**4.1**	**$45.7**
Vested or expected to vest at January 31, 2023	**1,593,433**	**$45.54**	**4.1**	**$45.7**
Exercisable at January 31, 2023	**1,104,612**	**$40.35**	**3.5**	**$37.4**

The total intrinsic value of options exercised during the years ended January 31, 2023, 2022 and 2021 was approximately $2.5 million, $3.7 million and $10.8 million, respectively.

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Options outstanding and options exercisable as at January 31, 2023 by range of exercise price are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Stock Options
$18.95 - $22.86	$21.75	148,153	0.9	$21.75	148,153
$26.24 - $27.85	$27.85	166,350	2.2	$27.85	166,350
$38.53 - $54.25	$39.53	625,310	3.7	$39.12	525,872
$56.31 - $68.49	$61.19	653,620	5.7	$61.11	264,237
	$45.54	**1,593,433**	**4.1**	**$40.35**	**1,104,612**

A summary of the status of our unvested stock options under our shareholder-approved stock option plan as of January 31, 2023 is presented as follows:

	Number of Stock Options Outstanding	**Weighted-Average Grant-Date Fair Value per Share**
Balance at January 31, 2021	501,655	$9.52
Granted	271,025	$16.77
Vested	(300,527)	$11.42
Forfeited	(9,300)	$13.54
Balance at January 31, 2022	462,853	$13.16
Granted	**356,014**	**$18.47**
Vested	**(313,186)**	**$13.72**
Forfeited	**(16,860)**	**$3.71**
Balance at January 31, 2023	**488,821**	**$16.11**

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Performance Share Units

A summary of PSU activity is as follows:

	Number of PSUs Outstanding	Weighted-Average Granted Date Fair Value	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Balance at January 31, 2021	755,873	$25.17	4.7	$44.0
Granted	77,441	$88.11		
Performance units issued	44,296	$36.63		
Exercised	(100,072)	$9.66		
Balance at January 31, 2022	777,538	$35.76	4.8	$57.4
Granted	**97,991**	**$64.98**		
Performance units issued	**39,704**	**$54.34**		
Exercised	**-**	**-**		
Balance at January 31, 2023	**915,233**	**$38.41**	**4.5**	**$67.9**
Vested or expected to vest at January 31, 2023	**915,233**	**$38.41**	**4.5**	**$67.9**
Exercisable at January 31, 2023	**654,467**	**$26.77**	**3.1**	**$48.6**

The aggregate intrinsic values represent the total pre-tax intrinsic value (the aggregate closing share price of our common shares on January 31, 2023) that would have been received by PSU holders if all PSUs had been vested on January 31, 2023.

As of January 31, 2023, $6.6 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over a weighted average period of 1.0 years. The total fair value of PSUs vested during 2023 was $5.2 million.

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Restricted Share Units

A summary of RSU activity is as follows:

	Number of RSUs Outstanding	Weighted-Average Granted Date Fair Value	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Balance at January 31, 2021	432,195	$19.98	4.7	$25.2
Granted	50,099	$65.33		
Exercised	(71,314)	$7.14		
Balance at January 31, 2022	410,980	$29.17	5.0	$30.3
Granted	**63,651**	**$61.53**		
Exercised	**-**	**-**		
Balance at January 31, 2023	**474,631**	**$32.44**	**4.7**	**$35.2**
Vested or expected to vest at January 31, 2023	**474,631**	**$32.44**	**4.7**	**$35.2**
Exercisable at January 31, 2023	**415,496**	**$28.26**	**4.1**	**$30.8**

The aggregate intrinsic values represent the total pre-tax intrinsic value (the aggregate closing share price of our common shares on January 31, 2023) that would have been received by RSU holders if all RSUs had been vested on January 31, 2023.

As of January 31, 2023, $3.5 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over a weighted average period of 1.7 years. The total fair value of RSUs vested during 2023 was $3.3 million.

Deferred Share Unit Plan

As at January 31, 2023, the total number of DSUs held by participating directors was 283,338 (252,011 at January 31, 2022), representing an aggregate accrued liability of $20.6 million ($18.3 million at January 31, 2022). During 2023, 31,327 DSUs were granted and nil DSUs were redeemed and settled in cash. As at January 31, 2023, the unrecognized aggregate liability for the unvested DSUs was nil (nil at January 31, 2022). The fair value of the DSU liability is based on the closing price of our common shares at the balance sheet date. The total compensation cost related to DSUs recognized in our consolidated statements of operations was approximately $3.2 million, $4.5 million and $4.6 million for the years ended January 31, 2023, 2022 and 2021, respectively.

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Cash-Settled Restricted Share Unit Plan

A summary of activity under our CRSU plan is as follows:

	Number of CRSUs Outstanding	Weighted-Average Remaining Contractual Life (years)
Balance at January 31, 2021	38,628	1.5
Granted	12,776	
Vested and settled in cash	(26,755)	
Forfeited	(221)	
Balance at January 31, 2022	24,428	1.4
Granted	**7,948**	
Vested and settled in cash	**(17,719)**	
Forfeited	**(74)**	
Balance at January 31, 2023	**14,583**	**1.4**
Non-vested at January 31, 2023	**14,583**	**1.4**

We recognize the compensation cost of the CRSUs ratably over the service/vesting period relating to the grant and have recorded an aggregate accrued liability of $0.4 million at January 31, 2023 ($0.8 million at January 31, 2022). As at January 31, 2023, the unrecognized aggregate liability for the unvested CRSUs was $0.7 million ($1.0 million at January 31, 2022). The fair value of the CRSU liability is based on the closing price of our common shares at the balance sheet date. The total compensation cost related to CRSUs recognized in our consolidated statements of operations was approximately $0.8 million, $1.3 million and $1.1 million for the years ended January 31, 2023, 2022 and 2021, respectively.

Note 18 - Income Taxes

Income before income taxes is earned in the following tax jurisdictions:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Canada	**49,158**	36,312	31,307
United States	**51,268**	32,338	26,072
Other countries	**33,302**	33,960	12,990
	133,728	102,610	70,369

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Income tax expense is incurred in the following jurisdictions:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Current income tax expense			
Canada	**9,673**	1,817	1,875
United States	**13,085**	8,689	(3,050)
Other countries	**5,490**	4,308	4,921
	28,248	14,814	3,746
Deferred income tax expense (recovery)			
Canada	**5,059**	8,381	7,047
United States	**(1,888)**	1,941	9,537
Other countries	**73**	(8,808)	(2,061)
	3,244	1,514	14,523
	31,492	16,328	18,269

Income tax expense for 2023, 2022 and 2021 was 24%, 16% and 26% of income before income taxes, respectively, with current income tax expense being 21%, 14% and 5% of income before income taxes, respectively.

Current income tax expense increased in 2023 compared to 2022 primarily due to the impact of the loss restriction rules in the UK and lower tax attributes available in Canada and US to deduct against income, in 2023.

Current income tax expense increased in 2022 compared to 2021 primarily due to a current tax recovery in 2021 related to a voluntary change in accounting for deferred revenue for income tax purposes in the United States elected by the Company.

Deferred income tax expense increased in 2023 compared to 2022 primarily due to a release in valuation allowances on tax losses carried forward in the comparative period, partially offset against a recovery of certain deferred tax attributes in the US recorded in 2023, as well as normal course changes in timing differences in Canada.

Deferred income tax expense decreased in 2022 compared to 2021 primarily due to additional deferred tax expense in 2021 related to a voluntary change in accounting for deferred revenue for income tax purposes in the United States elected by the Company as well as a release in valuation allowances recorded in 2022 related to tax losses in EMEA carried forward from previous periods.

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The components of the deferred income tax assets and liabilities are as follows:

	January 31, 2023	January 31, 2022
Assets		
Accrued liabilities not currently deductible	**5,506**	5,408
Accumulated net operating losses	**7,577**	10,594
Corporate minimum taxes	**-**	2,346
Difference between tax and accounting basis of property and equipment	**7,400**	12,021
Research and development expenditures and tax credits	**3,339**	1,172
Total deferred income tax assets	**23,822**	31,541
Liabilities		
Difference between tax and accounting basis of intangible assets	**(42,958)**	(47,255)
Temporary difference on equity derivative	**(3,077)**	(2,886)
Total deferred income tax liabilities	**(46,035)**	(50,141)
Net deferred income taxes	**(22,213)**	(18,600)
Valuation allowance	**(1,704)**	(1,961)
Net deferred income taxes, net of valuation allowance	**(23,917)**	(20,561)

As at January 31, 2023, we have not accrued for foreign withholding taxes and Canadian income taxes applicable to approximately $755.0 million of unremitted earnings of subsidiaries operating outside of Canada. These earnings, which we consider to be invested indefinitely, will become subject to these taxes if and when they are remitted as dividends or if we sell our stock in the subsidiaries. If we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside Canada.

The provision (recovery) for income taxes varies from the expected provision at the statutory rates for the reasons detailed in the table below:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Income before income taxes	**133,728**	102,610	70,369
Combined basic Canadian statutory rates	**26.5%**	26.5%	26.5%
Income tax expense based on the above rates	**35,438**	27,192	18,648
Increase (decrease) in income taxes resulting from:			
Permanent differences	**590**	3,467	875
Effect of differences between Canadian and foreign tax rates	**(1,859)**	(1,855)	(600)
Effect of rate changes on current year timing differences	**(219)**	(1,085)	(1,063)
Adjustments relating to previous periods	**(972)**	(569)	(1,034)
Increase (decrease) in accruals for uncertain tax positions	**(1,181)**	(849)	1,289
Valuation allowance	**(155)**	(9,102)	254
Stock based compensation	**-**	-	100
Other, including foreign exchange	**(150)**	(871)	(200)
Income tax expense	**31,492**	16,328	18,269

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We have income tax loss carry forwards which expire as follows:

Expiry year	Canada	United States	EMEA	Asia Pacific	Total
2024	-	-	-	175	**175**
2025	-	-	-	63	**63**
2026	-	-	-	-	**-**
2027	-	279	34	449	**762**
2028	-	138	-	85	**223**
Thereafter	8,128	882	19,504	385	**28,899**
	8,128	**1,299**	**19,538**	**1,157**	**30,122**

The following is a tabular reconciliation of the total estimated liability associated with uncertain tax positions taken:

	January 31, 2023	January 31, 2022
Liability, beginning of year	**7,354**	8,393
Gross increases – current period	**640**	333
Lapsing due to statutes of limitations	**(1,874)**	(1,372)
Liability, end of year	**6,120**	7,354

We have identified accruals of $6.1 million with respect to uncertain tax positions as at January 31, 2023. It is possible that these accruals for uncertain tax positions will not be required in which case up to $6.1 million of the recorded liability will decrease the effective tax rate in future years if this liability is reversed. We believe that it is reasonably possible that $1.9 million of the uncertain tax positions could decrease tax expense in the next 12 months relating primarily to tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

We recognize accrued interest and penalties related to uncertain tax positions as a current tax expense. As at January 31, 2023 and January 31, 2022, the unrecognized tax positions have resulted in no material liability for estimated interest and penalties.

Descartes and our subsidiaries file their tax returns as prescribed by the tax laws of the jurisdictions within which they operate. We are no longer subject to income tax examinations by tax authorities in our major tax jurisdictions as follows:

	Years No Longer Subject to Audit
Tax Jurisdiction	
United States Federal	2019 and prior
Canada	2017 and prior
United Kingdom	2019 and prior
Sweden	2020 and prior
Norway	2016 and prior
Netherlands	2015 and prior
Belgium	2020 and prior
Germany	2017 and prior
Switzerland	2018 and prior
Brazil	2018 and prior

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Note 19 – Contract Balances, Performance Obligations and Contract Costs

Deferred Revenue
The following table presents the changes in the deferred revenue balance as follows:

	Deferred Revenue
Balance at January 31, 2021	51,291
Recognition of previously deferred revenue	(38,065)
Deferral of revenue	45,234
Increases from business combinations, net	729
Effect of movements in foreign exchange	(489)
Balance at January 31, 2022	58,700
Recognition of previously deferred revenue	**(48,253)**
Deferral of revenue	**57,605**
Increases from business combinations, net	**2,188**
Effect of movements in foreign exchange	**(841)**
Balance at January 31, 2023	**69,399**
Current	**67,784**
Long-term	**1,615**

Performance Obligations
As of January 31, 2023, approximately $343.8 million of revenue is expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. We expect to recognize revenue on approximately 80% of these remaining performance obligations over the next 24 months with the balance recognized thereafter.

Contract Assets
The following table presents the changes in the contract assets balance as follows:

	Contract Assets
Balance at January 31, 2021	1,353
Transfers to trade receivables from contract assets	(730)
Increases as a result of delivered term licenses recognized as revenue during the period, net of amounts transferred to trade receivables	815
Effect of movements in foreign exchange	5
Balance at January 31, 2022	1,443
Transfers to trade receivables from contract assets	**(824)**
Increases as a result of delivered term licenses recognized as revenue during the period, net of amounts transferred to trade receivables	**2,618**
Effect of movements in foreign exchange	**(15)**
Balance at January 31, 2023	**3,222**

Contract Costs
Capitalized contract costs net of accumulated amortization is $18.4 million at January 31, 2023 ($16.6 million at January 31, 2022). Capitalized contract costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The total contract cost amortization included in sales and marketing expenses was approximately $5.8 million, $4.7 million and $3.3 million for the years ended January 31, 2023, 2022 and 2021, respectively.

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Note 20 - Other Charges

Other charges are comprised of acquisition-related costs, contingent consideration adjustments and restructuring initiatives which have been undertaken from time to time under various restructuring plans. Acquisition-related costs primarily include advisory services, administrative costs and retention bonuses to employees joining by way of an acquisition, and collectively relate to completed and prospective acquisitions.

The following tables shows the components of other charges as follows:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Acquisition-related costs	**2,560**	1,292	1,694
Contingent consideration accretion and adjustments	**2,804**	5,070	(1,659)
Restructuring plans	**77**	66	2,300
	5,441	6,428	2,335

Note 21 – Supplemental Cash Flow Information

The following tables presents the cash flow changes in operating asset and liabilities:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Trade accounts receivable	**151**	(2,884)	143
Other accounts receivable	**2,589**	2,042	(7,098)
Prepaid expenses and other	**(5,663)**	(8,276)	(5,029)
Inventory	**103**	(498)	99
Accounts payable	**(620)**	2,336	(686)
Accrued liabilities	**2,433**	13,760	(999)
Income taxes payable	**753**	426	3,835
Operating leases	**(95)**	(259)	283
Deferred revenue	**8,142**	6,142	5,877
	7,793	12,789	(3,575)

Note 22 - Segmented Information

We review our operating results, assess our performance, make decisions about resources, and generate discrete financial information at the single enterprise level. Accordingly, we have determined that we operate in one reportable business segment providing logistics technology solutions. The following tables provide our disaggregated revenue information by geographic location of customer and revenue type:

Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Revenues			
United States	**307,102**	242,086	211,232
Europe, Middle-East and Africa	**126,942**	128,990	94,163
Canada	**34,547**	36,116	29,388
Asia Pacific	**17,423**	17,498	13,881
	486,014	424,690	348,664

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Year Ended	**January 31, 2023**	January 31, 2022	January 31, 2021
Revenues			
License	**8,385**	5,060	5,054
Services	**435,734**	378,494	309,731
Professional services and other	**41,895**	41,136	33,879
	486,014	424,690	348,664

License revenues are derived from perpetual licenses granted to our customers to use our software products. Services revenues are comprised of ongoing transactional and/or subscription fees for use of our services and products by our customers and maintenance, which include revenues associated with maintenance and support of our services and products. Professional services and other revenues are comprised of professional services revenues from consulting, implementation and training services related to our services and products, hardware revenues and other revenues.

The following table provides information by geographic area of operation for our long-lived assets. Long-lived assets represent property and equipment and intangible assets that are attributed to geographic areas.

	January 31, 2023	January 31, 2022
Total long-lived assets		
United States	**138,007**	102,649
Europe, Middle-East and Africa	**32,921**	43,922
Canada	**63,414**	84,943
Asia Pacific	**6,900**	8,912
	241,242	240,426

Note 23 – Subsequent Event

On February 14, 2023, Descartes acquired all of the shares of Windigo Logistics, Inc., doing business as GroundCloud ("GroundCloud"), a cloud-based provider of final-mile carrier solutions and road safety compliance tools. The purchase price for the acquisition was approximately $138.0 million, net of cash acquired, which was funded from cash on hand, plus potential performance-based contingent consideration of up to $80.0 million based on GroundCloud achieving revenue-based targets over the first two years post-acquisition. The major classes of assets acquired include: current assets, intangible technology assets, intangible customer assets, as well as certain liabilities assumed. Due to the limited time since the acquisition date and the size of the transaction, the accounting for the business combination is not yet complete and the fair value of the acquired assets and liabilities has not been determined.

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CORPORATE INFORMATION

Stock Exchange Information
Our common stock trades on the Toronto Stock Exchange under the symbol DSG and on The Nasdaq Stock Market under the symbol DSGX.

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