

# Microsoft Danmark ApS

Kanalvej 7 ,2800 Kgs. Lyngby


CVR no.13 61 28 70

## Annual report

**For the year 1 July 2017 - 30 June 2018**

Approved at the annual general meeting of shareholders on *22 November 2018*

Chairman:

  
.....  
**Kasper Damgaard Øelund**  
Advokat  
Axeltorv 2  
1609 København V

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**STATEMENT BY THE EXECUTIVE BOARD**

Today, the Executive Board has discussed and approved the annual report of Microsoft Danmark ApS for the financial year 1 July 2017 - 30 June 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 30 June 2018 and of the results of the company's operations for the financial year 1 July 2017 - 30 June 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial matters and the results of the company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Kgs. Lyngby, 08 November 2018  
Executive Board:

DocuSigned by:  
*Marianne Dahl Steensen*  
1EB14C4443AF45B  
Marianne Dahl Steensen

DocuSigned by:  
*Benjamin Orndorff*  
1CD49262D0694E4  
Benjamin Owen Orndorff

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**INDEPENDENT AUDITOR'S REPORT**

**To the shareholder of Microsoft Danmark ApS**

**Opinion**

We have audited the financial statements of Microsoft Danmark ApS for the financial year 1 July 2017 - 30 June 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 30 June 2018, and of the results of the company's operations for the financial year 1 July 2017 - 30 June 2018 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholder of Microsoft Danmark ApS**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

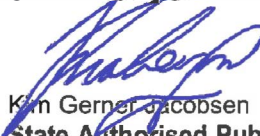
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**INDEPENDENT AUDITOR'S REPORT**

**To the shareholder of Microsoft Danmark ApS**

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 08 November 2018  
Deloitte  
Statsautoriseret Revisionspartnerselskab  
**CVR no. 33963556**

  
Kim Gerner Jacobsen  
**State Authorised Public Accountant**  
**mne 10122**

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## MANAGEMENT'S REVIEW

### Company details

Name	Microsoft Danmark ApS
Address, Postal code, City	Kanalvej 7, 2800 Kgs. Lyngby
CVR no.	13 61 28 70
Established	1 November 1989
Registered office	Lyngby-Taarbæk
Financial year	1 July 2017 - 30 June 2018
Website	<a href="http://www.microsoft.com/da-dk/danmark@microsoft.com">www.microsoft.com/da-dk/danmark@microsoft.com</a>
E-mail	
Telephone	+45 44 89 01 00
Telefax	+45 44 68 55 10
Executive Board	Marianne Dahl Steensen Benjamin Owen Orndorff
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

### Financial highlights

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
<b>Key figures</b>					
Revenue	1,250,136	1,128,347	1,092,883	1,031,235	940,205
Operating profit	233,727	217,391	198,873	179,565	154,728
Net financial expense	(1,139)	(762)	29,110	805	463
Profit for the year	180,618	164,619	183,329	138,399	117,150
Total assets	1,773,404	1,090,687	1,108,630	1,078,640	1,010,904
Investment in property, plant and equipment in the year	12,484	4,095	25,016	7,381	3,299
Equity	664,938	648,320	666,701	621,372	599,973
<b>Financial ratios</b>					
Operating margin	18.7%	19.3%	18.2%	17.4%	16.5%
Solvency ratio	37.5%	59.4%	60.1%	57.6%	59.4%
Return on equity	27.5%	25.0%	28.5%	22.7%	19.4%
Average number of employees	423	452	452	446	442

## Microsoft Danmark ApS Annual report 2017/18

### MANAGEMENT'S REVIEW

#### Management commentary

##### Business review

From February 2018, the principal activity of Microsoft Danmark ApS extended to include the direct distribution of software, IT Services and hardware to customers. Many numbers in financial statements 2017/18 are significantly affected by this new business model. The company continues to work with consultancy and support, as well as marketing and communication in relation to the sale of software, IT services and hardware. The activities are targeted towards private entities, the public sector and private individuals.

Our mission is to empower every person and every organization on the planet to achieve more.

##### Financial review

In 2017/18, the Company's revenue amounted to DKK1,250,136 thousand against DKK1,128,347 thousand last year. The income statement for 2017/18 shows a profit of DKK 180,618 thousand against DKK 164,619 thousand last year, and the balance sheet at 30 June 2018 shows equity of DKK 664,938 thousand. Management considers the Company's financial performance in the year satisfactory and in line with the expectations previously expressed.

##### Non-financial matters

Since the appointment of Satya Nadella as CEO for Microsoft Corp., Microsoft has undergone one of the biggest business transformations in history. Anchored in our mission to "Empower every person and every organization on the planet to achieve more", we have implemented a new strategy, new ambitions and initiated a fundamental shift in culture.

Our strategy is to build best-in-class platforms and productivity services for a mobile-first, cloud-first world. Microsoft's platforms will harmonize the interests of end users, developers and IT better than any competing ecosystem or platform.

We go to market based on six solutions areas, where our customers expect us to lead and innovate;

1. Data & AI
2. Apps & infrastructure
3. Business applications
4. Modern Workplace
5. Modern Life
6. Gaming

As a company, we acknowledge the many new opportunities and challenges posed by the new era of digitization and by the fourth industrial revolution. To be successful and to support the digital transformation of Microsoft and our customers in an ever-changing world, we believe it requires a mindset open to constant learning, experimenting and collaboration across teams and competencies; we call this a growth mindset. We have the opportunity to exercise our growth mindset every day in three distinct areas;

1. Customer-obsessed
2. Diverse and inclusive
3. One Microsoft



## Microsoft Danmark ApS Annual report 2017/18

### MANAGEMENT'S REVIEW

The transformation of Microsoft is a journey.

We initiated the fiscal year 2017/18 with one of the biggest reorganizations in Microsoft's history, aligning to a new consumer and commercial model. The new model entailed a change in customer segmentation, new ways of engaging with our partners, and a new way and more modern way of going to market.

The reorganization posed many changes on a structural level, in processes as well as in people. We have introduced a new unit, Customer Success, that supports the pre-sale phase with our customers ensuring a customer obsessed approach when delivering digital transformation solutions to our customers. We have centralized and automated many of our marketing mechanisms, ensuring a much shorter customer journey from lead to sale. We have also centralized and strengthened our partner model under the one commercial partner unit, enabling us to develop our partner capabilities even further.

The landing of the new model has been a focal point in the fiscal year 2017/18. The internal transition towards the new model has been rather successful, demonstrating a team of employees who are very dedicated, forward-looking and willing to adapt. In the annual Microsoft Poll Survey (employee satisfaction), the overall Work Health Index had increased with 1% compared to the year before.

Also, our customers and partners are responding positively to the new engagement model, enabling us to feel empowered to deliver on our ambitions for the future both at Microsoft and within our ecosystem. In the annual images survey, Berlingske Guldimage, surveying the perception of 140 companies among 3,500 BDMs across Danish businesses, we increased our overall position from #13 to #11.

#### Knowledge resources

##### Management

July 2017, Peter Skov was appointed Lead for Public Sector, taking over from Claus Jul Christiansen. Before this, Peter Skov was serving as Lead for the Public Sector Account Team Unit.

July 2017, Frederik Braun was appointed Lead for Specialist Team Unit (STU), a newly established unit. Before this, the Specialist Team was part of the Enterprise Commercial Unit, and the team was lead by Frederik Braun.

July 2017, Simon Høgsbro was appointed Lead for the Customer Success Unit (CSU), a newly established unit. Before this, Simon was lead for the Developer Experience unit (DX), which was abolished during the reorganization.

July 2017, Claus Jul Christiansen was appointed Lead for the One Commercial Partner & Small, Medium and Corporates (OCP & SMC), a newly established unit taking over the activities of the former Small & Mid-market Solutions & Partners unit (SMSP).

March 2018, Mikaël Zakarian was appointed CFO, taking over from George Tsihchlis. Mikaël brings 15 years of experience from Microsoft, his latest role being in the Field Intelligence Team supporting the Asia region employed by the Global Sales, Marketing, Operations Headquarters at Microsoft.

## Microsoft Danmark ApS Annual report 2017/18

### MANAGEMENT'S REVIEW

#### Employees

Microsoft's business is based on the knowledge and innovation created by people. It is therefore our clear objective to attract, retain and develop the best employees, so that Microsoft can continue to deliver the best solutions in the market. Since this requires motivated and dedicated employees, Microsoft focuses on maintaining and developing its position as one of Denmark's best workplaces. As one element of this, Microsoft is strategically dedicated to diversity across gender, age, nationality, religion and sexual orientation.

During 2017/18 Microsoft Denmark was rated in top 5 as one of the most attractive employers in the Nordics among students of Engineering, IT and Business (Universum).

#### Statutory CSR report

Microsoft Danmark ApS does not have any local CSR policy, including Human Rights, Climate or Environment, as it is part of the Microsoft Group, who has developed a Sustainability report that covers the entire group. Microsoft's Sustainability report can be found on <https://www.microsoft.com/en-us/about/corporate-responsibility/reports-hub>

#### Account of the gender composition of Management

Microsoft Danmark has specific goals for women in management along with a strategy for how to reach these goals. In general, the IT- and technology industry appeals more to men than to women due to its technical foundation. With this in mind, we have set some goals for the number of women in management as well as the number as women in the whole.

- The top management team consist of 9 people, of which 3 are females. This gives a 33% female representation, which is considered positive (target: at least 30%)
- The full management population 26%: not fully satisfactory (target: at least 30%)
- The total population consists of 29%: not fully satisfactory (target: at least 30%)

The Executive Board comprises of a man and a woman. The Company has therefore achieved a balance of gender with regards to Executive Board. It is Microsoft Danmark's intent and policy to increase the number of females in all management layers in order to reflect the country population best possible. The action plan for increasing especially the middle management female representation builds on already ongoing initiatives such as female targeted employer branding materials, a female ambassador program, female mentoring in the hiring process, and a series of new initiatives including increased work life balance measures and a targeted network for 'career mothers'.

#### Events after the balance sheet date

No events have occurred after the balance sheet date which materially affect the financial year.

#### Outlook

For the fiscal year 2018/19 Management expects an increase in the revenue of 150% compared to 2017/18. The revenue growth is related to the direct distribution of software, IT Services and hardware to customers. Profit before tax in 2018/19 is expected to be 10% higher compared to 2017/18.

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**INCOME STATEMENT**

<b>DKK'000</b>	<b>Note</b>	2017/18	2016/17
Revenue	<b>2</b>	1,250,136	1,128,347
Cost of Sales		(154,545)	0
<b>Gross margin</b>		<u>1,095,591</u>	<u>1,128,347</u>
Distribution costs	<b>3</b>	(693,237)	(772,624)
Administrative expenses	<b>3</b>	(138,751)	(106,575)
<b>Operating profit</b>		263,603	249,148
Other operating income		19,504	38,008
Other operating expense		(49,380)	(69,765)
<b>Profit before net financials</b>		<u>233,727</u>	<u>217,391</u>
Finance expense	<b>4</b>	(1,139)	(762)
<b>Profit before tax</b>		232,588	216,629
Tax for the year	<b>5</b>	(51,970)	(52,010)
<b>Profit for the year</b>		<u>180,618</u>	<u>164,619</u>

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**BALANCE SHEET**

<b>DKK'000</b>	<b>Note</b>	<b>2017/18</b>	<b>2016/17</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Goodwill	<b>6</b>	0	0
		<u>0</u>	<u>0</u>
 <b>Property, plant and equipment</b>			
Other fixtures and fittings, tools and equipment	<b>7</b>	9,733	6,674
Leasehold improvements		16,683	16,911
Property, plant and equipment under construction		0	595
		<u>26,416</u>	<u>24,180</u>
 <b>Investments</b>			
Receivables from group entities	<b>8</b>	774,663	827,759
		<u>774,663</u>	<u>827,759</u>
<b>Total fixed assets</b>		<u>801,079</u>	<u>851,939</u>
<b>Non-fixed assets</b>			
Trade receivables		462,621	109,450
Receivables from group entities		212,247	113,947
Deferred tax assets	<b>9</b>	2,862	2,223
Other current receivables		204	69
Prepayments		294,268	13,003
		<u>972,202</u>	<u>238,692</u>
<b>Cash</b>		123	56
<b>Total non-fixed assets</b>		<u>972,325</u>	<u>238,748</u>
<b>TOTAL ASSETS</b>		<u>1,773,404</u>	<u>1,090,687</u>

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**BALANCE SHEET**

<b>DKK'000</b>	<b>Note</b>	<b>2017/18</b>	<b>2016/17</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		201	201
Retained earnings		483,737	484,119
Dividend proposed for the year		181,000	164,000
<b>Total equity</b>		<u>664,938</u>	<u>648,320</u>
Other provisions	<b>10</b>	<u>3,480</u>	<u>3,248</u>
<b>Total provisions</b>		<u>3,480</u>	<u>3,248</u>
<b>Liabilities</b>			
<b>Non-current liabilities other than provisions</b>			
Income taxes Payable		<u>52,609</u>	<u>48,208</u>
		<u>52,609</u>	<u>48,208</u>
<b>Current liabilities</b>			
Bank debt		0	109
Trade payables		19,567	27,424
Income tax payable		48,208	42,379
Payables to group entities		273,850	0
Other payables	<b>11</b>	327,566	247,871
Deferred income		<u>383,186</u>	<u>73,128</u>
		<u>1,052,377</u>	<u>390,911</u>
<b>Total liabilities other than provisions</b>		<u>1,104,986</u>	<u>439,119</u>
<b>Total equity and liabilities</b>		<u>1,773,404</u>	<u>1,090,687</u>

1 Accounting policies

12 Contractual obligations and contingencies, etc.

13 Collateral

14 Related parties

15 Fee to the auditors appointed by the Company in general meeting

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**STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital	Retained earnings	Dividend proposed for the year	Total
<b>DKK'000</b>					
<b>Equity at 1 July 2016</b>		201	483,500	183,000	666,701
Transfer, see "Appropriation of the profit"		0	619	164,000	164,619
Dividend distributed		0	0	(183,000)	(183,000)
<b>Equity at 30 July 2017</b>		<u>201</u>	<u>484,119</u>	<u>164,000</u>	<u>648,320</u>
Transfer, see "Appropriation of the profit"	<b>16</b>	0	(382)	181,000	180,618
Dividend distributed		0	0	(164,000)	(164,000)
<b>Equity at 30 June 2018</b>		<u>201</u>	<u>483,737</u>	<u>181,000</u>	<u>664,938</u>

The share capital consists of 401 shares of DKK 500 each. The shares have not been divided into classes. There have been no changes to contributed capital in the past 5 financial years.

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting policies**

The annual report of Microsoft Danmark ApS for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

#### **Changes in accounting policies**

No changes on the accounting policies as per last year's Annual report.

#### **Omission of a cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the ultimate parent company, Microsoft Corporation.

#### **Basis of recognition and measurement**

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

#### **Reporting currency**

The financial statements are presented in Danish kroner (DKK'000).

#### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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**NOTES TO THE FINANCIAL STATEMENTS**

**Income statement**

**Revenue**

Revenue primarily consists of intra-group commissions regarding sales of Microsoft products in Denmark. Furthermore, the revenue comprises to some extent invoiced sales of consultancy services, etc.

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Since February 2018, the core business of Microsoft Danmark ApS has been expanded to include live distribution of software and hardware for the following activities: Microsoft Supply Chain (MSC) for Danish customers. Microsoft Danmark ApS operates this business under a "Limited Risk Distributor" model, the terms of which are defined in a distribution and inter-company service agreement signed with Microsoft Ireland Operations Limited (MIOL).

Licences for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licences or subscribe to licences, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licences is recognised upfront at the point in time when the software is made available to the customer. In cases where we allocate revenue to software updates, primarily because the updates are provided at no additional charge, revenue is recognised as the updates are provided, which is generally rateably over the estimated life of the related device or licence.

Certain volume licensing programs, including Enterprise Agreements, include on-premises licences combined with Software Assurance ("SA"). SA conveys the rights to new software and upgrades released over the contract period and provides support, tools, and training to help customers deploy and use products more efficiently. On-premises licences are considered distinct from SA and therefore separate performance obligations when sold with SA. Revenue allocated to SA is generally recognised rateably over the contract period as customers simultaneously consume and receive benefits, given that SA comprises distinct goods or services that are satisfied over time.

Maintenance and subscription products are recognized proportionately over the term of the contract. Revenue from sales of packaged goods to and through distributors and resellers is recognized at the point in time when ownership is transferred to distributors and resellers or directly to end-customers.



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**NOTES TO THE FINANCIAL STATEMENTS**

**Cost of goods sold**

Cost of goods sold relate to those costs which are directly attributable to the revenue generating activities of the company and are recognised in the income statement in line with the related recognition of revenue.

**Other operating income and operating expenses**

Other operating income and expenses comprise of income and costs of a secondary nature as viewed in relation to the Company's primary activities, including gains and losses from the sale of intangible assets and property, plant and equipment etc.

**Distribution costs**

Distribution expenses comprise costs incurred for sale and distribution of the Company's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

**Administrative expenses**

Administrative expenses comprise expenses incurred for the Company's administrative junctions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Company.

**Financial income and expenses**

Financial income and expenses comprises interests, including those to group entities net capital gains and losses on transactions in foreign currencies as well as tax relief and surcharges under the Danish Tax Prepayment Scheme, etc.

**Taxation**

The Company is covered by the Danish rules on compulsory joint taxation of the Microsoft Group's Danish subsidiaries. The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the administrative company according to the current rates applicable to interest allowances, and jointly taxed companies which do not pay their due taxes, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the administrative company.

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Balance sheet**

#### **Intangible assets**

Goodwill is amortised on a straight-line basis over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired entities with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### **Property, plant and equipment**

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets: A useful life of three to five years is applied to other fixtures and fittings, tools and equipment. Computers (excl. servers) are fully depreciated in the month of acquisition. Leasehold improvements are depreciated on a straight-line basis over the agreed lease period, not to exceed 10 years.

Residual values of property, plant and equipment are subject to annual reassessment.

Fixed assets are written down to the recoverable amount, if this value is lower than the carrying amount.

Profits and losses from the sale of property, plant and equipment are recognised in the income statement under the same items as the related depreciation.

#### **Other securities and investments**

Financial assets comprise of loan to group entities as well as other loans which are due more than a year. Financial assets are measured at amortised cost.

#### **Impairment of fixed assets**

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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**NOTES TO THE FINANCIAL STATEMENTS**

**(iv) Impairment of fixed assets**

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

**Receivables**

Receivables are measured at amortised cost, usually equaling nominal value less provisions for bad debts. Provisions for bad debts are calculated on the basis of an assessment of the expected collectibility.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years as well as not invoiced consultancy services relating to the current financial year. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Equity**

**Proposed dividends**

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

**Provisions**

Provisions comprise anticipated expenses relating to restorations, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

**Income taxes**

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

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## NOTES TO THE FINANCIAL STATEMENTS

### (d) Income taxes

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### Liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

### Segment information

Segment information is given for revenue broken down by business segment. The segmentation is in accordance with the entity's internal financial management.

### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

## 2. Segment information

### DKK'000

	2017/18	2016/17
Products	153,762	0
Service and Other	7,896	0
Commission income	713,535	794,005
Consultancy income	374,943	334,342
	<u>1,250,136</u>	<u>1,128,347</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**3. Staff costs and incentive plans**

DKK'000	2017/18	2016/17
Wages/salaries	522,000	539,545
Pensions	38,973	45,718
Other social security costs	912	920
	<u>561,885</u>	<u>586,183</u>
 <i>Staff costs are recognised as follows in the financial statements:</i>		
Distribution costs	477,718	532,685
Administrative expenses	84,167	53,498
	<u>561,885</u>	<u>586,183</u>
 Average number of full-time employees		
	423	452
<i>Remuneration to members of management:</i>		
Executive board	4,026	4,882
	<u>4,026</u>	<u>4,882</u>

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## NOTES TO THE FINANCIAL STATEMENTS

The remuneration of the Executive Board includes pension of DKK 295 thousand (2016/17: DKK 358 thousand).

Incentive programmes :

In addition to the performance bonus program, the Company has a stock award program, which also included the Executive Board.

The award program comprise stocks in the ultimate parent company. The Danish Company does not pay for these rights.

### 4. Financial expense

DKK'000	2017/18	2016/17
Interest expense,group entities	106	0
Other interest expense	31	114
Exchange losses	1,002	648
	<u>1,139</u>	<u>762</u>

### 5. Tax for the year

DKK'000	2017/18	2016/17
Estimated tax charge for the year	52,609	48,207
Deferred tax adjustments in the year	(639)	(322)
Tax adjustments,prior years	0	4,125
	<u>51,970</u>	<u>52,010</u>

### 6. Intangible assets

DKK'000	Goodwill
Cost at 1 July 2017	126,141
Cost at 30 June 2018	126,141
Impairment losses and amortisation at 1 July 2017	126,141
Impairment losses and amortisation at 30 June 2018	126,141
<b>Carrying amount at 30 June 2018</b>	<u>0</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**7. Property, plant and equipment**

DKK'000

	Other Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Leasehold improvements	Total
Cost at 1 July 2017	23,491	595	20,135	44,221
Additions in the year	10,386	0	2,098	12,484
Disposals in the year	(3,586)	0	0	(3,586)
Transfers in the year	0	(595)	0	(595)
Cost at 30 June 2018	30,291	0	22,233	52,524
Impairment losses and depreciation at 1 July 2017	16,817	0	3,225	20,042
Depreciation in the year	7,327	0	2,325	9,652
Reversal of depreciation and impairment of disposals	(3,586)	0	0	(3,586)
Impairments losses and depr at 30 June 2018	20,558	0	5,550	26,108
<b>Carrying amount at 30 June 2018</b>	<b>9,733</b>	<b>0</b>	<b>16,683</b>	<b>26,416</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**8. Investments**

DKK'000	Receivables from group entities
Cost at 1 July 2017	827,759
Disposals in the year	(53,096)
<b>Cost at 30 June 2018</b>	<u>774,663</u>
<b>Carrying amount at 30 June 2018</b>	<u>774,663</u>

The Company is part of the Group's cash pool facility and has a right to utilize the credit facilities.

**9. Deferred tax**

DKK'000	2017/18	2016/17
Deferred tax at 1 July	(2,223)	(1,901)
Adjustment of the deferred tax charge for the year	(639)	(322)
<b>Deferred tax at 30 June</b>	<u>(2,862)</u>	<u>(2,223)</u>

**Deferred tax relates to:**

Property, plant and equipment	(2,563)	(2,039)
Provisions	(299)	(184)
	<u>(2,862)</u>	<u>(2,223)</u>

**10. Other provisions**

DKK'000	2017/18	2016/17
Opening balance at 1 July	3,248	3,031
Provision for the year	232	217
<b>Other provisions at 30 June</b>	<u>3,480</u>	<u>3,248</u>

**Other provisions are expected to be payable in:**

> 5 years	3,480	3,248
	<u>3,480</u>	<u>3,248</u>

Other provisions includes provisions for restoration of leased premises and similar provisions.

**11. Other payables**

DKK'000	2017/18	2016/17
VAT and other indirect taxes	74,140	7,763
Wages/salaries, salary taxes, social security contributions, etc.	97,120	123,842
Compensated absence commitment	83,083	92,878
Other accrued expenses	73,223	23,388
	<u>327,566</u>	<u>247,871</u>



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## NOTES TO THE FINANCIAL STATEMENTS

### 12. Contractual obligations and contingencies, etc.

#### Other contingent liabilities

Microsoft Danmark ApS is a party in certain disputes in which the final financial outcome is uncertain. If the pending disputes result in considerable payments for the Entity, the parent company will refund the payments so that the financial position of the Entity will not be affected by the payments. Therefore, Management's assessment is that the final settlements will not have a significant influence on the financial position of the Entity.

The Company is jointly taxed with the Microsoft groups' Danish companies. Together with the administrative company, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 30 June 2018, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 82,638 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies liability will increase.

#### Other financial obligations

Other rent and lease liabilities:

DKK'000	2017/18	2016/17
Rent and lease liabilities	125,682	146,887

Microsoft Danmark ApS and Microsoft Development Center Copenhagen ApS have entered into a joint contract to lease a shared domicile located in Lyngby north of Copenhagen. The two companies are jointly liable for the 10 year rent commitment, with a remaining obligation amounting to DKK 256 million as of 30 June 2018. Microsoft Danmark ApS is expected to pay 45% of the rent commitment.

### 13. Collateral

A bank guarantee amounting to DKK 44,085 thousand has been pledged as security for the Company's future payments of rent costs.

### 14. Related parties

Microsoft Danmark ApS related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Microsoft International Holdings Spain S.R.L	Madrid, Spain	Participating interest

Information about consolidated financial statements

Ultimate parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Microsoft Corporation	Redmond, WA, USA	<a href="http://www.microsoft.com">www.microsoft.com</a>

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Related party transactions

Microsoft Danmark ApS was engaged in the below related party transactions:

DKK'000	2017/18	2016/17
Commission income	713,535	794,004
Service fee (expenses)	(5,265)	(5,742)
Financial expenses	(106)	0
Cost of Sales	(154,545)	0
Receivables from group entities - Long-term	774,663	827,759
Receivables from group entities - Short-term	212,247	113,947
Payables to group entities	273,850	0

**15. Fee to the auditors appointed by the Company in general meeting**

DKK'000	2017/18	2016/17
Statutory audit	250	245
Assurance engagements	0	47
Other assistance	0	15
	<u>250</u>	<u>307</u>

**16. Appropriation of profit**

DKK'000	2017/18	2016/17
<b><i>Recommended appropriation of profit</i></b>		
Proposed dividend recognised under equity	181,000	164,000
Retained earnings	(382)	619
	<u>180,618</u>	<u>164,619</u>