

# Microsoft Danmark ApS

Kanalvej 7, 2800 Kgs.Lyngby

CVR no. 13612870

## Annual report

**For the year 1 July 2018 - 30 June 2019**

Approved at the annual general meeting of shareholders on

Chairman:



CHANTAL PATEL  
15 NOVEMBER 2019

Chantal Pernille Patel  
Advokat

Gorrissen Federspiel  
Advokatpartnerselskab  
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 2018 - 30 June 2019.

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 2019 and of the results of the company's operations for the financial year 1 July 2018 - 30 June 2019.

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, 31 October 2019  
Executive Board:

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*Nana Sejbæk*  
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Nana Sejbæk

DocuSigned by:  
*Benjamin Orndorff*  
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Benjamin 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 2018 - 30 June 2019, 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 2019, and of the results of the company's operations for the financial year 1 July 2018 - 30 June 2019 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.

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**INDEPENDENT AUDITOR'S REPORT**

**To the shareholder of Microsoft Danmark ApS**

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:

- 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.

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**INDEPENDENT AUDITOR'S REPORT**

**To the shareholder of Microsoft Danmark ApS**

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.

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, 31 October 2019  
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.	13612870
Established	1 November 1989
Registered office	Lyngby-Taarbæk
Financial year	1 July 2018 - 30 June 2019
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	Nana Sejbæk Benjamin Orndorff
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

### Financial highlights

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
<b>Key figures</b>					
Revenue	2,341,336	1,250,136	1,128,347	1,092,883	1,031,235
Operating profit	244,673	233,727	217,391	198,873	179,565
Net financial expense	(236)	(1,139)	(762)	29,110	805
Profit for the year	189,985	180,618	164,619	183,329	138,399
Total assets	3,702,655	1,773,404	1,090,687	1,108,630	1,078,640
Investment in property, plant and equipment in the year	10,862	12,484	4,095	25,016	7,381
Equity	673,923	664,938	648,320	666,701	621,372
<b>Financial ratios</b>					
Operating margin	10.5 %	18.7 %	19.3 %	18.2 %	17.4 %
Solvency ratio	18.2 %	37.5 %	59.4 %	60.1 %	57.6 %
Return on equity	28.4 %	27.5 %	25.0 %	28.5 %	22.7 %
Average number of employees	416	423	452	452	446

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### MANAGEMENT'S REVIEW

#### Management commentary

##### Business review

Microsoft Danmark ApS works with consultancy and support, as well as marketing and communication in relation to the sale of software, IT, services and hardware, and continues to align to the model introduced February 2018 where the principal activity of Microsoft Danmark ApS was extended to include the direct distribution of software, IT Services and hardware to customers. As such, numbers in the financial statements 2018/19 continues to be significantly affected by this business model. The activities are targeted towards private entities and the public sector.

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

##### Financial review

In 2018/19, the Company's revenue amounted to DKK2,341,336 thousand against DKK1,250,136 thousand last year. The income statement for 2018/19 shows a profit of DKK 189,985 thousand against DKK 180,618 thousand last year, and the balance sheet at 30 June 2019 shows equity of DKK 673,923 thousand. Management considers the Company's financial performance in the year satisfactory and in line with the expectations previously expressed.

##### Non-financial matters

Microsoft's mission is to 'Empower every person and every organization on the planet to achieve more', with a strategy 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.



## Microsoft Danmark ApS Annual report 2018/19

### MANAGEMENT'S REVIEW

#### Building the foundation for growth

In the fiscal year 2018/19 Microsoft Denmark made significant progress in accelerating the transformation of the business and changes made in 2017, laying a strong foundation for further growth into the coming fiscal year. For the organization, a key initiative for the year has been a strong push on building and emphasizing a learning-culture. A global programme was rolled out, focusing on deepening the technical skills of all employees in order to advice and serve customers and partners in line with the fast-paced digital opportunities and developments. The initiative is a strong reflection of the movement from a 'know-it-all'-culture to a 'learn-it-all'-culture, building on the Growth mindset and corporate values, intrinsic to the business.

#### Knowledge resources

##### Management

In August 2018 Crilles Jansen was appointed Lead for Specialist Team Unit, taking over from Frederik Braun.

In March 2019, Ricky Gangsted-Rasmussen was appointed Lead for Customer Service Unit.

In March 2019 Birgitte Svejstrup was appointed Lead for Services, taking over the role from Crilles Jansen.

##### 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 2018/19 Microsoft Denmark was rated in top 3 as one of the most attractive employers in the Nordics among students of as well 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>

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### MANAGEMENT'S REVIEW

#### 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 10 people, of which 4 are females. This gives a 40% female representation, which is considered positive (target: at least 30%)
- The full management population 44%: which is considered a positive progress from 26% last year (target: at least 30%)
- The total population consists of 33%: which is considered a positive progress from 29% last year (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 strong focus on inclusion in general to make all thrive regardless of gender and background

#### Events after the Balance Sheet date

Due to group internal restructuring, effective from 1 July 2019 Microsoft Ireland Research owns 100% of voting rights and share capital of Microsoft Danmark ApS, which implies, that from 1 July 2019 Microsoft Danmark ApS is no longer comprised with article 2A (1) of the corporate tax act. The taxes triggered in connection with transition will be settled by Administration Company - Microsoft Inc

#### Outlook

For the fiscal year 2019/20 Management expects an increase in the revenue up to 10% compared to 2018/19. The revenue growth is related to the direct distribution of software, IT Services and hardware to customers. In consideration with resources needed to support revenue growth, profit before tax in 2019/20 is expected to be 4-5% higher compared to 2018/19.

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**INCOME STATEMENT**

DKK'000	Note	2018/19	2017/18
Revenue	3	2,341,336	1,250,136
Cost of Sales		(1,280,935)	(154,545)
<b>Gross margin</b>		<u>1,060,401</u>	<u>1,095,591</u>
Distribution costs	4	(709,483)	(693,237)
Administrative expenses	4	(85,546)	(138,751)
<b>Operating profit</b>		<u>265,372</u>	<u>263,603</u>
Other operating income		20,014	19,504
Other operating expense		(40,713)	(49,380)
<b>Profit before net financials</b>		<u>244,673</u>	<u>233,727</u>
Financial income	5	750	0
Financial expense	6	(986)	(1,139)
<b>Profit before tax</b>		<u>244,437</u>	<u>232,588</u>
Tax for the year	7	(54,452)	(51,970)
<b>Profit for the year</b>		<u>189,985</u>	<u>180,618</u>

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**BALANCE SHEET**

DKK'000	Note	2018/19	2017/18
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Goodwill	8	0	0
		<u>0</u>	<u>0</u>
<b>Property, plant and equipment</b>			
Other fixtures and fittings, tools and equipment	9	12,093	9,733
Leasehold improvements		14,611	16,683
		<u>26,704</u>	<u>26,416</u>
<b>Investments</b>			
Receivables from group entities	10	0	774,663
		<u>0</u>	<u>774,663</u>
<b>Total fixed assets</b>		<u>26,704</u>	<u>801,079</u>
<b>Non-fixed assets</b>			
Trade receivables	11	1,172,212	462,621
Receivables from group entities		1,075,906	212,247
Deferred tax assets	12	3,211	2,862
Other current receivables		30	204
Prepayments		1,424,498	294,268
		<u>3,675,857</u>	<u>972,202</u>
<b>Cash</b>		94	123
<b>Total non-fixed assets</b>		<u>3,675,951</u>	<u>972,325</u>
<b>TOTAL ASSETS</b>		<u>3,702,655</u>	<u>1,773,404</u>

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**BALANCE SHEET**

DKK'000	Note	2018/19	2017/18
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		201	201
Retained earnings		483,822	483,737
Dividend proposed for the year		189,900	181,000
		<u>673,923</u>	<u>664,938</u>
<b>Total equity</b>		<u>3,729</u>	<u>3,480</u>
Other provisions	13	<u>3,729</u>	<u>3,480</u>
<b>Total provisions</b>			
<b>Liabilities</b>			
<b>Non-current liabilities other than provisions</b>			
Income taxes Payable		52,427	52,609
		<u>52,427</u>	<u>52,609</u>
<b>Current liabilities</b>			
Trade payables		14,941	19,567
Income tax payable		54,983	48,208
Payables to group entities		710,183	273,850
Other payables	14	625,753	327,566
Deferred income		1,566,716	383,186
		<u>2,972,576</u>	<u>1,052,377</u>
		<u>3,025,003</u>	<u>1,104,986</u>
<b>Total liabilities other than provisions</b>		<u>3,025,003</u>	<u>1,104,986</u>
<b>Total equity and liabilities</b>		<u>3,702,655</u>	<u>1,773,404</u>

1 Accounting policies

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

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**STATEMENT OF CHANGES IN EQUITY**

DKK'000	Note	Share Capital	Retained earnings	Dividend proposed for the year	Total
<b>Equity at 1 July 2017</b>		201	484,119	164,000	648,320
Transfer, see "Appropriation of the profit"		0	(382)	181,000	180,618
Dividend distributed		0	0	(164,000)	(164,000)
<b>Equity at 30 June 2018</b>		201	483,737	181,000	664,938
Transfer, see "Appropriation of the profit"	19	0	85	189,900	189,985
Dividend distributed		0	0	(181,000)	(181,000)
<b>Equity at 30 June 2019</b>		201	483,822	189,900	673,923

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 2018/19 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 in 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 live distribution of software and hardware to Danish customers. Furthermore, the revenue comprises to some extent intra-group commissions and invoiced sales of consultancy services.

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).

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.

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.

**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.



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## **NOTES TO THE FINANCIAL STATEMENTS**

### **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 functions, 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. 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.

### **Balance sheet**

#### **Intangible assets**

##### **Goodwill**

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.

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**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 dividend**

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.

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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 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. Events after the Balance Sheet date

Due to group internal restructuring, effective from 1 July 2019 Microsoft Ireland Research owns 100% of voting rights and share capital of Microsoft Danmark ApS, which implies, that from 1 July 2019 is no longer comprised with article 2A (1) of the corporate tax act. The taxes triggered in connection with transition will be settled by Administration Company - Microsoft Inc

### 3. Segment information

DKK'000	2018/19	2017/18
Products	906,266	153,762
Service and Other	433,621	7,896
Commission income	721,675	713,535
Consultancy income	279,774	374,943
	2,341,336	1,250,136

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**NOTES TO THE FINANCIAL STATEMENTS**

**4. Staff costs and incentive plans**

DKK'000	2018/19	2017/18
Wages and salaries	541,040	522,000
Pensions	42,217	38,973
Other social security costs	923	912
	584,180	561,885
 <b>Staff costs are recognised as follows in the financial statements:</b>		
Distribution costs	555,173	477,718
Administrative expenses	29,007	84,167
	584,180	561,885
 Average number of full-time employees	 416	 423
<b>Remuneration to members of management:</b>		
Executive board	4,960	4,026
	4,960	4,026

The remuneration of the Executive Board includes pension of DKK 364 thousand (2017/18: DKK 295 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.

**5. Financial Income**

	2018/19	2017/18
Exchange Gains	750	0
	750	0

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**NOTES TO THE FINANCIAL STATEMENTS**

**6. Financial Expenses**

DKK'000	2018/19	2017/18
Interest expenses, group entities	0	106
Other interest expenses	986	31
Exchange losses	0	1,002
	986	1,139

**7. Tax for the year**

DKK'000	2018/19	2017/18
Estimated tax charge for the year	54,983	52,609
Tax adjustments, prior year	(182)	0
Deferred tax adjustments in the year	(349)	(639)
	54,452	51,970

**8. Intangible assets**

DKK'000	Goodwill
Cost at 1 July 2018	126,141
Cost at 30 June 2019	126,141
Amortisation and impairment losses at 1 July 2018	126,141
Amortisation and impairment losses at 30 June 2019	126,141
<b>Carrying amount at 30 June 2019</b>	<b>0</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**9. Property, plant and equipment**

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 July 2018	30,291	22,233	52,524
Additions in the year	10,547	315	10,862
Disposals/Transfers in the year	(737)	0	(737)
Cost at 30 June 2019	40,101	22,548	62,649
Impairment losses and depreciation at 1 July 2018	20,558	5,550	26,108
Depreciation in the year	8,129	2,387	10,516
Reversal of depreciation and impairment of disposals	(679)	0	(679)
Impairment losses and depreciation at 30 June 2019	28,008	7,937	35,945
<b>Carrying amount at 30 June 2019</b>	<b>12,093</b>	<b>14,611</b>	<b>26,704</b>

**10. Investments**

DKK'000	Receivables from group entities
Cost at 1 July 2018	774,663
Disposals in the year	(774,663)
Cost at 30 June 2019	0
<b>Carrying amount at 30 June 2019</b>	<b>0</b>

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

**11. Trade Receivables**

Part of the receivable, DKK 101,000 thousand, is expected to be received after 30 June 2020 and should therefore be considered a long-term receivable.

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**NOTES TO THE FINANCIAL STATEMENTS**

**12. Deferred tax**

DKK'000	2018/19	2017/18
Deferred tax at 1 July	(2,862)	(2,223)
Adjustment of the deferred tax charge for the year	(349)	(639)
<b>Deferred tax at 30 June</b>	<u>(3,211)</u>	<u>(2,862)</u>
<b>Deferred tax relates to:</b>		
Property, plant and equipment	(3,007)	(2,563)
Provisions	(204)	(299)
	<u>(3,211)</u>	<u>(2,862)</u>

**13. Other provisions**

DKK'000	2018/19	2017/18
Opening balance at 1 July	3,480	3,248
Provision for the year	249	232
<b>Other provisions at 30 June</b>	<u>3,729</u>	<u>3,480</u>
<b>Other provisions are expected to be payable in:</b>		
> 5 years	3,729	3,480
	<u>3,729</u>	<u>3,480</u>

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

**14. Other payables**

DKK'000	2018/19	2017/18
VAT and other indirect taxes	198,408	74,140
Wages/salaries, salary taxes, social security contributions, etc.	111,558	97,120
Compensated absence commitment	83,354	83,083
Other accrued expenses	232,433	73,223
	<u>625,753</u>	<u>327,566</u>



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**NOTES TO THE FINANCIAL STATEMENTS**

**15. Contractual obligations and contingencies, etc.**

**Other contingent liabilities**

The Company is covered by the Danish rules on compulsory joint taxation and 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 2019, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 56,716 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	2018/19	2017/18
Rent and lease liabilities	112,501	125,682

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 225 million as of 30 June 2019. Microsoft Danmark ApS is expected to pay 45% of the rent commitment.

**16. Collateral**

A bank guarantee amounting to DKK 44,475 thousand has been pledged as security for the Company's future payments of rent costs.

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## NOTES TO THE FINANCIAL STATEMENTS

### 17. 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>

### Related party transactions

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

#### DKK'000

	2018/19	2017/18
Commission income	721,675	713,535
Service fee (expenses)	(3,008)	(5,265)
Financial expenses	0	(106)
Cost of Sales	(1,280,935)	(154,545)
Receivables from group entities - Long-term	0	774,663
Receivables from group entities - Short-term	1,075,906	212,247
Payables to group entities	710,183	273,850

### 18. Fee to the auditors appointed by the Company in general meeting

#### DKK'000

	2018/19	2017/18
Statutory audit	305	250
Assurance engagements	47	0
Other assistance	45	0
	<u>397</u>	<u>250</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**19. Appropriation of profit**

	2018/19	2017/18
<b>Recommended appropriation of profit</b>		
Proposed dividend recognised under equity	189,900	181,000
Retained earnings	85	(382)
	<u>189,985</u>	<u>180,618</u>