

Microsoft Danmark ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no. 13 61 28 70

Annual report

for the year 1 July 2016 - 30 June 2017

Approved at the annual general meeting of shareholders on 29/11-17

Chairman:



Tomas Haagen
Advokat

Gorrissen Federspiel
Advokatpartnerselskab
Axeltorv 2
1600 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 2016 - 30 June 2017.

The annual report is 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 2017 and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 2017.

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, 16 November 2017
Executive Board:

.....
Marianne Dahl Steensen


.....
Benjamin Owen Orndorff

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 2016 - 30 June 2017.

The annual report is 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 2017 and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 2017.

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, 16 November 2017

Executive Board:



Marianne Dahl Steensen

Benjamin Owen Orndorff

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 2016 - 30 June 2017, which comprise an 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 2017, and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 2017 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 judgement 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.

Independent auditor's report

- ▶ 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 note 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.

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.

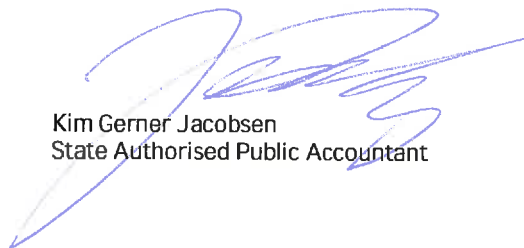
Copenhagen, 16 November 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56



Henrik Hørt Kjelgaard
State Authorised Public Accountant



Kim Gerner Jacobsen
State Authorised Public Accountant

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 2016 - 30 June 2017
Website	www.microsoft.com/da-dk/
E-mail	danmark@microsoft.com
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

Management's review

Financial highlights

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	1,128,347	1,092,883	1,031,235	940,205	962,692
Operating profit/loss	217,391	198,873	179,565	154,728	166,783
Net financials	-762	29,110	805	463	346
Profit/loss for the year	164,619	183,329	138,399	117,150	124,829
Balance sheet					
Total assets	1,090,687	1,108,630	1,078,640	1,010,904	1,021,759
Investment in property, plant and equipment	4,095	25,016	7,381	3,299	6,427
Equity	648,320	666,701	621,372	599,973	606,823
Financial ratios					
Operating margin	19.3%	18.2%	17.4%	16.5%	17.3%
Solvency ratio	59.4%	60.1%	57.6%	59.4%	59.4%
Return on equity	25.0%	28.5%	22.7%	19.4%	20.8%
Employees					
Average number of employees	452	452	446	442	419

Management commentary

Business review

Microsoft Danmark ApS works with consultancy, support, marketing and communication relating 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 2016/17, the Company's revenue amounted to DKK 1,128,347 thousand against DKK 1,092,883 thousand last year. The income statement for 2016/17 shows a profit of DKK 164,619 thousand against DKK 183,329 thousand last year, and the balance sheet at 30 June 2017 shows equity of DKK 648,320 thousand. Management considers the Company's financial performance in the year satisfactory. The result in 2015/16 was positively impacted by an interest compensation received in the year. Adjusted for this, the result in 2016/17 has increased compared to the result in 2015/16. This is in line with the expectations previously expressed

Management's review

Management commentary

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 will deliver on our mission and strategy by investing in three interconnected and bold ambitions, where our customers expect us to lead and innovate;

1. Reinvent productivity and business processes
2. Build the intelligent cloud
3. Create more personal computing

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

The transformation of Microsoft is a journey.

When we began this journey a few years back, the first step was a transformation of our products, moving from selling software licenses to offering software as a service - and moving from selling software solutions to offering intelligent technology.

The second step on our journey was initiating the shift in our culture. At Microsoft, we do not regard ourselves as the expert and market leader, we regard ourselves as a challenger. We want to constantly learn and experiment to drive innovation.

The third step on our journey is to change our commercial and consumer model. As a company, we experience a very strong momentum - and we want to build on this momentum to strengthen our company even further for an exciting and challenging future. This will entail a change in our customer segmentation, a new way of engaging with our partners, and a new way and more modern way of going to market. The change in our commercial and consumer model will be initiated in fiscal year 2018.

Management's review

Management commentary

Knowledge resources

Management

August 29 - 2016, Camilla Hillerup was appointed HR Lead, taking over from Karin Nicholson Kristensen. Camilla Hillerup comes from a strong HR background within Professional Services and with companies undergoing transformation.

March 1 - 2017, Simon Høgsbro was appointed Lead for Developer Experience (DX), replacing Jasper Hedegaard Bojsen. Simon Høgsbro comes from a long career in the software industry, spanning from a mix of large corporations and start-ups in both Denmark and internationally.

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.

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 27%: not fully satisfactory (target: at least 30%)
- The total population consists of 28%: 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 2017/18 Management expects an increase in the revenue of 5% compared to 2016/17. Profit before tax in 2017/18 is expected to be 10% higher compared to 2016/17.

Financial statements 1 July 2016 - 30 June 2017

Income statement

Note	DKK'000	2016/17	2015/16
2	Revenue	1,128,347	1,092,883
	Gross margin	1,128,347	1,092,883
3	Distribution costs	-772,624	-742,068
3	Administrative expenses	-106,575	-120,138
	Operating profit	249,148	230,677
	Other operating income	38,008	24,163
	Other operating expenses	-69,765	-55,967
	Profit before net financials	217,391	198,873
4	Financial income	0	29,829
5	Financial expenses	-762	-719
	Profit before tax	216,629	227,983
6	Tax for the year	-52,010	-44,654
	Profit for the year	164,619	183,329

Financial statements 1 July 2016 - 30 June 2017

Balance sheet

Note	DKK'000	2016/17	2015/16
	ASSETS		
	Fixed assets		
7	Intangible assets		
	Goodwill	0	0
		<u>0</u>	<u>0</u>
8	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	6,674	8,506
	Leasehold improvements	16,911	18,798
	Property, plant and equipment in progress	595	0
		<u>24,180</u>	<u>27,304</u>
9	Investments		
	Receivables from group entities	827,759	547,583
		<u>827,759</u>	<u>547,583</u>
	Total fixed assets	<u>851,939</u>	<u>574,887</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	109,450	99,356
	Receivables from group entities	113,947	418,371
10	Deferred tax assets	2,223	1,901
	Other receivables	69	525
	Prepayments	13,003	12,958
		<u>238,692</u>	<u>533,111</u>
	Cash	56	632
	Total non-fixed assets	<u>238,748</u>	<u>533,743</u>
	TOTAL ASSETS	<u>1,090,687</u>	<u>1,108,630</u>

Financial statements 1 July 2016 - 30 June 2017

Balance sheet

Note	DKK'000	<u>2016/17</u>	<u>2015/16</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	201	201
	Retained earnings	484,119	483,500
	Dividend proposed for the year	<u>164,000</u>	<u>183,000</u>
	Total equity	<u>648,320</u>	<u>666,701</u>
	Provisions		
11	Other provisions	<u>3,248</u>	<u>3,031</u>
	Total provisions	<u>3,248</u>	<u>3,031</u>
	Liabilities		
	Non-current liabilities other than provisions		
	Income taxes payable	<u>48,208</u>	<u>39,432</u>
		<u>48,208</u>	<u>39,432</u>
	Current liabilities		
	Bank debt	109	0
	Trade payables	27,424	34,118
	Income taxes payable	42,379	46,520
12	Other payables	247,871	247,724
	Deferred income	<u>73,128</u>	<u>71,104</u>
		<u>390,911</u>	<u>399,466</u>
	Total liabilities other than provisions	<u>439,119</u>	<u>438,898</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>1,090,687</u></u>	<u><u>1,108,630</u></u>

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 July 2016 - 30 June 2017

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 July 2015	201	483,171	138,000	621,372
17 Transfer, see "Appropriation of profit"	0	329	183,000	183,329
Dividend distributed	0	0	-138,000	-138,000
Equity at 1 July 2016	201	483,500	183,000	666,701
17 Transfer, see "Appropriation of profit"	0	619	164,000	164,619
Dividend distributed	0	0	-183,000	-183,000
Equity at 30 June 2017	201	484,119	164,000	648,320

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.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies

The annual report of Microsoft Danmark ApS for 2016/17 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

Effective 1 July 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

- Yearly reassessment of residual values of property, plant and equipment.

Starting 1 July 2016, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions (The executive order on transitional provisions based in connection with the application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 1 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.) with future effect only as a change in accounting estimates with no impact on equity.

The change does not affect the income statement or the balance sheet for 2016/17 or the comparative figures.

Apart from the above change as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Minor changes have been made in comparative figures with no impact on the income statement or equity.

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).

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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 functions, including wages and salaries for administrative staff and Management, stationery 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.

Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Microsoft Group's Danish subsidiaries.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

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 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.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

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 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.

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.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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

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	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

DKK'000	2016/17	2015/16
2 Segment information		
Commission income	794,005	745,881
Consultancy income	334,342	347,002
	<u>1,128,347</u>	<u>1,092,883</u>
3 Staff costs and incentive programmes		
Wages/salaries	539,545	523,851
Pensions	45,718	40,474
Other social security costs	920	1,088
	<u>586,183</u>	<u>565,413</u>
Staff costs are recognised as follows in the financial statements:		
Distribution	532,685	512,883
Administration	53,498	52,530
	<u>586,183</u>	<u>565,413</u>
Average number of full-time employees	<u>452</u>	<u>452</u>
Remuneration to members of management:		
Executive board	4,882	3,787
	<u>4,882</u>	<u>3,787</u>

The remuneration of the Executive Board includes pension of DKK 358 thousand (2015/16: DKK 281 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 income		
Interest receivable, group entities	0	305
Compensation of interest from tax authorities	0	29,524
	<u>0</u>	<u>29,829</u>

2015/16: Compensation of interest from tax authorities relates to a prepayment made in connection with a tax case with the Danish tax authorities which the Company won in court of first instance (The Danish National Tax Tribunal).

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Notes to the financial statements

DKK'000		2016/17	2015/16		
5	Financial expenses				
	Interest expenses, group entities	0	158		
	Other interest expenses	114	75		
	Exchange losses	648	486		
		<u>762</u>	<u>719</u>		
6	Tax for the year				
	Estimated tax charge for the year	48,207	39,433		
	Deferred tax adjustments in the year	-322	4,169		
	Tax adjustments, prior years	4,125	1,052		
		<u>52,010</u>	<u>44,654</u>		
7	Intangible assets				
	DKK'000		Goodwill		
	Cost at 1 July 2016		<u>126,141</u>		
	Cost at 30 June 2017		<u>126,141</u>		
	Impairment losses and amortisation at 1 July 2016		<u>126,141</u>		
	Impairment losses and amortisation at 30 June 2017		<u>126,141</u>		
	Carrying amount at 30 June 2017		<u>0</u>		
8	Property, plant and equipment				
	DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	Cost at 1 July 2016	27,163	22,594	0	49,757
	Additions in the year	3,322	178	595	4,095
	Disposals in the year	-6,967	-2,637	0	-9,604
	Cost at 30 June 2017	<u>23,518</u>	<u>20,135</u>	<u>595</u>	<u>44,248</u>
	Impairment losses and depreciation at 1 July 2016	18,657	3,796	0	22,453
	Depreciation in the year	5,154	2,065	0	7,219
	Reversal of depreciation and impairment of disposals	-6,967	-2,637	0	-9,604
	Impairment losses and depreciation at 30 June 2017	<u>16,844</u>	<u>3,224</u>	<u>0</u>	<u>20,068</u>
	Carrying amount at 30 June 2017	<u>6,674</u>	<u>16,911</u>	<u>595</u>	<u>24,180</u>

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Notes to the financial statements

9 Investments

DKK'000	Receivables from group entities
Cost at 1 July 2016	547,583
Additions in the year	280,176
Cost at 30 June 2017	827,759
Carrying amount at 30 June 2017	827,759

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

DKK'000	2016/17	2015/16
10 Deferred tax		
Deferred tax at 1 July	-1,901	-6,070
Adjustment of the deferred tax charge for the year	-322	4,169
	0	0
Deferred tax at 30 June	-2,223	-1,901
Deferred tax relates to:		
Property, plant and equipment	-2,039	-1,828
Provisions	-184	0
Liabilities	0	-73
	-2,223	-1,901
11 Other provisions		
Opening balance at 1 July	3,031	0
Provisions in the year	217	3,031
Other provisions at 30 June	3,248	3,031
The provisions are expected to be payable in:		
> 5 year	3,248	3,031
	3,248	3,031

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

12 Other payables

VAT and other indirect taxes	7,763	5,408
Wages/salaries, salary taxes, social security contributions, etc.	123,842	128,900
Compensated absence commitment	92,878	87,999
Other accrued expenses	23,388	25,417
	247,871	247,724

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Notes to the financial statements

13 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 2017, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 48,860 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	2016/17	2015/16
Rent and lease liabilities	146,887	159,135

Microsoft Denmark ApS and Microsoft Development Center Copenhagen ApS have entered into a joint contract to lease a new 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 285 million as of 30 June 2017. Microsoft Denmark ApS is expected to pay 45% of the rent commitment.

14 Collateral

A bank guarantee amounting to DKK 43,220 thousand has been pledged as security for the Company's future payments of rent costs.

Financial statements 1 July 2016 - 30 June 2017

Notes to the financial statements

15 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	www.microsoft.com

Related party transactions

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

DKK'000	2016/17	2015/16
Commission income	794,005	745,881
Service fee (expenses)	-5,742	-2,323
Financial income	0	305
Financial expenses	0	-158
Receivables from group entities - Long-term	827,759	547,583
Receivables from group entities - Short-term	113,947	418,371
16 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	245	238
Assurance engagements	47	47
Other assistance	15	0
	<u>307</u>	<u>285</u>
17 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	164,000	183,000
Retained earnings	619	329
	<u>164,619</u>	<u>183,329</u>