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Microsoft Danmark ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no.13612870

Annual report for the year 1 July 2020 - 30 June 2021

Approved at the Company's annual general meeting on 22 November 2021

Chairman:

DocuSigned by:
Chantal Pernille Patel
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Chantal Pernille Patel

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STATEMENT BY THE EXECUTIVE BOARD

Today, the Executive Board have discussed and approved the annual report of Microsoft Danmark ApS ("the Company") for the financial year 1 July 2020-30 June 2021.

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

In our opinion, the Company's financial statements give a true and fair view of the company's financial position at 30 June 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021.

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.

Executive Board: 25 October 2021



Nana Bule (Oct 27, 2021 09:54 GMT+2)

Nana Sejbæk



Benjamin Orndorff (CELA) (Oct 27, 2021 10:04 GMT+1)

Benjamin Owen Orndorff

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Independent auditor's report

To the shareholders of Microsoft Danmark ApS

Opinion

We have audited the financial statements of Microsoft Danmark ApS for the financial year 1 July 2020 - 30 June 2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 30 June 2021 and of the results of its operations for the financial year 1 July 2020 -30 June 2021 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 these financial statements.

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Independent auditor's report

To the shareholders of Microsoft Danmark ApS

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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Independent auditor's report

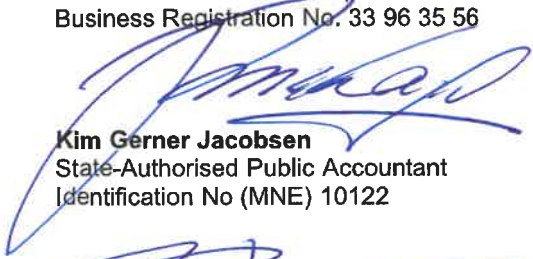
To the shareholders of Microsoft Danmark ApS

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 25 October 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



Kim Gerner Jacobsen
State-Authorised Public Accountant
Identification No (MNE) 10122



Jacob Medard Frederiksen
State-Authorised Public Accountant
Identification No (MNE) 44110

Microsoft Danmark ApS**5 of 30****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 2020 - 30 June 2021
Website	www.microsoft.com
E-mail	danmark@microsoft.com
Executive Board	Nana Sejbæk Benjamin Owen Orndorff
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

Financial highlights

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	6,185,009	4,358,013	2,341,336	1,250,136	1,128,347
Operating profit (EBIT)	354,988	290,561	244,673	233,727	217,391
Net financial expense	(3,810)	(4,121)	(236)	(1,139)	(762)
Profit for the year	271,482	740,789	189,985	180,618	164,619
Total assets	5,179,243	4,827,287	3,702,655	1,773,404	1,090,687
Investment in property, plant and equipment	15,874	11,008	10,862	12,484	4,095
Equity	1,211,494	1,224,812	673,923	664,938	648,320

Microsoft Danmark ApS**6 of 30****MANAGEMENT'S REVIEW****Financial highlights (continued)**

	2021	2020	2019	2018	2017
Financial ratios					
Operating margin	5.7%	6.7%	10.5%	18.7%	19.3%
Solvency ratio	23.4%	25.4%	18.2%	37.5%	59.4%
Return on equity	22.4%	78.0%	28.4%	27.5%	25.0%
Average number of full-time employees	456	438	416	423	452

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	$\frac{\text{Operating profit(EBIT)} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total Equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

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MANAGEMENT'S REVIEW

Management commentary

Business review

The activities of Microsoft Danmark ApS include the distribution of software, IT services and hardware to customers as well as the provision of consultancy, support services and marketing. The expansion of direct distribution activities since 2018 continues to impact on the financial results and balances.

Financial review

The Company's revenue for the year amounted to DKK 6,185,009 thousand (2020: DKK 4,358,013 thousand). The revenue increase for the year was 42%, which is in line with expectations previously expressed and almost fully attributable to continuous expansion of the direct distribution activities under the business model transition. The profit before tax has increased by 22% which is slightly above the expectations and driven by slower growth of operational expenses.

Net result for the year is also consistent with expectations and amounted to DKK 271,482 thousand, while prior year result of DKK 740,789 thousand was affected by exit-tax implications under the transition rules of Section 2A of the Danish Corporation Tax Act triggered by internal group restructuring. The prior year restructuring is considered as non-recurring event and not attributable to the primary business activities of the Company.

Management assessed the Company's financial performance for the year as satisfactory.

Financial risks and use of financial instruments

Microsoft Danmark ApS bears routine risks of market prices volatility, changes in product demand and other market forces based on established model of direct distribution activities. In respect to the provided services no significant operational risks are born since Company is compensated by group entities for its provision for these services. Due to its solvency and business structure, the company's exposure to the changes of interest rates, currency and market fluctuations is considered as non-substantial.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility

The following sections comprise Microsoft Danmark ApS' statutory reporting on corporate responsibility, cf. §99a in the Danish FSA.

Business model

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.

To achieve our mission and fulfill our corporate purpose today and in the future, Microsoft must ensure the technology we create benefits everyone on the planet, as well as the planet itself. Our mission and purpose guide not only the products and services we develop, but the policies and practices that govern our work, and our commitment to causes and communities around the world. The challenges facing people and the planet are complex, and no one company, sector, or even country can solve them alone. That's why at Microsoft we are committed to working across sectors to foster partnerships and solutions that will have lasting impact. We focus on four interconnected commitments: ensuring that economic opportunity is inclusive; unequivocally supporting fundamental rights; addressing climate change for a sustainable future and earning trust every day by spanning privacy, security, digital safety, responsible AI, and transparency.

Microsoft Danmark main activities consists of distribution of software, IT services and hardware, as well as consultancy and support. Sustainability is an integrated element in our business' purpose, activities, and strategy. Particularly, we focus on mitigating the negative impacts and maximizing the positive impacts of our activities in within the areas of environment, climate, human rights, anti-corruption, as well as for our employees. Microsoft Danmark ApS follows the Group's (Microsoft) policies on these areas, and the following sections will highlight how we, as a group and locally, work to implement these in practice and drive forward our work with social and environmental sustainability.

#DigitalLeapDenmark: A green digital promise for the future

In the fiscal year 2020/21, a key milestone for Microsoft was the announcement of the plans to establish a sustainable datacenter region in Denmark as part of #DigitalLeapDenmark, a commitment to the country's green digital future. The plan represents the next step in Microsoft's longstanding commitment to help the country accelerate public sector digitization, fuel digital innovation to support growth of Danish enterprises, and apply technology to help create a greener future. As part of the investment, Microsoft also pledges to bring digital upskilling to 200,000 Danes of all ages and skill levels, by 2024.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Environment and climate

Risks

Microsoft focuses on four areas-carbon, water, waste, and ecosystems-where we have assessed that our most material risks related to environment and the climate are. Within these areas, we seek to scale by minimizing the negative impacts of our operations and maximizing the positive impacts of our technology. Within the Danish context, our key risks particularly are related to the generation and handling of waste and energy use.

Policies

Microsoft has made sustainability part of its business, including embedding it deeply into its governance structure. The Microsoft Board is engaged in oversight of climate-related risks and opportunities, and management is fully engaged in assessing and managing risks and opportunities.

In 2020 Microsoft Group have announced a commitment, to be carbon negative, water positive, zero waste by 2030 and to protect ecosystems by developing a Planetary Computer.

Actions and results 2020/21

As part of our commitment the Group has, among other things:

- Worked with community organizations and partners to establish over 20 water projects around the world.
- Partnered with suppliers to see how plastic waste recovered from our oceans, waterways and beaches can be processed and used in consumer products and will have more to share on this soon.
- Met our land protection commitment through partnerships with The Nature Conservancy and the National Fish and Wildlife Federation to preserve more than 15,000 acres of important ecosystems.
- Through Microsoft's \$1 billion Climate Innovation Fund, the Group has made direct investments in several companies to help them accelerate and scale their solutions.

In July 2020, Microsoft was announced as founding member of the 'The Transform to Net Zero' coalition, alongside a number of large multinational companies. The coalition aim to demonstrate and enable the business transformation needed to achieve net zero emissions by 2050, in addition to driving broader change with a focus on policy, innovation and finance.

Locally in Lyngby, sustainability is one of our top priorities. Our building is constructed according to the Danish Building Regulation No. 2015, which secures an energy-efficient building that meets the standards of LEED (Leadership in Energy and Environmental Design).

In year 2020/2021 Microsoft in Lyngby have purchased guarantees of origins from Danish Wind Turbines securing 100% coverage of our power consumption of the building by wind energy for the period from January 2021 to December 2023.

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MANAGEMENT'S REVIEW

Management commentary (continued)

In addition to the building, several sustainability initiatives have been implemented during 2020/21 such as discontinued use of water bottles, reduced numbers of printers inhouse, employee webinars on growing own food and vegetarian recipes. Along with ongoing sustainability campaigns (e.g. Earth Day, WasteLess Week) those initiatives served to optimize our energy use, reduce waste, and raise awareness amongst employees during the year.

Human rights

Risks

Microsoft has relationships with thousands of suppliers around the globe, where there is an inherent risk that human rights may be impacted along the supply chain. Hence, Microsoft invests heavily in supplier relationships and our human rights commitment extends to all our suppliers. In relation to our customers, a key risk is not being able to secure users' right to privacy, and internally, key human rights risks are identified as employees potentially facing discrimination.

Policies

Respecting human rights is a core value of Microsoft. It is inseparable from our mission to empower every person and every organization on the planet to achieve more with our technologies. We believe that people, organizations, and societies will only use technologies they trust, and they will only trust technologies that respect their rights and advance human dignity, agency, and wellbeing. The Group has developed policies that support Microsoft in meeting its responsibility to respect human rights in relation to customers, employees, suppliers, and regarding our legal obligations. We are committed to upholding the fundamental principles of human rights, as well as worker's rights, as outlined in the ILO core conventions within our own operations and throughout the value chain.

Actions and results 2020/21

Microsoft continually works to implement our human rights policies, in relation to the customers, employees, and suppliers. To fight discrimination and advance employees' rights, Microsoft has specific policies and supporting programs in place, through which we on a continuous basis seek to foster a culture of equal opportunities and zero discrimination.

To secure our customers' right to privacy, we seek to empower customers to be in control of their data through our privacy principles. In 2020, Microsoft promptly responded to recommendations from the European Data Protection Board by adding new protections to contracts with public sector and enterprise customers to further secure customers' right to privacy and access to compensation.

Concerning human rights risks in the supply chain, Microsoft has also this year worked with supplier relationships, and the Supplier Code of Conduct has been continuously enforced, where it is expected that all suppliers who do business with Microsoft uphold the requirements set out in the Code.

To mark Human Rights Day in December 2020, Microsoft released an update to the Microsoft Global Human Rights Statement, which we are publishing in 18 languages and dialects.

Looking forward, Microsoft will continue to stand up for human rights in our own ecosystem and business, and for people across the globe. This includes helping organizations and communities prepare for, respond to, and recover from humanitarian crises, and advocating for fair immigration practices.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Anti-corruption and bribery

Risks

Due to the global nature of our business, we face the risk of being involved in corruption and bribery across the value chain. The Group's corruption and bribery risk assessments help drive our decisions and priorities for enhancing controls, processes, and monitoring.

Policies

The Group does not and will not tolerate violations of our standards and policies. Our anti-corruption compliance program is designed to prevent, detect, and fix compliance issues. Microsoft approaches compliance with a growth mindset and a process of continuous improvement and invest heavily in innovative and fresh approaches. The Group's compliance program meets the highest standards, including ISO 37001, the new Anti-Bribery Management System Standard.

Actions and results 2020/21

During 2020/21, we have worked to implement our policies for anti-corruption in various ways. Microsoft has a mandatory anti-corruption training program, in which all partners and suppliers must participate. Further, our global compliance investigation team continuously reviews and investigates concerns reported by employees or third parties to our anonymous hotline.

Microsoft Danmark employees have taken the part in broader Microsoft learning initiative "Trust365" - one-week fully digital event with variety of speakers reflecting on risks and behaviors and the importance of Ethics and Compliance in all business transactions and relationships. Employees were also participating in annual training program "Standards of Business Conduct", which is a primary component of the policy governance framework and contains Microsoft's commitment to ethical business practices and complying with the law.

Every day at Microsoft we strive to earn the trust of the communities we serve, and our future commitment goes beyond words to actions, but is to provide tools and frameworks for the efficient compliance solutions and practices for our customers and partners, as well as our employees.

Social conditions and employee relations

Risks

Microsoft's business is based on the knowledge and innovation created by people. Failing to attract, retain and develop the best employees poses a material risk for Microsoft, as we may not be able to continue delivering the best solutions in the market.

Policies

Being able to deliver the best services in the market requires motivated and dedicated employees. Hence, 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. To be successful as a business in empowering everyone on the planet, we need to reflect the world we serve. This is our commitment, and we have goals and programs to improve representation in all roles and at all levels.

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MANAGEMENT'S REVIEW

Management commentary (continued)

In addition to our own workforce, we are firmly committed to support broader digital skilling and education opportunities across society as a prerequisite to ensure future digital growth and innovation.

Actions and results 2020/21

We are accelerating our cultural transformation through further investment in inclusion, defining it as a “core priority” for all employees. As part of our performance and development approach, every employee is encouraged to deepen their learning about diversity and make inclusion a daily and personal part of their job. Accordingly, we launched Allyship at Microsoft, a series of learning opportunities to become a more informed and effective ally through habit formation, building on ongoing conversations, insights, and failures, then recovery and learnings.

During 2020/21, Microsoft Danmark was rated in top 3 as one of the most attractive employers in the Nordics among students of Engineering, IT and Business (Universum).

As part of our societal skilling commitment, and in response to COVID-19, we are proud to have provided free access to online courses, learning paths, and career tools to millions of people worldwide through the Global Skills Initiative, including in Denmark. During 2020/21, Microsoft Danmark ApS has entered into a new partnership with Digital Dogme to support training and mutual learning. Furthermore, we have continued our partnerships with non-profits such as Coding Pirates and Coding Class to support access to digital education opportunities and have partnered with local municipalities to deliver training programs and certifications for jobseekers.

At Microsoft we believe that every person must have access to the technology, skills, and opportunity to pursue in-demand jobs in a changing economy. That's why we will continue to accelerate our efforts to close the skills and broadband gaps, and we are committed to promote inclusion and accessibility globally as well as in our own work environment.

Gender composition of management

Microsoft Danmark reports on gender diversity in line with the requirements in §99b in the Danish FSA.

Microsoft Danmark has set specific goals for women in management along with a strategy for how to reach these goals. As of 2020/21:

- The top management team consist of 9 people, of which 4 are women. This gives a 44% female representation, which is considered positive (target: at least 30%).
- The full management population is 41% women: which is considered positive (target: at least 30%).
- The total population consists of 32% women: which is considered a positive (target: at least 30%).

The Executive Board comprises a man and a woman. The Company has therefore achieved an equal gender distribution in the Executive Board.

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MANAGEMENT'S REVIEW

Management commentary (continued)

It is Microsoft Danmark's intent and policy to increase the number of females in all management layers to reflect the country population most accurately. There are several initiatives focusing on attracting and retaining female employees including female targeted employer branding material, female networks, female targeted recruiting, mentorships and a strong focus on inclusion (workshops and trainings) to make all thrive regardless of gender and background.

Knowledge resources

- In July 2020, Claus Jul Christiansen left his role as One Commercial Partner Lead and took on the role as Lead of Small, Medium & Corporate Unit.
- In July 2020, Anne Marie Kindberg took on the role as interim One Commercial Partner Lead.
- In July 2020, Crilles Jansen left his role as Specialist Team Unit Lead and took on the role as Customer Success Unit Lead.
- In July 2020, Ricky Gangsted-Rasmussen left his role as Customer Success Unit Lead and took on the role as Specialist Team Unit Lead.
- In May 2021, Mark McCrory was appointed Consulting Lead taking over from Birgitte Svejstrup Eriksen.

Events after the balance sheet date

No events occurred after the balance sheet date that would impact significantly on the financial statements. The impacts of the COVID-19 pandemic have been considered and mitigating actions including employees working remotely from home allow operations to continue to function effectively.

Outlook

Management expects no significant change in the Company's activities in the future and has considered the potential impact of the current COVID-19 pandemic to the Company's business operations. There is an uncertainty in the nature and degree of the effect of continuous COVID-19 pandemic over time, to the date no significant negative impacts as a result of COVID-19 have been identified to cast doubt on the entity's ability to continue operating as a going concern in the foreseeable future.

Under the business model transition started in 2018 and driven by continuous expansion of the direct distribution of software, IT services and hardware to the customers, Management expects an increase in the revenue up to 30-40% for the fiscal year 2021/22 compared to previous year. In consideration with the resources to be allocated to support revenue growth, profit before tax in 2021/22 is expected to be 10-16% higher in comparison to 2020/21.

Microsoft Danmark ApS**14 of 30****STATEMENT OF PROFIT OR LOSS**

	Note	2021 DKK'000	2020 DKK'000
Revenue	2	6,185,009	4,358,013
Cost of sales		(4,965,277)	(3,221,448)
Gross margin		<u>1,219,732</u>	<u>1,136,565</u>
Distribution costs	3	(773,445)	(752,392)
Administrative expenses	3	(91,299)	(93,314)
Operating profit		<u>354,988</u>	<u>290,859</u>
Other operating expenses		(404)	(298)
Profit before net financials		<u>354,584</u>	<u>290,561</u>
Financial income	4	0	42
Finance expenses	5	(3,810)	(4,163)
Profit before tax		<u>350,774</u>	<u>286,440</u>
Tax for the year	6	(79,292)	454,349
Profit for the year		<u><u>271,482</u></u>	<u><u>740,789</u></u>

Microsoft Danmark ApS**15 of 30****STATEMENT OF FINANCIAL POSITION**

	Note	30 June 2021 DKK'000	30 June 2020 DKK'000
Assets			
Non-current assets			
<i>Property, plant and equipment</i>			
Other fixtures and fittings, tools and equipment	7	20,984	13,287
Leasehold improvements	7	11,037	13,490
		<u>32,021</u>	<u>26,777</u>
<i>Other non-current assets</i>			
Trade receivables		98,777	94,207
Deferred tax assets	8	399,269	471,202
		<u>498,046</u>	<u>565,409</u>
Total non-current assets		<u>530,067</u>	<u>592,186</u>
<i>Current Assets</i>			
Trade receivables		1,207,562	1,081,023
Receivables from group entities	14	1,334,278	1,127,845
Prepayments	13	2,106,087	2,026,233
Income tax receivable		1,249	0
		<u>4,649,176</u>	<u>4,235,101</u>
Total current assets		<u>4,649,176</u>	<u>4,235,101</u>
Total Assets		<u>5,179,243</u>	<u>4,827,287</u>

Microsoft Danmark ApS**16 of 30****STATEMENT OF FINANCIAL POSITION (continued)**

	Note	30 June 2021 DKK'000	30 June 2020 DKK'000
Equity and liabilities			
Equity			
Share capital		201	201
Profit and loss account		939,793	939,811
Dividend proposed for the year		271,500	284,800
Equity holders' share of equity		<u>1,211,494</u>	<u>1,224,812</u>
Total equity		<u>1,211,494</u>	<u>1,224,812</u>
Non-current liabilities			
Other provisions	9	4,021	3,751
Income tax payable		0	4,967
Other payables	10	61,295	0
Total non-current liabilities		<u>65,316</u>	<u>8,718</u>
Current liabilities			
Trade payables		61,624	13,432
Payables to group entities	14	748,662	624,210
Income tax payable		0	63,658
Other payables	10	840,649	714,344
Deferred income	12	2,251,498	2,178,113
Total current liabilities		<u>3,902,433</u>	<u>3,593,757</u>
Total liabilities		<u>3,967,749</u>	<u>3,602,475</u>
Total equity and liabilities		<u>5,179,243</u>	<u>4,827,287</u>

Microsoft Danmark ApS**17 of 30****STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital DKK'000	Profit and loss account DKK'000	Dividend proposed for the year DKK'000	Total DKK'000
Equity at 1 July 2019		201	483,822	189,900	673,923
Profit for the year	16	0	455,989	284,800	740,789
Dividend distribution		0	0	(189,900)	(189,900)
Equity at 30 June 2020		201	939,811	284,800	1,224,812
Profit for the year	16	0	(18)	271,500	271,482
Dividend distribution		0	0	(284,800)	(284,800)
Equity at 30 June 2021		201	939,793	271,500	1,211,494

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 share 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 the year ended 30 June 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The presentation of Annual report for the year ended 30 June 2021 continues to follow an IFRS presentation of the Statement of financial position consistent with prior year.

There has been no changes in the accounting policies as per last year's Annual report.

1.1 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.

1.2 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.

1.3 Reporting currency

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

1.4 Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****1.4 Foreign currency translation (continued)**

Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

1.5 Income statement**(a) 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.

(b) Cost of sales

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.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(c) Distribution costs**

Distribution costs 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.

(d) Administrative expenses

Administrative expenses comprise costs incurred in the year to manage and administer the Company, including expenses related to administrative staff, management, office premises, office expenses as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Company.

(e) Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and items of property, plant and equipment.

(f) 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.

(g) Tax for the year

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.

1.6 Balance sheet**(a) Property, plant and equipment**

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

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(a) Property, plant and equipment (continued)**

Cost comprises the purchase price and any costs directly attributable to the acquisition, and preparation costs of the asset until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	3 to 5 years
Computers (excl. servers)	Fully depreciated in month of acquisition
Leasehold improvements	Over the agreed lease period, not to exceed 10 years

In July 2020, we completed an assessment of the useful lives of our server and network equipment and determined we should increase the estimated useful life of server equipment from three years to four years and increase the estimated useful life of network equipment from three years to four years. This change in accounting estimate is effective beginning fiscal year 2021. Based on the carrying amount of server and network equipment included in Property, plant and equipment as of June 30, 2020, it is estimated this change increased our fiscal year 2021 operating income by DKK 1891 thousand. Forward looking expectations for the same change in accounting estimate is to decrease our fiscal year 2022 operating income by DKK 133 thousand.

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.

(b) Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is indication of impairment. Assets are written down to the lower of the carrying amount and the recoverable 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(c) 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. Trade receivables with a due date greater than 12 months are considered as a long-term receivable and are classed as Other non-current assets in the balance sheet.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

(d) Prepayments

Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years. Prepayments are measured at cost.

(e) Cash

Cash comprises cash in hand and bank deposits.

(f) Equity*Dividend*

Dividend proposed for the year is recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

(g) Provisions

Provisions comprise anticipated expenses relating to restoration, etc. Provisions are recognised when the Company has a present obligation (legal or constructive) 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 fair value. If the obligation is expected to be settled far into the future.

(h) Income tax and deferred tax

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 assets, including the tax base of tax loss carry-forwards, 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 according to 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.

Microsoft Danmark ApS**23 of 30****NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****(i) Liabilities**

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

(j) Deferred income

Deferred income, recognised under "Liabilities", comprises payments received concerning income in subsequent years.

1.7 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.

2. Segment information

	2021 DKK'000	2020 DKK'000
Products	2,207,594	1,696,678
Service and other	2,989,256	1,674,692
Commission income	800,576	802,842
Consultancy income	187,583	183,801
	<u>6,185,009</u>	<u>4,358,013</u>

3. Staff costs and incentive plans

	2021 DKK'000	2020 DKK'000
Wages and salaries	620,519	564,412
Pensions	48,431	45,869
Other social security costs	11,686	3,281
	<u>680,636</u>	<u>613,562</u>

Staff costs are recognised in the financial statements under the following line items:

Distribution costs	647,671	581,180
Administrative expenses	32,965	32,382
	<u>680,636</u>	<u>613,562</u>

Average number of full-time employees	<u>456</u>	<u>438</u>
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Microsoft Danmark ApS**24 of 30****NOTES TO THE FINANCIAL STATEMENTS****3. Staff costs and incentive plans (continued)**

By reference to section 98b (3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

Incentive programmes

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

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

4. Financial income

	2021 DKK'000	2020 DKK'000
Other interest income	0	42
	0	42

5. Financial expenses

	2021 DKK'000	2020 DKK'000
Foreign exchange losses	1,667	2,501
Other interest expenses	2,143	1,662
	3,810	4,163

6. Tax for the year

	2021 DKK'000	2020 DKK'000
<i>Tax for the year</i>		
Estimated tax charge for the year	(7,585)	(4,967)
Adjustment of the deferred tax charge for the year	(71,934)	455,970
Tax adjustments, prior year	226	3,346
Adjustment of the deferred tax charge, prior year	1	0
	(79,292)	454,349

Prior year adjustment for the deferred tax for the year comprised special item of DKK 531 million disclosed in Note 9 Deferred Tax Asset, no recognition of special item occurred in current year.

Microsoft Danmark ApS**25 of 30****NOTES TO THE FINANCIAL STATEMENTS****7. Property, plant and equipment**

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Total DKK'000
Cost at 1 July 2020	45,588	23,873	69,461
Additions	15,208	666	15,874
Transferred	90	(90)	0
Disposals	(1,996)	(710)	(2,706)
Cost at 30 June 2021	58,890	23,739	82,629
Depreciation and impairment losses at 1 July 2020	32,301	10,383	42,684
Depreciation	7,546	2,618	10,164
Disposals	(1,949)	(291)	(2,240)
Transferred	8	(8)	0
Depreciation and impairment losses at 30 June 2021	37,906	12,702	50,608
Carrying amount at 30 June 2021	20,984	11,037	32,021

8. Deferred tax asset

	30 June 2021 DKK'000	30 June 2020 DKK'000
Deferred tax at 1 July	471,202	3,211
Adjustment of the deferred tax charge for the year	(71,934)	455,970
Adjustment of the deferred tax charge for prior year	1	12,021
Deferred tax at 30 June	399,269	471,202

The deferred tax charge relates to:

Intangible assets	379,558	455,472
Property, plant and equipment	1,124	696
Provisions	885	825
Other taxable temporary differences	17,702	14,209
	399,269	471,202

Microsoft Danmark ApS**26 of 30****NOTES TO THE FINANCIAL STATEMENTS****8. Deferred tax asset (continued)**

In prior year Microsoft Danmark ApS recognized step-up in the value of deferred taxes of DKK 531 million following transition rules of Section 2A of the Danish Corporation Tax Act as a consequence of organizational restructuring registered 1st of July 2019, resulted in a change of the tax status of the company. The tax effect of the step up was recognized in prior year profit and loss and the deferred income tax asset was recognized to the extent that realization of the related tax benefit through future taxable profits was highly probable. The expectations continue for the current year as Microsoft Danmark ApS has a history of being profit-making company and realizing taxable profits.

9. Other provisions

	30 June 2021 DKK'000	30 June 2020 DKK'000
Opening balance at 1 July	3,751	3,729
Provision for the year	270	261
Restoration release	0	(239)
Other provisions at 30 June	4,021	3,751
<i>Other provisions are expected to mature within:</i>		
> 5 years	0	3,751

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

10. Other payables

	30 June 2021 DKK'000	30 June 2020 DKK'000
Payroll Liabilities	113,167	110,110
Other payables	373,934	338,327
Compensated absence commitment	64,835	94,691
VAT and other indirect taxes	288,713	171,216
	840,649	714,344

Microsoft Danmark ApS**27 of 30****NOTES TO THE FINANCIAL STATEMENTS****10. Other payables (continued)**

Non-current other payables due after 30 June 2022:

	30 June 2021 DKK'000	30 June 2020 DKK'000
Compensated absence commitment	61,295	0
	<u>61,295</u>	<u>0</u>

11. 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 2021, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 5,998 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.

	30 June 2021 DKK'000	30 June 2020 DKK'000
<i>Other financial obligations</i>		
<i>Other rent and lease liabilities</i>		
Rent and lease liabilities	81,254	100,020
	<u>81,254</u>	<u>100,020</u>

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 155 million as of 30 June 2021. Microsoft Danmark ApS is expected to pay 45% of the rent commitment amounted to DKK 70 million, which is part of "Other rent and lease liabilities" amounted to DKK 81 million as of June, 30th.

Microsoft Danmark ApS**28 of 30****NOTES TO THE FINANCIAL STATEMENTS****12. Deferred income**

	30 June 2021 DKK'000	30 June 2020 DKK'000
Deferred Income	2,251,498	2,178,113
	<u>2,251,498</u>	<u>2,178,113</u>

Deferred income, recognised under "Liabilities", DKK 2,251 million (2020: DKK 2,178 million), consists of payments received from customers which cannot be recognised as revenue until in the subsequent financial year.

13. Prepayments

	30 June 2021 DKK'000	30 June 2020 DKK'000
Deferred cost of sales	2,090,646	2,025,015
Administrative expenses	12,209	1,218
Financial expenses	121	0
Deposits	3,111	0
	<u>2,106,087</u>	<u>2,026,233</u>

Deferred cost of sales of DKK 2,090 million represents the intercompany element of third party deferred income. In accordance with matching principles, the intercompany element must be recognized in line with the third-party revenue transactions.

14. Related parties

Microsoft Danmark ApS related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Microsoft Ireland Research	Dublin, Ireland	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

Microsoft Danmark ApS**29 of 30****NOTES TO THE FINANCIAL STATEMENTS****14. Related parties (continued)****Related party transactions and balances**

Microsoft Danmark ApS was engaged in the below related party transactions, in addition to dividend distribution and remuneration of management:

	30 June 2021 DKK'000	30 June 2020 DKK'000
Transactions with group entities		
Commission income	800,576	802,842
Service fee (expenses)	(252)	(2,906)
Cost of sales	(4,965,277)	(3,221,448)
Sale of Property, plant and equipment	345,643	0
Balances with counterpart		
Receivables from group entities - Short-term	1,334,278	1,127,845
Payables to group entities	747,942	624,210
Balances with parent company		
Payables to ultimate parent company	720	0

During the year an office rent reimbursement was received related to Lyngby. The amount of reimbursement income received was for DKK 19,721 thousand. See note 11 for further details.

15. Fees paid to auditors appointed at the annual general meeting

	2021 DKK'000	2020 DKK'000
Fee for statutory audit	321	454
Assurance engagements	0	0
Other assistance	0	0
Total fee paid to Auditor	321	454

Microsoft Danmark ApS**30 of 30****NOTES TO THE FINANCIAL STATEMENTS****16. Appropriation of profit**

	30 June 2021 DKK'000	30 June 2020 DKK'000
<i>Recommended appropriation of profit</i>		
Proposed dividend recognised under equity	271,500	284,800
Profit and Loss account	(18)	455,989
	<u>271,482</u>	<u>740,789</u>