

Microsoft Danmark ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no.13612870

Annual report for the year 1 July 2022 - 30 June 2023

Approved at the Company's annual general meeting on 12 December 2023

Chairman:



Chantal Pernille Patel Simonsen

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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 2022 - 30 June 2023.

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 2023 and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023.

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.

Lyngby-Taarbæk 6 December 2023

Executive Board:



Mette Louise Kaagaard
CEO



Benjamin Orndorff
Director

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 2022 - 30 June 2023, 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 2023 and of the results of its operations for the financial year 1 July 2022 - 30 June 2023 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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 judgement 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 commentary

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 review 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.

Microsoft Danmark ApS

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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.

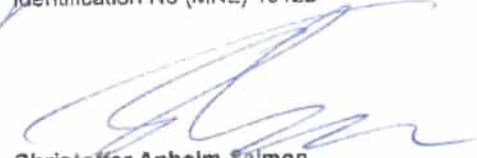
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 6.12.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



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



Christoffer Anholm Salmon
State-Authorised Public Accountant
Identification No (MNE) 47918

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 2022 - 30 June 2023 |
| Website | www.microsoft.com |
| E-mail | danmark@microsoft.com |
| Executive Board | Mette Louise Kaagaard Benjamin Orndorff |
| Auditors | Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S |

Financial highlights

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|------------|-----------|-----------|-----------|-----------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Key figures | | | | | |
| Revenue | 10,596,198 | 8,268,603 | 6,185,009 | 4,358,013 | 2,341,336 |
| Operating profit (EBIT) | 514,565 | 442,569 | 354,988 | 290,561 | 244,673 |
| Net Financials | 2,807 | (2,441) | (3,810) | (4,121) | (236) |
| Profit for the year | 402,651 | 342,294 | 271,482 | 740,789 | 189,985 |
| Total assets | 6,702,755 | 6,526,765 | 5,179,243 | 4,827,287 | 3,702,655 |
| Investment in property, plant and equipment | 6,481 | 4,199 | 15,874 | 11,008 | 10,862 |
| Equity | 1,342,939 | 1,282,288 | 1,211,494 | 1,224,812 | 673,923 |

MANAGEMENT'S REVIEW

Financial highlights (continued)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------------------------|-------|-------|-------|-------|-------|
| <i>Financial ratios</i> | | | | | |
| Operating margin | 4.9% | 5.4% | 5.7% | 6.7% | 10.5% |
| Solvency ratio | 20.0% | 19.6% | 23.4% | 25.4% | 18.2% |
| Return on equity | 31.5% | 27.6% | 22.4% | 78.0% | 28.4% |
| | | | | | |
| Average number of full-time employees | 524 | 488 | 456 | 438 | 416 |

Financial ratios are calculated in accordance with the current version of Danish Finance Society's "Recommendations and Financial Ratios".

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 | $\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$ |

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. Microsoft Danmark ApS continues to follow the business model introduced in 2018 where the principal activity of Microsoft Danmark ApS was extended to include the direct distribution of products and services to customers.

Financial review

The Company's revenue for the year amounted to DKK 10,596,198 thousand (2022: DKK 8,268,603 thousand).

The revenue increase for the year was 28%, which is in line with the expectation previously expressed by Management (25-35% increase in comparison to 2021/22 year) and attributable to strong Company's performance in the year.

The profit before tax for the year amounted to DKK 517,153 thousand (2022: DKK 440,363 thousand) and has increased by 17% which is slightly above the expectations previously expressed (10-16% growth in comparison to 2021/22 year).

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 the established model of direct distribution activities. In respect to the services provided 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 changes in interest rates, currency and market fluctuations is considered as non-substantial.

Statement on Data Ethics

Microsoft Group has a long-standing commitment to earn the trust of our customers, employees, communities, and partners. We are optimistic about the benefits of technology, yet clear about the challenges. To drive positive impact with technology, people need to be able to trust the technologies they use and the companies behind them. Microsoft Danmark ApS follows the Group's (Microsoft) data ethics policies and practices developed as a part of the commitment to Earn Trust, which are grouped into three pillars:

- to respect privacy by adhering to privacy principles and balancing privacy and public safety,
- to advance cybersecurity by fighting digital crime, strengthening digital safety and promoting digital diplomacy,
- to develop and use technology responsibly by committing to transparency, regulating facial recognition, and developing responsible AI - and empowering others to do the same.

MANAGEMENT'S REVIEW

Management commentary (continued)

Across each of these pillars we strive to create solutions with lasting impact, upholding data ethics standards, which are an integral part of our policies.

Further information regarding the Group's commitments and policies can be found on:
<https://www.microsoft.com/en-us/corporate-responsibility/earn-trust>

Microsoft Privacy Statement can be found on:
<https://privacy.microsoft.com/en-us/privacystatement>

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 cloud-first world. People and organizations in every industry are increasingly looking to digital technology to overcome today's challenges and emerge stronger. Microsoft's platforms and tools are best positioned to harmonize interests of end users, developers, IT and to connect technology with customer needs.

To achieve our mission and fulfill our commitments 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 commitments 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 the world are complex, and no one company, industry, or country can solve them alone, that's why at Microsoft we work across sectors and borders to foster collective action and amplify impact. We focus on four enduring commitments: expand opportunity; earn trust; protect fundamental rights; and advance sustainability.

Microsoft Danmark's main activities consist 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 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.

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 the 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, embedding it deeply into its governance structure. The Group is committed to driving robust climate programs in the battle against climate change and enabling others to do the same by promoting rapid policy action, helping to develop sustainability markets, and accelerating progress through AI-enabled solutions.

Microsoft Group have announced a commitment to be carbon negative, water positive, zero waste by 2030 and to preserve ecosystems by protecting more land than we use by 2025.

Actions and results 2022/23

As part of our climate commitment the Group has delivered on:

- Microsoft is investing in accelerating climate innovation through our \$1B Climate Innovation Fund, including technologies and business models that have the potential for meaningful, measurable climate impact by 2030. Since 2020, Microsoft has allocated more than \$700M into a global portfolio of more than 50 investments, including sustainable solutions in energy, industrial, and natural systems.
- Following the commitment to reduce Scope 2 emissions, Microsoft has invested in renewable energy from power purchase agreements (PPAs), green tariff programs, and unbundled renewable energy certificates. Microsoft is actively expanding PPA portfolio around the globe, including more than 135 projects in 16 countries.
- Microsoft has contracted for replenishment projects estimated to provide more than 15.6 million cubic meters in volumetric water benefit over the lifetime of these projects.
- Microsoft has announced powerful new water sustainability management features in Microsoft Cloud for Sustainability to help Microsoft and our customers and partners meet their water commitments. Each quarter we strengthen the Microsoft Cloud for Sustainability, adding capabilities and investing in the next-generation, cloud-based sustainability data.

Locally in Lyngby, several sustainability initiatives have been implemented throughout the year 2022/23 as part of Microsoft's carbon-negative 2030 strategy, such as: installation of timers on PCs, HUB / info screens, architectural lighting, illuminated signage to switch off from 7pm to 6am; re-use of paper hand towels and removal of plastic bin bags; optimization of water usage by utilization of rainwater for technical means and modernization of dishwashers. Our building is constructed according to the Danish Building Regulation BR15, which secures an energy-efficient building that meets the standards of LEED (Leadership in Energy and Environmental Design).

In addition to getting our own house in order, at Microsoft, we are committed to deliver technologies that support a net-zero economy, investing in innovation, fostering partnerships, and advocating for policies that enable meaningful climate action. Our investment in AI presents new opportunities to accelerate sustainability solutions for Microsoft, our customers, and the world.

MANAGEMENT'S REVIEW

Management commentary (continued)

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' rights 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, and it is inseparable from our mission to empower every person and every organization on the planet to achieve more with our technologies. The Group has developed policies and outlined four key commitments: to promote responsible business practices, expand accessibility and connectivity, advance fair and inclusive societies, and empower communities.

Actions and results 2022/23

Microsoft continually works to implement our human rights policies, in relation to the customers, employees, and suppliers, in the year 2022/23 as a part of our commitment the Group has delivered on:

- Microsoft provided our AccountGuard nation-state threat notification service to 33 countries, protecting more than 5.2 million accounts of election officials, human rights organizations, journalists, political parties, and other organizations essential to a healthy democracy.
- Microsoft remains committed to assisting the people and government of Ukraine as the war in Ukraine continues. As of June 2023, Microsoft has committed \$520 million in employee giving, cash, technology grants, services, and business relief to support Ukraine. Our assistance includes support for governments, businesses, nonprofits, and humanitarian organizations.
- We launched the Microsoft Journalism Hub, providing access to services for journalists-including data visualization services, Microsoft 365 for journalists, pro bono legal support services, AccountGuard for journalists, and others-to rebuild capacity, restore trust, and reduce risk.
- Microsoft has established new corporate supply chain integrity governance to identify minimum requirements on human rights, environmental, worker health and safety, and ethics risk management practices across our global supply chain footprint.
- Our AI for Humanitarian Action program completed nine projects in the year, increasing our partners' capabilities to identify at-risk communities in India, to estimate seasonal hunger in Malawi, and to assist in sepsis identification in Ugandan children.

Looking forward, Microsoft will continue to stand up for human rights in our own ecosystem and business, and for people across the globe. We have a responsibility to protect people's fundamental rights and help all communities succeed in an increasingly digital world. For us, this means promoting responsible business practices, expanding accessibility and connectivity, empowering humanitarian organizations and crisis-affected communities to prepare for, respond to, and recover from emergencies, including through our AI for Humanitarian Action initiative.

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. We prohibit offering or paying bribes, kickbacks, or other improper benefits to anyone. 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. Microsoft's company-wide Standard of Business conduct (Trust Code) drives awareness of the importance of compliance and ethics, highlighting resources to report concerns regarding misconduct, including corruption.

Actions and results 2022/23

During the year, Microsoft has continuously worked on the implementation and strengthening of our anti-corruption policies. Microsoft requires partners, suppliers, and other representatives to comply with the Anti-Corruption Policy for Microsoft Representatives. We conduct risk-based due diligence and vetting of our representatives. The vetting process now uses data analytics to identify higher risk representatives through an algorithm that calculates a risk score for representatives based on internal and external data attributes. We require that higher risk representatives undergo enhanced vetting allowing us to determine whether they will be permitted to start or renew a business relationship with us. Further, we maintain a comprehensive, global compliance investigation team, who continuously reviews and investigates concerns reported by employees or third parties through multiple channels, including anonymous external hotline provider.

At Microsoft, we believe that making good decisions and ethical choices in our work builds trust in each other and with our customers and partners. As a part of Group's commitment to grow the skills of our employees around ethical decision-making, in the year employees of Microsoft Danmark ApS have participated in annual mandatory training program Standards of Business Conduct ("Trust Code"), which is a primary component of the policy governance framework and contains Microsoft's commitment to ethical business practices and complying with the law.

MANAGEMENT'S REVIEW

Management commentary (continued)

Microsoft values are the enduring principles that guide us to do business with integrity as we strive to win trust every day. Our culture is our operating framework, and our future commitment goes beyond words to actions, but is to provide tools and solutions for the efficient compliance 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 on the market.

Policies

Microsoft employees are the driving force behind our mission. Microsoft is increasingly focusing on maintaining its position as one of best workplaces by creating an inclusive culture where each of the employees can thrive. As one element of this, Microsoft is strategically dedicated to diversity across gender, age, nationality, religion, and sexual orientation and we have goals and programs to improve representation in all roles and at all levels.

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

Actions and results 2022/23

We continue to build on our cultural transformation through further investment in inclusion, defining it as a core priority for all employees. In their first six months upon joining at Microsoft, employees complete diversity and inclusion ("D&I") courses on allyship, covering, privilege, and unconscious bias in the workplace. Additional personalized learning experiences enable them to take ownership of their ongoing D&I learning journey. Locally and as a Group we hosted a variety of events to raise awareness of differences across cultures, backgrounds, and experiences; recognize and promote the value of diversity; and teach inclusion.

During 2022/23, Microsoft Danmark ApS was rated in top 3 as one of the most attractive employers in the Nordics among students of Engineering, IT and Business (Universum) and the company with the best reputation among Danish IT-professionals (Computerworld).

As part of our global societal skilling commitments, in the year 2022/23 the Group has:

- Between July 2020 and June 2023, we have helped train and certify 8.5 million people with in-demand skills for the digital economy.
- Partnered with more than 400 nonprofit organizations globally to scale access to Skills for Jobs and Teacher Skills programs.
- Microsoft cyber skilling programs have expanded to operate in 28 countries, partnering with nonprofits and other educational institutions to train the next generation of diverse cybersecurity professionals.

MANAGEMENT'S REVIEW

Management commentary (continued)

During 2022/23, Microsoft Danmark ApS has continued to partner with non-profit Redi School to promote employment opportunities for women with migrant and refugee backgrounds through digital skilling and has worked with the City of Aarhus to deliver training programs and certifications for jobseekers. In response to growing cyber threats, Microsoft Danmark ApS has worked with business and societal partners to promote cyber security career opportunities and training among Danish students and graduates. Together with Digital Dogme, we work with other Danish companies to share best practices and experiences in providing successful upskilling for employees and the general workforce.

As a company whose mission is to empower every person and every organization to achieve more, we recognize the potential of AI to serve as a catalyst for a new era of opportunity and economic growth. Microsoft will continue to focus on empowering nonprofits and communities with digital and AI capabilities to expand opportunity for everyone. We will further promote accessibility, diversity and strengthen the culture of inclusion in our work environment.

Gender composition of management

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

Microsoft Danmark ApS has set specific goals for gender composition along with a strategy for how to reach these goals. As of 2022/23:

The top management team consist of 9 people, of which 3 are women. This gives a 33% female representation, which corresponds to an equal gender distribution according to the definition provided by the Danish Business Authority.

The full management population is 37% women, which is considered as positive (Company target: at least 30%).

The total population consists of 35% women, which is considered as positive (Company target: at least 30%).

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

It is Microsoft Danmark ApS's intent and policy to ensure the female representation in all management layers is reflecting the country population most accurately. Microsoft Group maintains intentional focus on programs, networks and systemic approaches to increase representation and access to opportunity for women. Microsoft believes it's more important than ever to encourage and empower women to pursue careers in IT industry as the opportunity to work in the field is huge. Microsoft is committed to promote diversity through values, culture and allyship work, by providing world class benefits that support employees of any gender, by focusing on fairness and equality and systemic measures of pay and promotion and leaning into flexibility with a hybrid workplace.

Knowledge resources

- On 1 November 2022, Brian Guldborg took on the role as Chief Financial Officer.
- On 1 January 2023, Mette Louise Kaagaard has been appointed as CEO for Microsoft Danmark ApS taking over from Nana Bule Sejbæk.

MANAGEMENT'S REVIEW

Management commentary (continued)

Events after the balance sheet date

No events occurred after the balance sheet date that would impact significantly on the financial statements. The ongoing conflict in Ukraine has had no material impact on these financial statements. Management will continue to monitor the situation.

Outlook

Management has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, Management continues to adopt the going concern basis in preparing the annual report and accounts.

Adverse economic or market conditions may affect our business. Worsening economic conditions, including inflation, recession, pandemic, or other changes in economic conditions, may adversely affect our operations, financial condition, and results of operations. To the date no significant negative impacts as a result of economic and market conditions have been identified to cast doubt on the entity's ability to continue operating as a going concern.

Under the current business and market conditions, Management expects an increase in the revenue up to 15-20% for the fiscal year 2023/24 compared to the previous year. In consideration of the resources required to support revenue growth, profit before tax in 2023/24 is expected to be 5-15% higher in comparison to 2022/23.

STATEMENT OF PROFIT OR LOSS

| | Note | 2023 DKK'000 | 2022 DKK'000 |
|-------------------------------------|------|------------------|------------------|
| Revenue | 2 | 10,596,198 | 8,268,603 |
| Cost of sales | | (9,105,871) | (6,938,336) |
| Gross margin | | 1,490,327 | 1,330,267 |
| Distribution costs | 3 | (853,853) | (786,921) |
| Administrative expenses | 3 | (121,909) | (100,777) |
| Operating profit | | 514,565 | 442,569 |
| Other operating income | | 0 | 235 |
| Other operating expenses | | (219) | 0 |
| Profit before net financials | | 514,346 | 442,804 |
| Financial income | 5 | 11,355 | 0 |
| Finance expenses | 4 | (8,548) | (2,441) |
| Profit before tax | | 517,153 | 440,363 |
| Tax for the year | 6 | (114,502) | (98,069) |
| Profit for the year | | 402,651 | 342,294 |

STATEMENT OF FINANCIAL POSITION

| | Note | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|--|------|----------------------------|----------------------------|
| Assets | | | |
| Non-current assets | | | |
| <i>Property, plant and equipment</i> | | | |
| Other fixtures and fittings, tools and equipment | 7 | 8,018 | 7,900 |
| Property, plant and equipment under construction | 7 | 0 | 26 |
| Leasehold improvements | 7 | 5,991 | 8,494 |
| | | <u>14,009</u> | <u>16,420</u> |
| <i>Other non-current assets</i> | | | |
| Trade receivables | | 160,885 | 146,222 |
| Deferred tax assets | 8 | 255,391 | 330,804 |
| | | <u>416,276</u> | <u>477,026</u> |
| Total non-current assets | | <u>430,285</u> | <u>493,446</u> |
| <i>Current Assets</i> | | | |
| Trade receivables | | 2,275,391 | 2,241,405 |
| Receivables from group entities | 14 | 1,219,588 | 1,319,638 |
| Prepayments | 13 | 2,766,736 | 2,472,276 |
| Income tax receivable | | 10,755 | 0 |
| | | <u>6,272,470</u> | <u>6,033,319</u> |
| Total current assets | | <u>6,272,470</u> | <u>6,033,319</u> |
| Total Assets | | <u>6,702,755</u> | <u>6,526,765</u> |

STATEMENT OF FINANCIAL POSITION (continued)

| | Note | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|---------------------------------|------|----------------------------|----------------------------|
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | | 201 | 201 |
| Profit and loss account | | 932,738 | 940,087 |
| Dividend proposed for the year | | 410,000 | 342,000 |
| Equity holders' share of equity | | <u>1,342,939</u> | <u>1,282,288</u> |
| Total equity | | <u>1,342,939</u> | <u>1,282,288</u> |
| Non-current liabilities | | | |
| Income tax payable | | 18,972 | 0 |
| Other provisions | 9 | 4,620 | 4,310 |
| Other payables | 10 | 126 | 215 |
| Total non-current liabilities | | <u>23,718</u> | <u>4,525</u> |
| Current liabilities | | | |
| Trade payables | | 30,381 | 16,043 |
| Payables to group entities | 14 | 1,170,853 | 1,526,657 |
| Income tax payable | | 0 | 1,389 |
| Other payables | 10 | 1,183,712 | 1,057,633 |
| Deferred income | 12 | 2,951,152 | 2,638,230 |
| Total current liabilities | | <u>5,336,098</u> | <u>5,239,952</u> |
| Total liabilities | | <u>5,359,816</u> | <u>5,244,477</u> |
| Total equity and liabilities | | <u>6,702,755</u> | <u>6,526,765</u> |

1 Accounting Policies

11 Contractual obligations and contingencies, etc.

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

17 Events after the balance sheet date

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 2021 | | 201 | 939,793 | 271,500 | 1,211,494 |
| Profit for the year | 16 | 0 | 294 | 342,000 | 342,294 |
| Dividend distribution | | 0 | 0 | (271,500) | (271,500) |
| Equity at 30 June 2022 | | 201 | 940,087 | 342,000 | 1,282,288 |
| Profit for the year | 16 | 0 | (7,349) | 410,000 | 402,651 |
| Dividend distribution | | 0 | 0 | (342,000) | (342,000) |
| Equity at 30 June 2023 | | 201 | 932,738 | 410,000 | 1,342,939 |

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The annual report of Microsoft Danmark ApS for the year ended 30 June 2023 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 2023 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.

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.

Cloud services, which allow customers to use hosted software over the contract period without taking possession of the software, are provided on either a subscription or consumption basis. Revenue related to cloud services provided on a subscription basis is recognised rateably over the contract period. Revenue related to cloud services provided on a consumption basis, such as the amount of storage used in a period, is recognised based on the customer's utilisation of such resources. When cloud services require a significant level of integration and interdependency with software and the individual components are not considered distinct, all revenue is recognised over the period in which the cloud services are provided.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(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.

(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 income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

(f) 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.

(g) 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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(h) Tax for the year (continued)

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.

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 6 years |
| Computers (excl. servers) | Fully depreciated in month of acquisition |
| Leasehold improvements | Over the agreed lease period, not to exceed 10 years |

Property, plant and equipment under construction are measured at cost.

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.

In July 2022, 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 four years to six years and increase the estimated useful life of network equipment from four years to six years. This change in accounting estimate is effective beginning fiscal year 2023. Based on the carrying amount of server and network equipment included in Property, plant and equipment as of June 30, 2023, it is estimated this change has decreased our fiscal year 2023 operating expense by DKK 274 thousand. Forward looking expectations for the same change in accounting estimate is to decrease our fiscal year 2024 operating expense by DKK 134 thousand.

(b) Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries, associates and participating interests 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(b) Impairment of assets (continued)

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.

(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".

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(h) Income tax and deferred tax (continued)

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.

(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

| | 2023 DKK'000 | 2022 DKK'000 |
|--------------------|-------------------|------------------|
| Products | 2,921,969 | 2,710,688 |
| Service and other | 6,598,732 | 4,549,717 |
| Commission income | 911,370 | 856,026 |
| Consultancy income | 164,127 | 152,172 |
| | <u>10,596,198</u> | <u>8,268,603</u> |

3. Staff costs and incentive plans

| | 2023 DKK'000 | 2022 DKK'000 |
|-----------------------------|-----------------|-----------------|
| Wages and salaries | 720,908 | 641,333 |
| Pensions | 56,498 | 51,725 |
| Other social security costs | 6,947 | 6,483 |
| | <u>784,353</u> | <u>699,541</u> |

NOTES TO THE FINANCIAL STATEMENTS

3. Staff costs and incentive plans (continued)

| | 2023 DKK'000 | 2022 DKK'000 |
|---|-----------------|-----------------|
| <i>Staff costs are recognised in the financial statements under the following line items:</i> | | |
| Distribution costs | 719,006 | 662,091 |
| Administrative expenses | 65,347 | 37,450 |
| | <u>784,353</u> | <u>699,541</u> |
| | | |
| Average number of full-time employees | 524 | 488 |
| Remuneration to members of management: | | |
| Executive board | 12,393 | 3,948 |
| | <u>12,393</u> | <u>3,948</u> |

The remuneration of the Executive Board includes pension of DKK 596 thousand (2021/22: DKK 277 thousand).

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 expenses

| | 2023 DKK'000 | 2022 DKK'000 |
|-------------------------|-----------------|-----------------|
| Foreign exchange losses | (8,288) | (2,086) |
| Other interest expenses | (260) | (355) |
| | <u>(8,548)</u> | <u>(2,441)</u> |

NOTES TO THE FINANCIAL STATEMENTS

5. Financial income

| | 2023 DKK'000 | 2022 DKK'000 |
|-----------------------|-----------------|-----------------|
| Other interest income | 11,355 | 0 |
| | <u>11,355</u> | <u>0</u> |

6. Tax for the year

| | 2023 DKK'000 | 2022 DKK'000 |
|--|------------------|-----------------|
| <i>Tax for the year</i> | | |
| Estimated tax charge for the year | (38,972) | (29,428) |
| Adjustment of the deferred tax charge for the year | (75,528) | (68,640) |
| Tax adjustments, prior year | (117) | (176) |
| Adjustment of the deferred tax charge, prior year | 115 | 175 |
| | <u>(114,502)</u> | <u>(98,069)</u> |

NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment

| | Property, plant and equipment under construction DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improvements DKK'000 | Total DKK'000 |
|---|---|--|--------------------------------------|------------------|
| Cost at 1 July 2022 | 26 | 38,507 | 23,881 | 62,414 |
| Additions | 0 | 6,370 | 111 | 6,481 |
| Transferred | (26) | 0 | 26 | 0 |
| Disposals | 0 | (506) | 0 | (506) |
| Cost at 30 June 2023 | 0 | 44,371 | 24,018 | 68,389 |
| Depreciation and impairment losses at 1 July 2022 | 0 | 30,607 | 15,387 | 45,994 |
| Depreciation | 0 | 6,252 | 2,640 | 8,892 |
| Disposals | 0 | (506) | 0 | (506) |
| Depreciation and impairment losses at 30 June 2023 | 0 | 36,353 | 18,027 | 54,380 |
| Carrying amount at 30 June 2023 | 0 | 8,018 | 5,991 | 14,009 |

8. Deferred tax asset

| | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|--|----------------------------|----------------------------|
| Deferred tax at 1 July | 330,804 | 399,269 |
| Adjustment of the deferred tax charge for the year | (75,528) | (68,640) |
| Adjustment of the deferred tax charge for prior year | 115 | 175 |
| Deferred tax at 30 June | 255,391 | 330,804 |

The deferred tax charge relates to:

| | | |
|-------------------------------------|---------|---------|
| Intangible assets | 227,736 | 303,647 |
| Property, plant and equipment | 3,052 | 2,535 |
| Provisions | 8,167 | 767 |
| Other taxable temporary differences | 16,436 | 23,855 |
| | 255,391 | 330,804 |

NOTES TO THE FINANCIAL STATEMENTS

8. Deferred tax asset (continued)

In year 2019/2020 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, resulted in a change of the tax status of the company. The tax effect of the step up was recognized in 2019/2020 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 2023 DKK'000 | 30 June 2022 DKK'000 |
|------------------------------------|----------------------------|----------------------------|
| Opening balance at 1 July | 4,310 | 4,021 |
| Provision for the year | 310 | 289 |
| Other provisions at 30 June | 4,620 | 4,310 |

Other provisions includes provisions for restoration of leased premises and similar provisions. Other provisions are expected to mature within the period less than 5 years.

10. Other payables

| | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|--------------------------------|----------------------------|----------------------------|
| Payroll Liabilities | 143,774 | 114,367 |
| Other payables | 693,726 | 566,320 |
| Compensated absence commitment | 47,820 | 73,487 |
| VAT and other indirect taxes | 298,392 | 303,459 |
| | 1,183,712 | 1,057,633 |

NOTES TO THE FINANCIAL STATEMENTS

10. Other payables (continued)

Non-current other payables due after 30 June 2024:

| | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|--------------------------------|----------------------------|----------------------------|
| Compensated absence commitment | 126 | 215 |
| | <u>126</u> | <u>215</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, Microsoft Danmark ApS is acting as administrator company of the unit. At 30 June 2023, the net taxes payable to Danish Tax Agency by the companies included in the joint taxation amounted to DKK 36 970 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 2023 DKK'000 | 30 June 2022 DKK'000 |
|--|----------------------------|----------------------------|
|--|----------------------------|----------------------------|

*Other financial obligations**Other rent and lease liabilities*

| | | |
|----------------------------|---------------|---------------|
| Rent and lease liabilities | 63,462 | 66,525 |
| | <u>63,462</u> | <u>66,525</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 103 million as of 30 June 2023. Microsoft Danmark ApS is expected to pay 45% of the rent commitment amounted to DKK 46 million, which is part of "Other rent and lease liabilities" amounted to DKK 63 million as of June, 30th.

NOTES TO THE FINANCIAL STATEMENTS

12. Deferred income

| | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|-----------------|----------------------------|----------------------------|
| Deferred Income | 2,951,152 | 2,638,230 |
| | <u>2,951,152</u> | <u>2,638,230</u> |

Deferred income, recognised under "Liabilities", DKK 2,951 million (2022: DKK 2,638 million), consists of payments received from customers which cannot be recognised as revenue until in the subsequent financial year.

13. Prepayments

| | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|-------------------------|----------------------------|----------------------------|
| Deferred cost of sales | 2,754,265 | 2,470,914 |
| Administrative expenses | 12,461 | 1,362 |
| Financial expenses | 10 | 0 |
| | <u>2,766,736</u> | <u>2,472,276</u> |

Deferred cost of sales of DKK 2,754 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 |

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 2023 DKK'000 | 30 June 2022 DKK'000 |
|--|----------------------------|----------------------------|
| Transactions with group entities | | |
| Commission income | 911,370 | 856,026 |
| Service fee (expenses) | (396) | (287) |
| Cost of sales | (9,105,871) | (6,938,336) |
| Sale of Property, plant and equipment | 0 | 26,831 |
| Financial income | 11,355 | 0 |
| Balances with counterpart | | |
| Receivables from group entities - Short-term | 1,219,588 | 1,319,638 |
| Payables to group entities | 1,157,213 | 1,522,545 |
| Balances with parent company | | |
| Payables to ultimate parent company | 13,640 | 4,112 |

During the year an office rent reimbursement was received related to Lyngby. The amount of reimbursement income received was for DKK 21,295 thousand. See note 11 for further details.

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

| | 2023 DKK'000 | 2022 DKK'000 |
|---------------------------|-----------------|-----------------|
| Fee for statutory audit | 360 | 334 |
| Total fee paid to Auditor | <u>360</u> | <u>334</u> |

NOTES TO THE FINANCIAL STATEMENTS

16. Appropriation of profit

| | 30 June 2023 DKK'000 | 30 June 2022 DKK'000 |
|--|----------------------------|----------------------------|
| <i>Recommended appropriation of profit</i> | | |
| Proposed dividend recognised under equity | 410,000 | 342,000 |
| Profit and Loss account | (7,349) | 294 |
| | <u>402,651</u> | <u>342,294</u> |

17. Events after the balance sheet date

No events occurred after the balance sheet date that would impact significantly on the financial statements. The ongoing conflict in Ukraine has had no material impact on these financial statements. Management will continue to monitor the situation.