

Oracle Danmark ApS

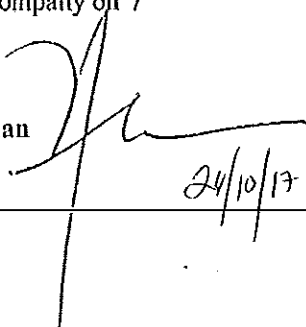
CVR-nr. 71 29 85 15

Metalbuen 66
Ballerup 2750
Danmark

Annual Report for 2016/17

The Annual Report was presented and
adopted at the Annual General Meeting
of the Company on /

Chairman



24/10/17

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Oracle Danmark ApS for the financial year 1 June 2016 – 31 May 2017.

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

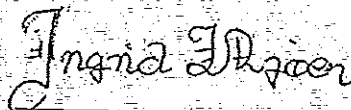
It is our opinion that the financial statements give a true and fair view of the Company's financial position at 1 June 2016 – 31 May 2017 and of the results of the Company's operations and cash flow for the financial year 1 June 2016 – 31 May 2017.

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

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

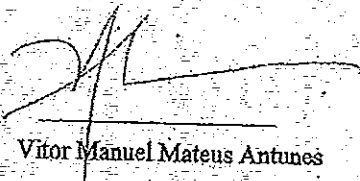
Ballerup, 24 October 2017

Executive Board



Ingrid Saugen Mjølner

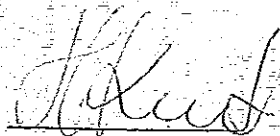
Supervisory Board



Vítor Manuel Mateus Antunes



Simon Allison



Hannah Knust

Independent Auditor's Report

To the shareholders of Oracle Danmark ApS

Opinion

We have audited the financial statements of Oracle Danmark ApS for the financial year 1 June 2016 – 31 May 2017, which comprise an income statement, balance sheet, statement of changes in equity, notes and accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 May 2017 and of the results of the Company's operations and cash flows for the financial year 1 June 2016 – 31 May 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and 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 Company's internal control.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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


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

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

Copenhagen, 24 October 2017

Ernst & Young

Godkendt Revisionspartnerselskab
Cvr no.: 30700228


Karsten Bøgel
State Authorized public accountant

Company Information

The Company

Oracle Danmark ApS

Metalbuen 66

DK – 2750 Ballerup

Telephone: 44808080

Facsimile: 44808090

Website: www.oracle.com

CVR No.: 71 29 85 15

Financial period: 01 June – 31 May

Incorporated 16 November 1982

Municipality of reg office: Ballerup

Supervisory Board

Vitor Manuel Mateus Antunes, Chairman

Simon Allison

Hannah Knust

Executive Board

Ingrid Saugen Mjøen

Auditors

Ernst & Young

Ernst & Young P/S

Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4, Postboks 250

2000 Frederiksberg

Financial Highlights

Seen over a five year period, the developments of the Company is described by the following financial highlights:

Key figures

	2016/17	2015/16	2014/15	2013/14	2012/13
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statements					
Revenue	389,710	403,097	379,401	328,677	305,848
Gross profit/loss	277,428	280,657	267,487	231,897	223,156
Profit/loss before financial income and expenses	17,381	10,560	-1,274	-8,664	-14,404
Net financials	-13,178	-10,845	15,444	-2,878	-5,231
Net profit/loss for the year	2,102	-1,255	6,100	-12,552	-19,381
Balance sheet					
Investment in property, plant and equipment	69	130	118	0	377
Total assets	449,056	423,885	449,867	392,364	338,894
Net equity	13,102	48,514	49,769	43,669	33,884
Average number of employees	218	238	218	216	232

Financial Highlights

	2016/17	2015/16	2014/15	2013/14	2012/13
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Ratios					
Gross margin	71.2%	69.6%	70.5%	70.6%	73.0%
Profit margin	4.5%	2.6%	-0.3%	-2.6%	-4.7%
Return on assets	3.9%	2.5%	-0.3%	-2.2%	-4.2%
Solvency ratio	2.9%	11.4%	11.1%	11.1%	10.0%
Return on equity	13.6%	-2.6%	12.3%	-28.7%	-57.2%

The method for calculation of the financial highlights are in accordance with the guidelines from "Den Danske Finansanalytikere Forening".

The ratios have been prepared in accordance with the definitions stated under accounting policies.

As a consequence of the merger with Responsys Nordic ApS as of 1 June 2014 the comparatives have been restated as of 1 January 2014 when the companies were subject to common control.

Management's Review

Business activities and mission

The Company sells hardware and software engineered to work together in the cloud and in your data center from servers and storage, to database and middleware, through applications and related services such as technical support, education and consulting services. Oracle Denmark sells only software and hardware developed by Oracle Corporation in the shape of software licenses and hardware to distributors and directly to end users. The services are solely related to Oracle's software and hardware and are aimed at helping the customers obtain the highest benefit from their investment in Oracle's products. In essence the sale happens on the Danish market and only to private companies or the public sector.

All Oracle software products are web-based and include the Oracle database, middleware, development equipment and integrated ERP, CRM and Business Intelligence solutions. To this must be added specific industry solutions in medicine, retail, communications, finance and the public sector.

All products are developed centrally by Oracle Corporation. In relation to the implementation of the products at customer sites, a set-up of software parameters or other program adjustments to the Oracle software might be necessary. It is Oracle's policy to sell and implement standard software and hardware in order to secure best technical support of the implemented software to the customers. Simultaneously, continuous improvement and development of the software and hardware products are carried out in order to meet customer demands.

Business review

The income statement of the Company for 2016/17 shows a profit of DKK '000 2,102 (loss of DKK '000 1,255 for 2015/2016) and at 31 May 2017 the balance sheet of the Company shows equity of DKK '000 13,102 (DKK '000 48,514 at 31 May 2016).

The significant drop in equity is due to the dividend distributed in the last quarter of the year DKK '000 37,514.

Decrease in revenue by 3% have been driven by consulting (DKK '000 49,730 and 54,525 for 2016/17 and 2016/15 respectively), and commissions income (DKK '000 339,980 and 348,572 for 2016/17 and 2015/16 respectively). The main contributor for the decrease in commissions income by LOB has been Support decreasing by 28% (DKK 3M) followed by Hardware support decreasing by 16% (DKK 7M).

In spite of the decrease in revenue, profit before financial income and expenses has been increased driven by decrease in other external expenses (DKK '000 112,282 for 2016/17 and DKK '000 122,440 for 2015/16) mainly due to decrease in Bad Debt and Internal Consultant cost. Moreover, staff expenses dropped down during 2016/17 (DKK '000 254,027 for 2016/17 and DKK '000 264,003 for 2015/16) mostly due to decrease in compensation payment and salary, partially compensated with increase in restructuring.

The profit before financial income significantly dropped down due to foreign currency exchange rates from USD valuation (loss DKK '000 13,365 2017/16, & loss DKK '000 11,280 2015/16). The foreign currency exchange loss is mainly due to USD valuation against DKK from operational contracts denominated in USD.

Outlook

In financial year 2016/17, Oracle's overall strategy is to continue to broaden its customer base while providing ever more value-add to its existing customers. Oracle is still offering fully integrated

Management's Review

solutions that combine server and storage hardware with licensed software applications, with all components engineered to work together. Whilst also developing new lines of business such as software as a service and infrastructure as a service (cloud) to develop future revenues. Oracle sees this as a critical and unique competitive advantage, and is therefore targeting solid-to-substantial growth in its revenues and operating results in 2017 and beyond.

Unusual events

The financial position of the Company at 31 May 2017 and the results of its activities and cash flows for the financial year 2016/17 have not been affected by any unusual events.

Effect on the external environment

The Company does not have a significant impact on the external environment.

Research and development activities

The Company does not hold local research and development activities.

Net profit/loss for the year compared with previously expressed expectations

The Company has fulfilled previous announcements regarding expectations for revenue growth.

Recognition and measurement uncertainties

During the year ended 31 May 2010, Oracle Danmark ApS lodged deposits totalling DKK '000 40,000 in respect of revised company tax assessments for the financial years 2003 and 2004, as a result of tax audits conducted by the Danish tax authorities into the taxable results for those years. In addition, during the year ended 31 May 2012, Oracle Danmark ApS lodged deposits totalling DKK '000 71,000 in respect of revised company tax assessments for the financial years 2005-2008 inclusive, as a result of tax audits conducted by the Danish tax authorities into the taxable results for those years. In August 2015, Oracle Danmark ApS made a payment on deposit for the Tax Audit financial year 2009 for an amount of DKK '000 31,000. These deposits are held as a balance sheet asset in the financial statements.

Oracle Danmark ApS vigorously disputes the basis of the revised company tax assessments and is currently engaged in discourse with the Danish tax authorities in this regard. The aforementioned deposits have been made under protest, not accepting liability and only to live up to legal requirements. The outcome of this case – whether via formal discourse and/or any potential future litigation – is uncertain. Reference is made to note 16.

Except for the issue noted above, recognition and measurement in the Annual Report have not been subject to any uncertainty.

Knowledge resources

The Company does not possess knowledge resources critical to the future activities. Development and research competencies are employed in the parent company.

Subsequent Events

No evidence of material subsequent events at 24 October 2017.

Management's Review

Unusual risks

The Company is not exposed to unusual risks beside ordinary risks within the industry normal risk of doing business.

Corporate social responsibility

The company does not have separate policies in place regarding CRS, human rights or climate effects and refer to Oracle Corporation's CRS policies for the entire group.

The report has been issued in 2014 and is still valid and applicable to Oracle Danmark ApS and can be retrieved at the following link:

<http://www.oracle.com/us/corporate/citizenship/corporate-citizenship-report-2563684.pdf>

Account of the gender composition

Oracle Danmark considers it a strength to have both genders represented in management, finding that this adds value to and contributes to the development of the business. In Oracle Danmark, there are equal opportunities for men and women and efforts are being made to reflect this at all managerial levels.

Oracle Danmark has drawn up a policy for the underrepresented sex with a view to ensuring a balanced representation of men and women at all managerial levels, based on the objective that neither men nor women should have a representation of less than 25% in top management. In 2016, Oracle Danmark has met their target with a representation of 25% women and 75% men and continues to focus on increasing the share of the under-represented gender.

Today, the supervisory board comprises 3 members, of whom one is a woman. This corresponds to 1/3 women.

To ensure a balanced representation of men and woman Oracle is developing programs such as:

Oracle Women's Leadership (OWL)

OWL is a leadership and professional development program that seeks to develop, engage and empower current and future generations of Oracle women leaders in order to foster an inclusive and innovative workforce. OWL engages more than 7,000 employees in 41 countries – including Denmark, representing more than 70 OWL communities.

In Oracle Danmark, the local OWL committee arranges networking, training and social activities in order to enhance local female employees' leadership engagement.

Mentoring and Sponsorship

Our competitiveness as a company ultimately depends on the talent of our people. Oracle has a mentoring programme that aims to strengthen employees' career development strategies and to retain, attract, develop, and maximize the capacity of Oracle's talent. Mentoring and sponsorship enable us to develop future generations of technical and managerial leaders in Oracle.

Recruitment

Oracle has an Equal Employment Opportunity Policy and also provides best practices and recommendations for hiring managers.

Income Statements 1 June - 31 May

	<u>Note</u>	<u>2016/17</u> DKK'000	<u>2015/16</u> DKK'000
Revenue	1	389,710	403,097
Other external expenses		-112,282	-122,440
Gross profit		<u>277,428</u>	<u>280,657</u>
Staff expenses	2	-254,027	-264,003
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-6,020	-6,094
Profit/loss before financial income and expenses		<u>17,381</u>	<u>10,560</u>
Financial income	4	187	435
Financial expenses	5	-13,365	-11,280
Profit/loss before tax		<u>4,203</u>	<u>-285</u>
Tax on profit for the year	6	-2,101	-970
Net profit/loss for the year	19	<u>2,102</u>	<u>-1,255</u>

Distribution of profit

	<u>2016/17</u>	<u>2015/16</u>
	DKK'000	DKK'000
Proposed distribution of profit/loss		
Retained earnings	2,102	-1,255
	<u>2,102</u>	<u>-1,255</u>

Balance Sheet 31 May

Assets	<u>Note</u>	<u>2016/17</u>	<u>2015/16</u>
Non-current assets		DKK'000	DKK'000
Goodwill		8,281	13,244
Intangible assets	7	<u>8,281</u>	<u>13,244</u>
Other fixtures and fittings, tools and equipment		160	215
Leashold improvement		2,094	3,027
Tangible assets	8	<u>2,254</u>	<u>3,242</u>
Total non-current assets		<u>10,535</u>	<u>16,486</u>
Inventories		<u>0</u>	<u>869</u>
Trade receivables	9	13,305	15,745
Receivables from group enterprises		2,522	2,230
Other receivables		3,076	2,105
Contract work in progress	10	3,666	4,968
Deferred tax assets	11	103	116
Income tax on deposit	12	141,935	141,935
Corporation tax		0	237
Deferred expenses	13	613	478
Other assets		<u>165,220</u>	<u>167,814</u>
Cash at bank and in hand		<u>273,301</u>	<u>238,716</u>
Current assets		<u>438,521</u>	<u>407,399</u>
Assets		<u>449,056</u>	<u>423,885</u>

Balance Sheet 31 May

Equity and Liabilities	<u>Note</u>	<u>2016/17</u>	<u>2015/16</u>
Equity		DKK'000	DKK'000
Share capital	14	11,000	11,000
Retained earnings		2,102	37,514
Total equity		<u>13,102</u>	<u>48,514</u>
Current liabilities			
Trade payables		1,171	1,116
Payables to group enterprises		329,084	218,581
Corporation tax		818	0
Other payables		102,875	155,061
Deferred income	15	2,006	613
Total current liabilities		<u>435,954</u>	<u>375,371</u>
Total liabilities		<u>435,954</u>	<u>375,371</u>
Liabilities and equity		<u>449,056</u>	<u>423,885</u>
Contingent assets, liabilities and other financial obligations	16		
Fee to auditors appointed at the general meeting	17		
Related parties and ownership	18		
Profit distribution	19		

Statements of Change in Equity

	<u>Share capital</u> DKK'000	<u>Retained earnings</u> DKK'000	<u>Total</u> DKK'000
Equity at 1 June	11,000	37,514	48,514
Dividend distribution	-	-37,514	-37,514
Net profit/loss for the year	-	2,102	2,102
Equity at 31 May	<u>11,000</u>	<u>2,102</u>	<u>13,102</u>

Notes to the Annual Report

1. Revenue

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Net sales generated by Oracle Denmark ApS	49,730	54,525
Commission income	<u>339,980</u>	<u>348,572</u>
	<u><u>389,710</u></u>	<u><u>403,097</u></u>

Net sales are sold primarily on the Danish market. Segment information for geographic and product segment can be found in the consolidated balance sheet of Oracle Corporation, California, USA.

The consolidated financial statement in which Oracle Denmark ApS is included can be found at

<http://investor.oracle.com/financial-reporting/sec-filings/sec-filings-details/default.aspx?FilingId=11455077>

2. Staff expenses

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Wages and salaries	237,753	245,279
Pensions	14,800	15,532
Other social security expenses	<u>1,474</u>	<u>3,192</u>
	<u><u>254,027</u></u>	<u><u>264,003</u></u>
Average number of employees	<u><u>218</u></u>	<u><u>238</u></u>

A portion of Management's salary is dependent on the year's results.

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

3. Depreciation, amortization and impairment of intangible assets

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Goodwill	4,963	4,964
Other fixtures and fittings, tools and equipment	124	197
Leasehold improvements	<u>933</u>	<u>933</u>
	<u><u>6,020</u></u>	<u><u>6,094</u></u>

4. Financial income

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Other financial income	<u>187</u>	<u>435</u>
	<u><u>187</u></u>	<u><u>435</u></u>

Notes to the Annual Report

5. Financial expenses

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Interest paid to group enterprises	1	5
Other financial expenses	13,364	11,275
	<u>13,365</u>	<u>11,280</u>

6. Tax for the year

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Estimated income tax charge	-2,088	-1,289
Prior year adjustments for income tax	0	666
Change in provision for deferred tax	-13	173
Prior year adjustments for deferred tax	0	-520
	<u>-2,101</u>	<u>-970</u>

7. Intangible assets

DKK'000	<u>Goodwill</u>
Cost at 1 June	140,043
Disposal for the year	-115,227
Cost at 31 May	<u>24,816</u>
Impairment losses and amortisation at 1 June	126,799
Disposal for the year	-115,227
Amortisation for the year	4,963
Impairment losses and amortisation at 31 May	<u>16,535</u>
Carrying amount at 31 May	<u>8,281</u>

Justification for goodwill amortization periods

The investment horizon and hence the economic life span is set at 5 years, taking into account that current activity is at a significant risk of ever increasing competition, including future threats of digitalization.

Impairment

In 2016/17 the management carried out an impairment test of the carrying amount of goodwill. It is estimated that the recoverable amount in terms of value in use exceeds the carrying amount. The utility value is calculated on the basis of expected net cash flows based on budgets for the years 2018 to 2021 approved by management and a discount factor before tax on 3.17%.

Notes to the Annual Report

8. Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 June	13,180	14,563
Additions for the year	69	0
Disposals for the year	<u>-7,063</u>	<u>-1,574</u>
Cost at 31 May	<u>6,186</u>	<u>12,989</u>
Impairment losses and depreciation at 1 June	12,965	11,536
Depreciation for the year	124	933
Accumulated depreciation and write-downs of disposals	<u>-7,063</u>	<u>-1,574</u>
Impairment losses and depreciation at 31 May	<u>6,026</u>	<u>10,895</u>
Carrying amount at 31 May	<u>160</u>	<u>2,094</u>

9. Receivables

There are no portion falling due for payment more than one year after the financial year-end neither 2016/17 nor 2015/16.

10. Contract work in progress

DKK'000	<u>2016/17</u>	<u>2015/16</u>
Sales price for work in progress	<u>3,666</u>	<u>4,968</u>
Contract work in progress, net	<u>3,666</u>	<u>4,968</u>
Recognised in the balance sheet as follows:		
Classified as work in progress under assets	<u>3,666</u>	<u>4,968</u>
	<u>3,666</u>	<u>4,968</u>

11. Deferred tax

The deferred tax charge relates to DKK'000:

Property, plant and equipment	20
Current assets	<u>83</u>
	<u>103</u>

Notes to the Annual Report

Deferred tax assets/liabilities are expected to be set off within:

0-1 year	83
1-5 years	20
> 5 years	0
	103

12. Income taxes on deposit

DKK'000	2016/17	2015/16
Paid tax on account regarding ongoing legal tax case	141,935	141,935
	141,935	141,935

During the financial year 2009/10 Oracle Danmark ApS made 2 payments on deposit for the Tax Audits of financial years 2003 and 2004 for DKK 5.8 million and DKK 33.9 million, respectively. In the financial year 2011/12 Oracle Danmark ApS made a payment on deposit for the Tax Audit financial years 2005 to 2008 for an amount of 71 million DKK.

In August 2015, Oracle Danmark ApS made a payment on deposit for the Tax Audit financial year 2009 for an amount of 31 million DKK.

There have been held ongoing meetings with the tax authorities during the fiscal year 2016/17 without reaching a conclusion. No further payments on deposit has been requested by the authorities resulting in an unchanged asset of DKK 141.9 million. Please also refer to Note 16.

13. Deferred expenses

Deferred expenses consist of prepaid expenses concerning rent, insurance, and canteen (DKK '000 613 in 2016/17, DKK '000 478 in 2015/16).

14. Equity

The share capital consists of 110,000 shares with a nominal value of DKK 100. No shares carry any special rights.

The share capital has not been changed in the last 5 years.

15. Deferred income

DKK'000	2016/17	2015/16
Consulting contracts	2,006	613
	2,006	613

Notes to the Annual Report

16. Contingent assets, liabilities and other financial obligations

Rental agreements

DKK'000	2016/17	2015/16
The Company has entered into 2 leases covering the period until 2018 and 2020. The total obligation entered into amounts to DKK'000 9.080	9,080	12,727
As of 31 May, 2011 the Company has entered into a number of leasing contracts for cars. The lease cover various periods up to 2020, and the total obligation entered into amounts to DKK'000 13,225	13,225	14,795

Other financial obligations

Oracle Danmark ApS received a tax assessment in 2009 from the Danish Tax Authorities ("SKAT") relating to fiscal years 2003 and 2004 which in 2010 has been expanded to the fiscal years 2005-2008. In 2015, the tax assessment has been expanded further to the financial year 2009. In these assessments, SKAT has asserted that the operating results of Oracle Danmark were insufficient, and that Oracle Danmark ApS should be entitled to a higher operating margin by applying different transfer pricing principles than those used in the applicable years. Oracle Danmark ApS disagrees with the position adopted by SKAT and has filed for Mutual Agreement Procedures between Ireland and Denmark to reach an agreement that eliminates double taxation. It is currently not possible to quantify either the expected outcome of this dispute or the expected assessment for subsequent years due to uncertainties surrounding the matter. However, since the terms of the relevant intercompany agreements provide for the reimbursement of any final transfer pricing adjustment to Oracle Danmark, on that basis there would be no material exposure for Oracle Danmark in relation to this matter.

17. Fee to auditors appointed at the general meeting

DKK'000	2016/17	2015/16
Fee for statutory audit	395	380
Fee for other assurance assignments	428	0
	<u>823</u>	<u>380</u>

18. Related parties and ownership

Oracle Danmark ApS related parties comprise the following:

Controlling interest	Basis
Oracle Nederland B.V., De Meern, Holland	Parent company
Oracle Corporation, California USA	Ultimate parent company

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital.

Oracle Nederland B.V., De Meern, Holland

The financial statements for Oracle Danmark ApS are part of the consolidated financial statements for Oracle Corporation and may be obtained on web page:

Notes to the Annual Report

<http://investor.oracle.com/financial-reporting/sec-filings/sec-filings-details/default.aspx?FilingId=11455077>

Related party transactions

DKK'000	2016/17	2015/16
Interest expenses to parent company	1	5
Purchase from parent	1,180,980	960,167
Sales to parent	343,505	322,821
Purchase from associated	10,330	13,551
Sales to associated	74,099	37,499
Receivables from parent	2,522	2,230
Payables to parent	-8,639	-6,294
Payables to associates	-320,445	-212,288

Besides distribution of dividend, no other transactions were carried through with shareholders in the year.

Remuneration/fees of one of the members of Board of Directors are part of salaries presented in note 2.

There are no intra group transactions, that have not been carried through on normal market items.

19. Profit distribution

DKK'000

	Appropriation of profit/loss	
Recommended appropriation of profit/loss	2016/17	2015/16
Dividend proposed for the year	2,102	-1,255
Total	2,102	-1,255

Accounting Policies

Basis of Preparation

The Annual Report of Oracle Danmark ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

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

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions¹ with future effect only as a change in accounting estimates with no impact on equity.

The above change has no affect at the income statement or the balance sheet for 2016/17 or the comparative figures.

In addition, the Company has decided to present its balance sheet in horizontal format where non-current and current assets and liabilities are broken down and comparative figures for 2015 are restated.

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

The Annual Report for 2016/17 is presented in thousands of DKK.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

The takeover method is applied to the acquisition of new subsidiaries or activities which the Parent Company obtains control. Identifiable assets and liabilities in the acquired entities are recognized at the fair value at the time of acquisition. Provisions for restructuring costs relating to the acquired entity are recognized if the restructuring has been decided at the time of acquisition and is expected to be carried

¹ The executive order on transitional provisions based in connection with the application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 1 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.

Accounting Policies

through. Allowance is made for the tax effect of revaluations of assets and liabilities. Any residual difference between the cost and the group's share of the fair value of the identifiable assets and liabilities is recognized as goodwill or negative goodwill.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transactions. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

The Company's net sales include income from sale of software, service contracts and update right contracts etc. and commissions thereon, cf. note 1 to the financial statements. Net sales also include sales from consulting services and education. Recognition of income from software sales requires a contract be signed by the customer, that the product be delivered (if delivery is required) and that payment take place within 6 months of delivery or that payment be currently due.

Income from service and update right contracts is accrued over the contract's lifetime. License and hardware sales are recognized when the risk is passed on to the buyer. The Company receives a share hereof as commission income.

Income from consulting services is recognized according to used time for Time & Material projects and according to the percentage of completion method for fixed price projects.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Financial income and expenses

Accounting Policies

Financial income and expenses comprise interest income and expense, realized and unrealized gains and losses on transactions denominated in foreign currencies as well as surcharges and refunds under the on account tax scheme.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortization. Goodwill is amortized on a straight line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2 – 5 years
Leasehold improvements	5 – 10 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

In case of changes in the amortization period or the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortization.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Accounting Policies

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value. Cost of goods for resale, raw materials and consumables consist of purchase price plus landing costs. The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are recognized in the balance sheet at amortized cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Receivables regarding fixed price contracts include tailoring software to customers.

Cash

Cash comprises cash balances and bank balances.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognized at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortized cost.

Other liabilities are measured at net realizable value.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognized as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realizable value.

Prepayments and payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

Deferred expenses

Deferred expenses comprise prepaid expenses concerning the following year.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Accounting Policies

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

Deferred income

Deferred income comprises payments received in respect of revenue to be earned in subsequent years.

Cash Flow Statement

The financial statements does not contain a cash flow statement in accordance with the Danish Financial Statement Act section 86 (4) The company is included in the cash flow statement prepared for Oracle Corporation.

Accounting Policies

Financial highlights

Explanation of financial ratios

Gross Profit x 100

Revenue

Profit before Financials x 100

Revenue

Profit before Financials x 100

Total Assets

Equity at year end x 100

Total Assets

Assets x 100

Net Equity

Net Profit for the year x 100

Average Equity