

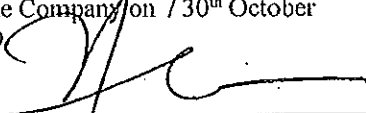
Oracle Danmark ApS

CVR-nr. 71 29 85 15

Tuborg Havnevej 15
2900 Hellerup
Danmark

Annual Report for 2018/19

The Annual Report was presented and
adopted at the Annual General Meeting
of the Company on / 30th October
2019



Vitor Manuel Mateus Antunes

Chairman

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Statement by the Supervisory and the Executive Board on the Annual Report

The Supervisory and the Executive Board have today discussed and approved the annual report of Oracle Danmark ApS for the financial year 1 June 2018 – 31 May 2019.

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 assets and liabilities and financial position at 1 June 2018 – 31 May 2019 and of the results of the Company's operations for the financial year 1 June 2018 – 31 May 2019.

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

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

Hellerup, 30 October 2019

Executive Board

Ingrid Saugen Mjøs

Supervisory Board

Vitor 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 2018 – 31 May 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 May 2019 and of the results of the Company's operations for the financial year 1 June 2018 – 31 May 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

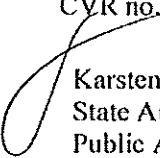
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, 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, 30/10 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Karsten Bøgel
State Authorised
Public Accountant
mne27849

Company Information

The Company

Oracle Danmark ApS
Tuborg Havnevej 15
DK – 2900 Hellerup

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: Hellerup

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
Osvold Helmuths Vej 4, Postboks 25
2000 Frederiksberg

Financial Highlights

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

Key figures

	2018/19	2017/18	2016/17	2015/16	2014/15
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statements					
Revenue	539,196	292,224	389,710	403,097	379,401
Gross profit	467,777	217,092	277,428	280,657	267,487
Profit/(loss) before financial income and expenses	238,482	2,313	17,381	10,560	-1,274
Net financials	19,770	4,770	-13,178	-10,845	15,444
Net profit/(loss) for the year	180,380	4,420	2,102	-1,255	6,100
Balance sheet					
Investment in property, plant and equipment	272	20,664	69	130	118
Total assets	596,166	283,606	449,056	423,885	449,867
Net equity	197,916	17,522	13,102	48,514	49,769
Average number of employees	198	212	218	238	218
Ratios					
Gross margin	86.8%	74.3%	71.2%	69.6%	70.5%
Profit margin	44.2%	0.8%	4.5%	2.6%	-0.3%
Return on assets	40.0%	0.8%	3.9%	2.5%	-0.3%
Solvency ratio	33.2%	6.2%	2.9%	11.4%	11.1%
Return on equity	91.1%	25.2%	16.0%	-2.6%	12.3%

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.

Comparative figures have been restated due to reclassifications in the balance sheet. Please refer to Note 25. Due to the adoption of IFRS 15, key figures and ratios above have not been restated.

Managements' Review

Business activities

Oracle Danmark ApS provides products and services that address all aspects of corporate information technology (IT) environments---applications, platform and infrastructure.

The Company's Cloud offerings provide a comprehensive and fully integrated stack of application, platform, compute, storage and networking services in all three primary layers of the cloud: Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS). The Company's cloud license and on-premise IT offerings include: Oracle Applications, Oracle Database and Oracle Fusion Middleware software, among others; hardware products including Oracle Engineered Systems, servers, storage and industry-specific products, among others; and related support and services. The Company provides cloud and on-premise offerings worldwide to businesses of many sizes, government agencies, educational institutions and resellers with a sales force positioned to offer the combinations that best suit customer needs.

Oracle Danmark ApS continues to represent a group company of Oracle Corporation in respect of these products and services and as such earns commission on these activities instead of bearing the full risks and rewards of fulfilling increasingly complex customer requirements in these areas.

Oracle Danmark ApS also provides consulting services on its own behalf.

Business review

The income statement of the Company for FY19 shows a profit of DKK '000 180,380 (profit of DKK '000 4,420 for FY18) and at 31 May 2019 the balance sheet of the Company shows equity of DKK '000 197,916 (DKK '000 17,522 at 31 May 2018). As a result of IFRS 15 implementation equity has been restated to DKK'000 17,536 at 31 May 2018.

The increase in equity is due to the profit during the year of DKK '000 180,380. The increase in profit in the year is driven by an intercompany revenue adjustment. The intercompany revenue adjustment is a Group reimbursement associated with the final settlement of the corporate tax audit between the years FY03-FY16. Excluding the intercompany revenue adjustment, revenues have increased by DKK'000 14,030 (DKK '000 306,254 and 292,224 for FY19 and FY18 respectively), the growth in revenues is primarily due to an increase in the Company's Cloud business and third party Cloud revenues. As a result, commissionaire income for Cloud line of business increased by DKK'000 9,295 (DKK '000 143,857 and 134,562 for FY19 and FY18 respectively).

Future Developments

Oracle Danmark ApS intends to continue to develop its range of products and services. The Company expects profits will be in line with FY19, when the once-off intercompany revenue adjustment booked in FY19 is excluded. Please refer to note 3.

Business risks

The directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future result of financial position:

- Significant changes in the market place in which the business operates
- The risk of increased inflation having an adverse impact on served markets
- The risk of adverse exchange movements

Managements' Review

Business risks (continued)

The Company has controls in place to limit each of these potential exposures and management and the directors regularly review, reassess and proactively limit the associated risk. These risks are managed by innovative product sourcing, strict control of costs and close attention to customer service levels. The Company has insurances, business policies and organisation structures to limit these risks and the Board of Directors closely monitor the Company's trading activities to manage credit, liquidity and other financial risks.

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

Unusual events

Other than the intercompany revenue adjustment, noted above, the financial position of the Company at 31 May 2019 and the results of its activities for the financial year 2018/19 have not been affected by any unusual events.

Research and development activities

The Company does not hold local research and development activities.

Recognition and measurement uncertainties

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent Events

No evidence of material subsequent events at the date of signing the annual report.

Corporate social responsibility Statement

In compliance with section 99a and b of the Danish Financial Statements Act on social responsibility and gender distribution in management, please find below a summary on how the Company satisfies the requirements of the legislation:

Environment and climate

i. Policy

The Company pays particular adherence to environmental regulations to minimise impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. This is set out in the Environmental Policy. Oracle's Environmental Steering Committee (the "ESC") is responsible for the implementation and oversight of this policy.

ii. Risks

The Company's primary environmental impacts relate to: the company's own energy consumption as well as the energy consumption of its hardware products; the disposition of its hardware products at the end of their useful life; vendor and supply chain management; business travel; and the consumption of natural resources through its own activities and its procurement processes.

iii. Activities

Oracle Danmark ApS, with the cooperation of its employees, customers, contractors and suppliers, is committed to environmental management through managing the consumption of energy, water, paper

Managements' Review

and other resources used by Oracle in its day-to-day operations and identifying opportunities to divert, minimize, reuse and recycle our waste stream. In FY19, Our Danish offices has continued to operate with a "plan-do-check-act" management system, taking environmental sustainability into account while conducting business.

iv. KPI

35.5 percent of our electricity use in Oracle's facilities worldwide came from renewable sources in 2018, and Oracle's Cloud data centres run with 62% renewable energy. Oracle has a goal to reduce our absolute emissions by 26% percent by 2025 over a 2015 baseline (in line with science-based targets).

v. Performance

Oracle Danmark ApS has achieved a yearly reduction in greenhouse gas emissions since 2015. We continue to leverage energy-saving technologies at our Danish offices, while working tirelessly to achieve our goals. Further, the management system has in FY19 increased the amount of reused and recycled materials in our waste stream.

A consolidated view of Oracle's performance data is available in the Oracle Corporate Citizenship Data Sheet at <https://www.oracle.com/assets/ccr-datasheet-3855392.pdf>.

Human Rights and gender distribution in the board and top management

i. Policy

Oracle Danmark ApS has a long-standing commitment to uphold and respect human rights for all people, as reflected in Oracle's Code of Ethics and Business Conduct, and in Oracle's policies, practices, and core values.

The company promotes equality of opportunity and treatment and take appropriate steps to eliminating discrimination in access to employment, training and working conditions, on grounds of race, age, religion color, sex, political opinion, ethnicity, sexual orientation, disability country of origin, or social origin. In Oracle Danmark ApS, there are equal opportunities for men and women and efforts are being made to reflect this at all managerial levels.

ii. Risk

There is a risk of "biased" recruitment, thus creating a corporate culture that does not reflect the surrounding world. Oracle Danmark ApS 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

iii. Activities

To ensure a balanced representation of men and woman Oracle has in FY19 continued to develop our programs such as:

a) 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 14,000 employees in 46 countries – including Denmark, representing more than 95 OWL communities.

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

Managements' Review

b) 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.

c) Recruitment

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

iv. *KPI*

The Company 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.

v. *Performance*

In 2019, Oracle Danmark ApS has met their target with a representation of 50% women and 50% men. Today, the supervisory board comprises 3 members, of whom one is a woman. This corresponds to 1/3 women.

Social and employee conditions

i. *Policy*

Oracle is committed to protecting the health and safety of our employees, visitors, contractors, and other stakeholders and to minimizing pollution and other adverse impacts on the environment. The well-being of the Company's employees is safeguarded through strict adherence to health and safety standards.

ii. *Risks*

The key risks relate to workplace accidents.

iii. *Activities*

The Company's Environment, Health, and Safety team has in FY19 continued to conduct audits to identify and correct workplace hazards. Oracle Danmark ApS continues to encourage our employees to report any injuries, accidents, near-misses, and hazards promptly so that we can investigate and take corrective action.

iv. *KPI*

The recording of significant incidents is actively monitored.

v. *Performance*

There have been no reports of accidents during the year that resulted in significant material damage or personal injury.

Anti-corruption

i. *Policy*

Oracle Danmark ApS believes in doing business honestly and is committed to transparency in our business practices. As per our Code of ethics and Business conduct, we have no tolerance for corruption and bribery in connection with our business.

Managements' Review

ii. Risk

Oracle Danmark ApS is exposed to non-compliance with anti-corruption legislation through employees', suppliers' and partners' violations, and is also exposed to potential legal and financial implications of such non-compliance.

iii. Activities

All employees are required to complete and return a certificate annually acknowledging that they have read, understood and complied with this Policy.

iv. KPI

It is the Company's objective to ensure adherence to Code of ethics and Business conduct and avoid any violation of the anti-corruption rules internally as well as with its external partners.

v. Performance

The Company did not note any violations of Oracle Corporation anti-corruption rules in FY19.

Additional information regarding our citizenship policies, processes and procedures are available on our website www.oracle.com/corporate/citizenship.

Income Statements 1 June - 31 May

	<u>Note</u>	<u>2018/19</u> DKK'000	<u>2017/18</u> DKK'000
Revenue	3	539,196	292,224
Other external expenses		-71,419	-75,132
Gross profit		<u>467,777</u>	<u>217,092</u>
Staff expenses	4	-219,792	-208,808
Depreciation, amortisation and impairment	5	-9,503	-5,971
Profit before financial income and expenses		<u>238,482</u>	<u>2,313</u>
Financial income	6	20,968	6,847
Financial expenses	7	-1,198	-2,077
Profit before tax		<u>258,252</u>	<u>7,083</u>
Tax on profit for the year	8	-77,872	-2,663
Net profit for the year	22	<u>180,380</u>	<u>4,420</u>

Distribution of profit

	<u>2018/19</u>	<u>2017/18</u>
	DKK'000	DKK'000
Proposed distribution of profit		
Retained earnings	180,380	4,420
	<u>180,380</u>	<u>4,420</u>

Balance Sheet 31 May

Assets	Note	2018/19 DKK'000	2017/18 DKK'000
Non-current assets			
Goodwill		-	3,318
Intangible assets	9	<u>-</u>	<u>3,318</u>
Other fixtures and fittings, tools and equipment		15,745	20,743
Leasehold improvement		453	1,167
Tangible assets	10	<u>16,198</u>	<u>21,910</u>
Intercompany loan receivable	23	455,565	25,000
Deferred commissions	16	22,077	-
Total non-current assets		<u>493,840</u>	<u>50,228</u>
Trade receivables	11	21,063	10,399
Other receivables		3,573	1,674
Contract work in progress	12	15,132	17,843
Deferred tax assets	13	5,486	3,691
Income tax on deposit	14	-	141,935
Deferred expenses	15	373	371
Deferred commissions	16	29,361	-
Other assets		<u>74,988</u>	<u>175,913</u>
Cash at bank and in hand		<u>27,338</u>	<u>57,465</u>
Current assets		<u>102,326</u>	<u>233,378</u>
Assets		<u>596,166</u>	<u>283,606</u>

Balance Sheet 31 May

Equity and Liabilities	Note	2018/19	2017/18
Equity		DKK'000	DKK'000
Share capital	17	11,000	11,000
Retained earnings		186,916	6,522
Total equity		<u>197,916</u>	<u>17,522</u>
Current liabilities			
Trade payables		543	791
Payables to group enterprises	21,24	302,275	148,674
Corporation tax		15	311
Other payables		94,449	114,819
Deferred income	18	968	1,489
Total current liabilities		<u>398,250</u>	<u>266,084</u>
Total liabilities		<u>398,250</u>	<u>266,084</u>
Liabilities and equity		<u>596,166</u>	<u>283,606</u>
Contingent assets, liabilities and other financial obligations	19		
Fee to auditors appointed at the general meeting	20		
Related parties and ownership	21		
Profit distribution	22		
Comparative figures	25		

Statements of Changes in Equity

	<u>Share capital</u> DKK'000	<u>Retained earnings</u> DKK'000	<u>Total</u> DKK'000
Equity at 1 June 2017	11,000	2,102	13,102
Net profit for the year	-	4,420	4,420
Equity at 31 May 2018	<u>11,000</u>	<u>6,522</u>	<u>17,522</u>
Effects of changes in accounting policy as at 1 June 2018			
Adjustment to retained earnings after tax from adoption of IFRS 15 (Note 2.2)	-	14	14
Equity at 31 May 2018 (Adjusted)	<u>11,000</u>	<u>6,536</u>	<u>17,536</u>
Net profit for the year	-	180,380	180,380
Equity at 31 May 2019	<u><u>11,000</u></u>	<u><u>186,916</u></u>	<u><u>197,916</u></u>

The Company has initially applied IFRS 15 for the first time at 1 June 2018. Under the modified approach, comparative information has not been restated.

Notes to the Annual Report

1. Corporate Information

Oracle Danmark ApS is a private limited Company incorporated in Denmark with a registered address at Tuborg Havnevej 15, DK – 2900 Hellerup, Denmark.

The immediate parent and controlling party of the Company is Oracle Nederland B.V. (the “Parent Company”). The ultimate parent undertaking and controlling party is Oracle Corporation, a company incorporated in the State of Delaware, USA.

2.1 Basis of Preparation

The Annual Report of Oracle Denmark ApS for 2018/19 has been prepared on a going concern basis and in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

2.2 Changes in accounting policies and disclosures

The Company applied the principles of recognition and measurement in accordance with IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Recognition and measurement is done in accordance with IFRS 15.

In accordance with the modified approach comparatives figures have not been restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The company adopted IFRS 15 using the modified method of adoption with the date of initial application of June 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The company elected to apply the standard to all contracts as at June 1, 2018.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under previous IFRS Interpretations.

Notes to the Annual Report

2.2 Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The effect of adopting IFRS 15 as at June 1, 2018 was, as follows:

	<u>Increase/ (Decrease)</u>
Assets	<u>2018/19</u>
	DKK'000
Non-current assets	
Deferred Commissions	18,939
	<u>18,939</u>
Current Assets	
Contract work in progress	79
Deferred tax assets	(4)
Deferred Commissions	27,547
	<u>27,622</u>
Total Assets	<u><u>46,561</u></u>
Equity and Liabilities	
Retained earnings	14
Total Equity	<u>14</u>
Current Liabilities	
Payables to group enterprises	46,547
	<u>46,547</u>
Total Liabilities	<u>46,547</u>
Total Equity and Liabilities	<u><u>46,561</u></u>

The nature of the adjustments as of June 1, 2018 and the reasons for the significant changes in the statement of financial position as of May 31, 2019 and the statement of profit or loss for the year ended May 31, 2019 are described below:

Incremental costs of obtaining a contract (Cloud commissions and First Year Support)

The company incurs sales commissions earned by its sales force. Prior to IFRS 15, such sales commissions and associated direct costs were expensed when incurred. Under IFRS 15, sales commissions and associated direct costs that are considered incremental and recoverable costs of obtaining customer contracts are now capitalized and amortized, as detailed overleaf.

Notes to the Annual Report

2.2 Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from Contracts with Customers – Impact of adoption (continued)

Cloud Commission Capitalization

We capitalize sales commission associated with our cloud SaaS, PaaS and IaaS offerings, and recognize the related expenses over the applicable period (i.e. customer benefit period, or contract term for renewals), which are typically one to four years. The estimated customer benefit period, currently determined to be 4 years, will be reassessed each year and updated, as necessary. The current portion of the deferred sales commissions balances are included in other current assets and the non-current portion of the deferred sales commissions balances are included in other non-current assets as of May 31, 2019. Amortization of deferred sales commissions is included as a component of staff expenses in our Income Statement. Prior to IFRS 15 these commissions were expensed in the period they were incurred. The effects of applying IFRS 15 as of May 31, 2019 were increase of assets for DKK 42,121,370, and additional net expenses (i.e. capitalization less amortization) for the year then ended for DKK 4,264,377. At adoption, June 1, 2018, there was increase of assets for DKK 37,856,989 with a credit to retained earnings for the same amount.

License & Hardware First Year Support Commission

First year support commissions, were expensed as incurred prior to the adoption of IFRS 15. Under IFRS 15, first year support commissions are capitalized and amortized over the estimated customer benefit period, currently determined to be 4 years. On an annual basis, the customer benefit period will be reassessed and updated as necessary. The effects of applying IFRS 15 as of May 31, 2019 were increase of assets for DKK 9,316,832 and additional net expenses (i.e. capitalization less amortization) for the year then ended for DKK 687,846. At adoption, June 1, 2018, there was increase of assets for DKK 8,628,990 with a credit to retained earnings for the same amount.

Revenue and related adjustments

The company has several sources of revenues. For certain products and services prices are bundled for software and software support together and resulted in recognition of revenue over time with no revenue recognized upfront under previous IFRS. Under IFRS 15, more judgement and estimates are required to be used, which resulted in upfront recognition for certain revenue transactions such as; Term License, and the license portion of MySQL deals. Adjustments arising from such transactions were booked, but they are not material to the financial statements taken as a whole for disclosure.

Other adjustments

In addition to the adjustments described above, other items such as contract work in progress, deferred income taxes, payables to group enterprises, and retained earnings were adjusted. At adoption, 1 June 2018, there were increases in Contract work in progress by DKK 78,795, deferred tax assets by DKK 4,326, payables to group enterprises by DKK 46,546,111 with a credit to retained earnings for DKK 14,337. The effect on the year has been minimal, as the Company acts as an undisclosed agent for another group company.

2.3 Comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended in the balance sheet and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation (Note 25).

Notes to the Annual Report

2.4 Summary of significant accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out overleaf.

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 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.

Revenue

The Company acts as an undisclosed agent for another group company in the sale of various software related and non-software related products and services, offerings include new software licenses, software license updates and product support, cloud SaaS, PaaS and IaaS offerings, hardware products, hardware support, advanced customer support services and education. The Company acts in its own name but on account of and at the risk of another group company.

The Company receives commissions and mark-up on the costs incurred for their sale as sales agents in respect of revenues generated from the sale of software licenses, software license updates and product support, SaaS, PaaS and IaaS offerings, hardware products, hardware support, advanced customer support services and education which are remitted to another group company.

Oracle Danmark ApS also provides consulting services on its own behalf.

Notes to the Annual Report

Revenue (continued)

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.

Amortization, depreciation and impairment losses

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

Financial income and expenses

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.

Transactions in foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in thousands of 'DKK', which is the Company's functional currency.

Transactions and balances

Amounts in foreign currencies in the balance sheet are translated into the functional currency using Oracle Group exchange rates which do not differ materially from the exchange rates set by the European Central Bank for the financial year end date. Transactions in foreign currencies are translated at the exchange rates at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Tax on profit 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.

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.

Tangible assets

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

Notes to the Annual Report

Tangible assets (continued)

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 tangible assets 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.

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 fair value, 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

Notes to the Annual Report

Contract work in progress (continued)

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 capitalized and recognized in the income statement in accordance with the delivery of obligations over time.

Deferred expenses

Deferred expenses comprise prepaid expenses concerning the following year.

Dividend

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

Deferred tax assets and liabilities

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.

Notes to the Annual Report

3. Revenue

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Consulting revenue	24,230	36,714
Commission income	282,024	255,510
Intercompany revenue adjustment	<u>232,942</u>	<u>-</u>
	<u><u>539,196</u></u>	<u><u>292,224</u></u>

The intercompany revenue adjustment is a Group reimbursement associated with the final settlement of the corporate tax audit spanning the fourteen years FY03-FY16.

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;

<https://investor.oracle.com/financial-reporting/sec-filings/default.aspx>

4. Staff Expenses

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Wages and salaries	203,446	192,038
Pensions	15,213	15,461
Other social security expenses	<u>1,133</u>	<u>1,309</u>
	<u><u>219,792</u></u>	<u><u>208,808</u></u>
Average number of employees	<u><u>198</u></u>	<u><u>212</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.

5. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Goodwill	3,318	4,963
Other fixtures and fittings, tools and equipment	5,270	81
Leasehold improvements	<u>915</u>	<u>927</u>
	<u><u>9,503</u></u>	<u><u>5,971</u></u>

Notes to the Annual Report

6. Financial income

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Other financial income	20,968	6,847
	<u>20,968</u>	<u>6,847</u>

Financial income recorded in the year primarily relates to tax interest income received in relation to the final settlement of the corporate tax audit spanning the fourteen years FY03-FY16.

7. Financial expenses

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Interest paid to group enterprises	22	-
Other financial expenses	1,176	2,077
	<u>1,198</u>	<u>2,077</u>

8. Tax for the year

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Estimated income tax charge	(4,632)	(1,777)
Prior year adjustments for income tax	(74,824)	(4,462)
Change in provision for deferred tax	1,795	(1,073)
Prior year adjustments for deferred tax	-	4,661
Withholding tax expense	(211)	(12)
	<u>(77,872)</u>	<u>(2,663)</u>

The increase in the tax for the year primarily relates to the final settlement of the corporate tax audit spanning the fourteen years FY03-FY16.

9. Intangible assets

DKK'000	<u>2018/19</u>	<u>2017/18</u>
	<u>Goodwill</u>	<u>Goodwill</u>
Cost at 1 June	24,816	24,816
Additions for the year	-	-
Disposal for the year	-	-
Cost at 31 May	<u>24,816</u>	<u>24,816</u>
Impairment losses and amortisation at 1 June	21,498	16,535
Disposal for the year	-	-
Amortisation for the year	3,318	4,963
Impairment losses and amortisation at 31 May	<u>24,816</u>	<u>21,498</u>
Carrying amount at 31 May	<u>-</u>	<u>3,318</u>

Notes to the Annual Report

10. Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total property, plant and equipment
Cost at 1 June	26,850	12,989	39,839
Additions for the year	272	201	473
Disposals for the year	(339)	-	(339)
Cost at 31 May	<u>26,783</u>	<u>13,190</u>	<u>39,973</u>
Impairment losses and depreciation at 1 June	6,107	11,822	17,929
Depreciation for the year	5,270	915	6,185
Disposals	(339)	-	(339)
Impairment losses and depreciation at 31 May	<u>11,038</u>	<u>12,737</u>	<u>23,775</u>
Carrying amount at 31 May	<u><u>15,745</u></u>	<u><u>453</u></u>	<u><u>16,198</u></u>

11. Trade receivables

There are no portion falling due for payment more than one year after the financial year-end in either 2018/19 or 2017/18.

12. Contract work in progress

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Sales price for work in progress	<u>15,132</u>	<u>17,843</u>
Contract work in progress, net	<u><u>15,132</u></u>	<u><u>17,843</u></u>

Recognised in the balance sheet as follows:

Classified as work in progress under assets	<u>15,132</u>	<u>17,843</u>
	<u><u>15,132</u></u>	<u><u>17,843</u></u>

Notes to the Annual Report

13. Deferred tax assets

	<u>2018/19</u>	<u>2017/18</u>
The deferred tax charge relates to (DKK'000):		
Property, plant and equipment	(454)	(1,020)
Current assets	1,281	50
PY Transfer Pricing Income adjustment	4,659	4,661
	<u>5,486</u>	<u>3,691</u>

Deferred tax assets are expected to be set off within:

0-1 year	4,451	4,709
1-5 years	1,035	(1,018)
	<u>5,486</u>	<u>3,691</u>

14. Income taxes on deposit

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Paid tax on account regarding ongoing legal tax case	-	141,935
	<u>-</u>	<u>141,935</u>

The income tax deposit was refunded in FY19, as the final settlement of the corporate tax audit spanning the fourteen years FY03-FY16 was reached.

15. Deferred expenses

Deferred expenses consist of prepaid expenses concerning rent (DKK '000 373 in 2018/19, DKK '000 371 in 2017/18).

16. Deferred commissions

The Company has recognized an asset in relation to cost to obtain and amortise on a straight-line basis over the period of benefit.

	<u>2018/19</u>
	<u>DKK'000</u>
Assets recognised from commission (cost to obtain) incurred at 1 June 2018 (Note 2)	46,486
Assets recognised from commission (cost to obtain) incurred during the year	40,316
Amortisation recognised as cost of providing services during the year	(35,364)
	<u>51,438</u>
Current	29,361
Non-current	22,077
	<u>51,438</u>

Notes to the Annual Report

17. 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.

18. Deferred income

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Consulting contracts	968	1,489
	<u>968</u>	<u>1,489</u>

19. Contingent assets, liabilities and other financial obligations

Rental agreements and leases

DKK'000	<u>2018/19</u>	<u>2017/18</u>
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The Company has entered into 3 leases covering the periods up to financial year 2024. The total obligation entered into amounts to DKK'000 13,619

13,619	5,030
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As of 31 May, 2019 the Company has entered into a number of leasing contracts for cars. The lease cover various periods up to 2022, and the total obligation entered into amounts to DKK'000 9,161

9,161	9,433
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20. Fee to auditors appointed at the general meeting

DKK'000	<u>2018/19</u>	<u>2017/18</u>
Fee for statutory audit	401	395
	<u>401</u>	<u>395</u>

21. 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.

Notes to the Annual Report

21. Related parties and ownership (continued)

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:

<https://investor.oracle.com/financial-reporting/sec-filings/default.aspx>

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, related party transactions have not been disclosed in the financial statements and parent company financial statements, as they were conducted on an arm's length basis.

22. Profit distribution

DKK'000	Appropriation of profit	
	2018/19	2017/18
Recommended appropriation of profit	180,380	4,420
Total	180,380	4,420

23. Intercompany loan receivable

DKK'000	2018/19	2017/18
Intercompany loan agreement	455,565	25,000
	455,565	25,000

On April 12th, 2018, the Company entered into a loan facility with a group company limited to DKK'000 602,000 and expires on April, 2025. On May 31st, 2019, DKK'000 455,565 was utilised. The interest rate on the intercompany loan agreement is DKK LIBOR rate plus 0.375%.

24. Payables to group enterprises

DKK'000	2018/19	2017/18
Non-current liabilities		
Payables to group enterprises	-	-
Total	-	-
Current liabilities		
Payables to group enterprises	302,275	148,674
Total	302,275	148,674

Notes to the Annual Report

25. Comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended in the balance sheet and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The material effects following the reclassification is as follows:

DKK'000	<u>2017/18 (Restated)</u>	<u>2017/18 (Original)</u>
Payables to group enterprises	(148,674)	(115,796)
Receivables from group enterprises	-	457
Contract work in progress	17,843	9,508
Intercompany loan receivable	<u>25,000</u>	<u>-</u>
Total	<u>(105,831)</u>	<u>(105,831)</u>

Notes to the Annual Report

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