Microsoft Development Center Copenhagen ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no. 76 24 72 18

Annual report

for the year 1 July 2017 - 30 June 2018

Approved at the Company's annual general meeting on 22 November 2018

Chairman:

........Kasper Damgaard Øelund
Advokat
Axeltorv 2
1609 København V

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Microsoft Development Center Copenhagen ApS for the financial year 1 July 2017 - 30 June 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018.

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

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

Kgs. Lyngby, 8 November 2018
Executive Board:

DocuSigned by:
Charlotte Mark
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Charlotte Mark Christensen
CEO

Board of Directors:

Benjamin Owen Orndorff Chairman	Keith Ranger Dolliver	Leigh Anne Kiviat

Independent auditor's report

To the shareholder of Microsoft Development Center Copenhagen ApS

Opinion

We have audited the financial statements of Microsoft Development Center Copenhagen ApS for the financial year 1 July 2017 - 30 June 2018, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018, and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 the 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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, 8 November 2018
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Kim Gerner Jacobsen
State Authorised Public Accountant
mne10122

Management's review

Company details

Name	Microsoft Development Center Copenhagen ApS
Address, Postal code, City	Kanalvej 7, 2800 Kgs. Lyngby
CVR no.	76 24 72 18
Established	2 November 1984
Registered office	Lyngby-Taarbæk
Financial year	1 July 2017 - 30 June 2018
Website	www.microsoft.com/da-dk/mdcc
Telephone	+45 45 67 80 00
Board of Directors	Benjamin Owen Orndorff, Chairman Keith Ranger Dolliver Leigh Anne Kiviat
Executive Board	Charlotte Mark Christensen, CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

Management's review

Financial highlights

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	525,437	467,052	459,185	478,118	474,994
Gross margin	159,329	141,732	157,881	147,846	151,166
Operating profit/loss	57,191	47,328	40,001	46,513	44,903
Net financials	-142	-287	4,625	14,347	10,419
Profit/loss for the year	44,382	34,231	35,906	47,843	45,326
Total assets	9,221,490	9,143,526	9,200,189	8,656,917	8,610,301
Investment in property, plant and equipment	57,988	36,403	35,688	9,674	4,923
Equity	9,081,312	9,036,930	9,002,699	8,556,193	8,508,350
Financial ratios					
Operating margin	10.9%	10.1%	8.7%	9.7 %	9.5 %
Gross margin	30.3%	30.3%	34.4%	30.9%	31.8%
Equity ratio	98.5%	98.8%	97.9%	98.8%	98.8%
Return on equity	0.5%	0.4%	0.4%	0.6%	0.7%
Average number of employees	310	313	292	316	329

Business review

Microsoft Development Center Copenhagen ApS (Microsoft Development) is one of Microsoft's strategic international development centers. The center is charged with software development activities in areas such as Microsoft Dynamics (business applications) and Visual Studio App Center (app tools and testing), as well as the newly established Quantum research activities.

With Microsoft Dynamics we bring together the power of the intelligent cloud and our CRM and ERP capabilities along with productivity applications to enable businesses to accelerate their digital transformation, increase their productivity and achieve more.

Our Visual Studio App Center is a result of the Xamarin acquisition in 2016 and enables full-automatic testing of mobile apps on all conceivable models of Android and iOS devices and operating systems.

Management's review

Financial review

Microsoft Dynamics and other Microsoft solutions are marketed through Microsoft worldwide subsidiaries, including the Danish subsidiary, Microsoft Danmark Aps. The subsidiaries work with an ecosystem of local and international partners who sell, customize and deploy the products to customers.

Therefore, the net turnover for Microsoft Development Center Copenhagen ApS consists exclusively of intragroup sales that are directly linked to the cost level of the development center. As such, the development center's net turnover does not reflect market share or the turnover of individual products. The result for the year was DKK 44 million compared to DKK 34 million last fiscal year. The increase in result is due to faster than expected approvals for Quantum investments in Denmark, resulting in increased commission. Management assesses this result as satisfactory.

Non-financial matters

Knowledge resources

Microsoft Development counts 310 employees. The majority of our employees are highly specialized software engineers and researchers recruited from Denmark and more than 50 countries across the world.

Engineering talent and diversity

Microsoft Development is particularly engaged in raising the interest in IT and STEM (Science, Technology, Engineering, Mathematics) capabilities among young people, and girls in particular. Our aim is to strengthen IT-education in Denmark to make sure that we are prepared for a future workplace that requires more people with digital competencies, and increase the amount of young people choosing a career where they not only use IT, but create solutions with IT.

Examples of activities include collaboration with Engineer the Future (ETF), TekTanken and others with events such as school projects, TechTalks, student hackathons, Coding Pirates and DigiKidz. Particular focus has been on girls' activities as girls are underrepresented in most STEM fields. Events such as Girls Day in Science and collaboration with the IT-University of Copenhagen to engage more girls in computer science, are examples of outreach with the aim of presenting girls with role models, breaking stereotypes and inspiring girls with technology.

Microsoft Development also works actively on providing input to how Denmark can ensure attractive framework conditions for companies to attract and retain international talent and highly skilled IT-professionals from all over the world. This is done through collaborations with DI Global Talent, Lyngby-Taarbaek City of Knowledge, Copenhagen Capacity, DEA and other partners.

Management's review

Research and development activities

As part of Microsoft's investment in quantum computing in 2016, we are continuing to build on the international teams working on quantum research under the leadership of Scientific Directors Charlie Marcus and Peter Krogstrup and in collaboration with the University of Copenhagen. Microsoft researchers work side-by-side with the university and its students and select international partners to develop a general-purpose, scalable quantum computer. The exponential increase in computing power provided by scalable quantum technologies could be transformative for Microsoft's cloud services and create new opportunities to potentially revolutionize industries such as medicine, biology, and materials science.

Statutory CSR report

Microsoft Development does not have any local CSR policy, including Human Rights, Climate or Environment, but follows the one from the Microsoft Corporation, who has developed a Sustainability report that covers the entire group. Microsoft's Sustainability report can be found on https://www.microsoft.com/en-us/about/corporate-responsibility/reports-hub.

Account of the gender composition of Management

Microsoft is dedicated to ensuring a diverse workforce, including a focus on gender equality. Microsoft Development has particular focus on the attraction and retention of female employees at managerial as well as operational level as women are underrepresented in those areas today and has a number of HR initiatives focusing on attracting and retaining female employees including female-targeted employer branding material, female networks, female-targeted recruiting & mentorships, etc.

We have set a new aspirational target of 20% female representation by 2020 to match the percentage of women in the tech group of the overall Microsoft Corporation. Numbers can be found on https://www.microsoft.com/en-us/diversity/inside-microsoft/default.aspx#epgDivFocusArea . In the last fiscal year, we doubled diverse hires into software engineering positions. Today 14.8% of employees at the company are women, with 12% at managerial level.

The Board of Directors comprises of three members, one of the members is a woman. The Company has therefore achieved a balance of gender with regards to the Board of Directors

Events after the balance sheet date

No events have occurred after the balance sheet date which materially affect the financial year.

Outlook

Investments in the coming fiscal year are expected to be on par with, or slightly higher, than realized in the 2017/18 fiscal year. With company revenue and result being equivalent to costs held (incl. depreciations on investments) plus a mark-up, Management expects an increase around 5-10% on revenue and profit before tax for 2018/19 (due to the increased depreciations). The expected increase is however dependent on the timing of the further investments (and therefore depreciations) to be made during 2018/19.

Financial statements 1 July 2017 - 30 June 2018

Income statement

Note	DKK'000	2017/18	2016/17
	Revenue	525,437	467,052
2	Production costs	-366,108	-325,320
	Gross margin	159,329	141,732
2	Distribution costs	-14,969	-18,547
2	Administrative expenses	-87,169	-75,857
	Operating profit	57,191	47,328
3	Financial expenses	-142	-287
	Profit before tax	57,049	47,041
4	Tax for the year	-12,667	-12,810
	Profit for the year	44,382	34,231

Financial statements 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK'000	2017/18	2016/17
	ASSETS		
	Fixed assets		
5	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	51,447	14,741
	Leasehold improvements	19,428	21,900
	Property, plant and equipment in progress	23,482	0
	Prepayments for property, plant and equipment	0	24,292
		94,357	60,933
6	**Investments**		
	Receivables from group entities	4,641,055	4,643,276
		4,641,055	4,643,276
	Total fixed assets	4,735,412	4,704,209
	Non-fixed assets		
7	**Receivables**		
	Receivables from group entities	150,669	100,486
8	Deferred tax assets	4,203	3,729
	Income taxes receivable	4,267,516	4,286,583
	Other receivables	61,039	45,942
	Prepayments	2,555	2,480
		4,485,982	4,439,220
	Cash	96	97
	Total non-fixed assets	4,486,078	4,439,317
	TOTAL ASSETS	9,221,490	9,143,526

Financial statements 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK'000	2017/18	2016/17
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	37,264	37,264
	Retained earnings	9,044,048	8,999,666
	Total equity	9,081,312	9,036,930
	Provisions		
9	Other provisions	4,253	3,969
	Total provisions	4,253	3,969
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	15,843	8,076
10	Other payables	120,082	94,551
		135,925	102,627
	Total liabilities other than provisions	135,925	102,627
	TOTAL EQUITY AND LIABILITIES	9,221,490	9,143,526

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

Financial statements 1 July 2017 - 30 June 2018

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 July 2016	37,264	8,965,435	9,002,699
15	Transfer, see "Appropriation of profit"	0	34,231	34,231
	Equity at 1 July 2017	37,264	8,999,666	9,036,930
15	Transfer, see "Appropriation of profit"	0	44,382	44,382
	Equity at 30 June 2018	37,264	9,044,048	9,081,312

The share capital consists of 37,263,946 shares of DKK 1 each. The shares have not been divided into classes. There have been no changes to share capital in the past 5 financial years.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 **Accounting policies**

The annual report of Microsoft Development Center Copenhagen ApS for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies applied by the Company are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the ultimate parent company, Microsoft Corporation.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Reporting currency

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue consists of intra-group commissions equivalent to costs held plus a mark-up. The Company does not display segment breakdown of revenue, as there is only one type of sales within one geographic market.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

Production costs

Research and development are performed on behalf of Microsoft Corporation and, consequently related costs are classified as production costs. Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the production process are likewise recorded under production cost.

Research and development costs are reimbursed by Microsoft Corporation.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Company's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Company's administrative junctions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Company

Financial expenses

Financial expenses comprises interests, bank charges, net capital losses on transactions in foreign currencies as well as tax surcharges under the Danish Tax Prepayment Scheme, etc.

Tax

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

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the administrative company according to the current rates applicable to interest allowances, and jointly taxed companies companies which do not pay their due taxes, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the administrative company.

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 **Accounting policies (continued)**

Balance sheet

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets: A useful life of three to five years is applied to other fixtures and fittings, tools and equipment. Computers (excl. servers) are fully depreciated in the month of acquisition. Leasehold improvements are depreciated on a straight-line basis over the agreed lease period, not to exceed 10 years.

Residual values of property, plant and equipment are subject to annual reassessment.

Fixed assets are written down to the recoverable amount, if this value is lower than the carrying amount.

Profits and losses from the sale of property, plant and equipment are recognised in the income statement under the same items as the related depreciation.

Other securities and investments

Finacial assets comprise of loan to group entities as well as other loans which are due more than a year. Financial assets are measured at amortised cost.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value less provisions for bad debts. Provisions for bad debts are calculated on the basis of an assessment of the expected collectibilty.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Provisions

Provisions comprise anticipated expenses relating to restorations, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

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

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

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

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin $\dfrac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$

Gross margin ratio $\dfrac{\text{Gross margin x 100}}{\text{Revenue}}$

Equity ratio $\dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity $\dfrac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

	DKK'000	2017/18	2016/17
2	**Staff costs and incentive programmes**		
	Wages/salaries	318,122	300,677
	Pensions	27,662	23,824
	Other social security costs	698	689
		346,482	325,190

Staff costs are recognised as follows in the financial statements:

Production	313,248	294,335
Distribution	7,008	8,272
Administration	26,226	22,583
	346,482	325,190
Average number of full-time employees	310	313

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

Incentive programmes

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

The award program comprises stocks in the parent company. The Danish company does not pay for these rights.

3	**Financial expenses**		
	Interest expenses, group entities	0	50
	Exchange adjustments	45	11
	Other financial expenses	97	226
		142	287
4	**Tax for the year**		
	Estimated tax charge for the year	12,957	9,624
	Deferred tax adjustments in the year	-474	703
	Tax adjustments, prior years	184	2,483
		12,667	12,810

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

5 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Prepayments for property, plant and equipment	Total
Cost at 1 July 2017	38,807	26,774	0	24,292	89,873
Additions in the year	46,689	268	11,031	0	57,988
Disposals in the year	-3,496	-34	0	0	-3,530
Transfer from other accounts	11,841	0	12,451	-24,292	0
Cost at 30 June 2018	93,841	27,008	23,482	0	144,331
Impairment losses and depreciation at 1 July 2017	24,066	4,874	0	0	28,940
Amortisation/depreciation in the year	21,808	2,740	0	0	24,548
Amortisation/depreciation and impairment of disposals in the year	-3,480	-34	0	0	-3,514
Impairment losses and depreciation at 30 June 2018	42,394	7,580	0	0	49,974
Carrying amount at 30 June 2018	51,447	19,428	23,482	0	94,357

6 Investments

DKK'000	Receivables from group entities
Cost at 1 July 2017	4,643,276
Disposals in the year	-2,221
Cost at 30 June 2018	4,641,055
Carrying amount at 30 June 2018	4,641,055

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

7 Receivables

In connection with the current tax cases, the Company has made a deposit with the Central Tax Administration (SKAT). The Company expects that the outcome of these tax cases will be in favour of the Company and that the deposit will therefore be repaid.

The tax receivable comprise:
DKK 4,248,564 thousand paid deposits regarding current tax cases.
DKK 317 thousand relating to 2017/18 income taxes
DKK 18,635 thousand relating to 2016/17 income taxes

Part of the receivable, DKK 4,248,881 thousand, is expected to be received after 30 June 2019 and should therefore be considered a long-term receivable.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

DKK'000	2017/18	2016/17
8 Deferred tax		
Deferred tax at 1 July	-3,729	-4,432
Adjustment of the deferred tax charge for the year	-474	703
Deferred tax at 30 June	-4,203	-3,729
Deferred tax relates to:		
Intangible assets	0	-188
Property, plant and equipment	-3,816	-3,316
Provisions	-387	-225
	-4,203	-3,729

Management considers it likely that there will be future taxable income against which tax deductions can be offset.

	2017/18	2016/17
9 Other provisions		
Opening balance at 1 July	3,969	3,704
Provisions in the year	284	265
Other provisions at 30 June	4,253	3,969
The provisions are expected to be payable in:		
> 5 year	4,253	3,969
	4,253	3,969

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

	2017/18	2016/17
10 Other payables		
Wages/salaries, salary taxes, social security contributions, etc.	52,855	39,909
Compensated absence commitment	53,316	50,595
Other accrued expenses	13,911	4,047
	120,082	94,551

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

Microsoft Development Center Copenhagen ApS is a party in certain disputes in which the final financial outcome is uncertain. If the pending disputes result in considerable payments for the Entity, the parent company will refund the payments so that the financial position of the Entity will not be affected by the payments. Therefore, Management's assessment is that the final settlements will not have a significant influence on the financial position of the Entity.

The Company is jointly taxed with the Microsoft groups' Danish companies. Together with the administrative company, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 30 June 2018, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 82,638 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2017/18	2016/17
Rent and lease liabilities	143,018	159,196

Microsoft Denmark ApS and Microsoft Development Center Copenhagen ApS have entered into a joint contract to lease a shared domicile located in Lyngby north of Copenhagen. The two companies are jointly liable for the 10 year rent commitment, with a remaning obligation amounting to DKK 256 million as of 30 June 2018. Microsoft Development Center Copenhagen Aps is expected to pay 55% of the rent commitment.

12 Collateral

The Company has not provided any security or other collateral in assets at 30 June 2018.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

13 Related parties

Microsoft Development Center Copenhagen ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Microsoft Corporation	Redmond, WA, USA	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Microsoft Corporation	Redmond, WA, USA	www.microsoft.com

Related party transactions

Microsoft Development Center Copenhagen ApS was engaged in the below related party transactions:

DKK'000	2017/18	2016/17
Commission income	525,437	467,052
Service fee (expenses)	431	1,236
Financial expenses	0	50
Receivables from group entities - Long-term	4,641,055	4,643,276
Receivables from group entities - Short-term	150,669	100,486

14 Fee to the auditors appointed by the Company in general meeting

Statutory audit	572	561
Other assistance	0	15
	572	576

15 Appropriation of profit

Recommended appropriation of profit

Retained earnings	44,382	34,231
	44,382	34,231