

Microsoft Development Center Copenhagen ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no. 76 24 72 18

Annual report
for the year 1 July 2018 - 30 June 2019

Approved at the Company's annual general meeting on

Chairman:



CHANTAL PATEL

19 NOVEMBER 2015

Chantal Pernille Patel
Advokat

Gorrissen Federspiel
Advokatpartnerselskab
Axeltorv 2
1609 København V

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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 2018 - 30 June 2019.

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 2019 and of the results of the Company's operations for the financial year 1 July 2018 - 30 June 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.

Kgs. Lyngby, 31 October 2019
Executive Board:

DocuSigned by:
Charlotte Mark
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Charlotte Mark Christensen
CEO

Board of Directors:

DocuSigned by:
Benjamin Orndorff
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Benjamin Owen Orndorff
Chairman

DocuSigned by:
Keith Dolliver
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Keith Ranger Dolliver

DocuSigned by:
Leigh Anne Kiviat
Leigh Anne Kiviat
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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 2018 - 30 June 2019, 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 2019, and of the results of the Company's operations for the financial year 1 July 2018 - 30 June 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 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.

Independent auditor's report

- 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, 31 October 2019

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33.86 35.86



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 2018 - 30 June 2019
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	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	577,121	525,437	467,052	459,185	478,118
Gross margin	151,084	159,329	141,732	157,881	147,846
Ordinary operating profit/loss	55,484	57,191	47,328	40,001	46,513
Net financials	-321	-142	-287	4,625	14,347
Profit/loss for the year	43,026	44,382	34,231	35,906	47,843
Total assets					
Investment in property, plant and equipment	72,048	57,988	36,403	35,688	9,674
Equity	9,124,338	9,081,312	9,036,930	9,002,699	8,556,193
Financial ratios					
Operating margin	9.6%	10.9%	10.1%	8.7%	9.7%
Gross margin	26.2%	30.3%	30.3%	34.4%	30.9%
Equity ratio	98.7%	98.5%	98.8%	97.9%	98.8%
Return on equity	0.5%	0.5%	0.4%	0.4%	0.6%
Average number of employees					
	321	310	313	292	316

Management commentary

Business review

Microsoft Development Center Copenhagen ApS is one of Microsoft's strategic international development centers. The center is charged with software development activities in areas such as Microsoft Dynamics 365 (business applications) and Visual Studio App Center (app tools and testing), as well as Quantum research activities.

Research and development activities

With Microsoft Dynamics 365 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.

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 as well as the Technical University in Denmark, DTU. Microsoft is already working on establishing quantum computing communities with simulators and easy to use tools for developers.

Management's review

Financial review

Microsoft Dynamics 365 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.

In accordance with this, 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. For the fiscal year, we expected an increase in revenue and profit before tax of 10%. Revenue has increased with 10% as expected, whereas profit for the year is lower than expected. The result for the year was DKK 43 million DK million compared to DKK 44 million last fiscal year. The minor decrease in result is related to the completion of the initial Quantum investments in Denmark and slightly revised cost plus computation model, Management assesses this result as satisfactory.

Non-financial matters

Knowledge resources

Microsoft Development Center Copenhagen ApS counts 321 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 Center Copenhagen ApS is 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 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 Digipippi 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 Center Copenhagen ApS also works actively on providing input to how Denmark can ensure attractive framework conditions for companies to attract and retain highly skilled IT professionals from all over the world. This is done through collaborations with DI Global Talent, Work in Denmark, Lyngby Taarbæk City of Knowledge, Copenhagen Capacity, DEA and other partners.

Statutory CSR report

Microsoft Development Center Copenhagen ApS aligns with the Microsoft Corporation CSR policy, including Human Rights, Climate or Environment, as well as a developed Sustainability report that covers the entire group. Microsoft's Sustainability report can be found on <https://www.microsoft.com/en-us/corporate-responsibility/reports-hub>

Management's review

Account of the gender composition of Management

Microsoft is dedicated to ensuring a diverse workforce, including a focus on gender equality. Microsoft Development Center Copenhagen ApS 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 initiatives focusing on attracting and retaining female employees including female targeted employer branding material, female networks, female targeted recruiting & mentorships, etc.

For the coming FY, we have set a aspirational target of female hires at 20% to match the percentage of women in the tech group of the overall Microsoft Corporation. Today 15,8 % of employees at the company are women – up from 14,8% in the previous year, with 11,1 % 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

With company revenue and result being equivalent to costs held plus mark up, which is anticipated to be lower in 2019/2020, Management expects revenue to be on the same level or slightly decreased in 2019/2020 compared to 2018/2019. Profit before tax for 2019/2020 is expected to decrease by 10-15% compared to 2018/2019 due to lower mark ups in upcoming year.

Financial statements 1 July 2018 - 30 June 2019

Income statement

Note	DKK'000	2018/19	2017/18
	Revenue	577,121	525,437
2	Production costs	-426,037	-366,108
	Gross profit	151,084	159,329
2	Distribution costs	-8,524	-14,969
2	Administrative expenses	-87,076	-87,169
	Operating profit	55,484	57,191
	Financial income	14	0
	Financial expenses	-335	-142
	Profit before tax	55,163	57,049
3	Tax for the year	-12,137	-12,667
	Profit for the year	43,026	44,382

Financial statements 1 July 2018 - 30 June 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	56,035	51,447
	Leasehold improvements	54,729	19,428
	Property, plant and equipment in progress	272	23,482
		<u>111,036</u>	<u>94,357</u>
5	Investments		
	Receivables from group entities	4,638,595	4,641,055
	Deposits	212	0
		<u>4,638,807</u>	<u>4,641,055</u>
	Total fixed assets	<u>4,749,843</u>	<u>4,735,412</u>
	Non-fixed assets		
6	Receivables		
	Receivables from group entities	98,692	150,669
7	Deferred tax assets	7,428	4,203
	Income taxes receivable	4,299,335	4,267,516
	Other receivables	85,651	61,039
	Prepayments	778	2,555
		<u>4,491,884</u>	<u>4,485,982</u>
	Cash	<u>97</u>	<u>96</u>
	Total non-fixed assets	<u>4,491,981</u>	<u>4,486,078</u>
	TOTAL ASSETS	<u>9,241,824</u>	<u>9,221,490</u>

Financial statements 1 July 2018 - 30 June 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	37,264	37,264
	Retained earnings	9,087,074	9,044,048
	Total equity	9,124,338	9,081,312
	Provisions		
8	Other provisions	4,558	4,253
	Total provisions	4,558	4,253
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	8,800	15,843
9	Other payables	104,128	120,082
		112,928	135,925
	Total liabilities other than provisions	112,928	135,925
	TOTAL EQUITY AND LIABILITIES	9,241,824	9,221,490

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

Financial statements 1 July 2018 - 30 June 2019

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 July 2017	37,264	8,999,666	9,036,930
14	Transfer, see "Appropriation of profit"	0	44,382	44,382
	Equity at 1 July 2018	37,264	9,044,048	9,081,312
14	Transfer, see "Appropriation of profit"	0	43,026	43,026
	Equity at 30 June 2019	37,264	9,087,074	9,124,338

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 2018 - 30 June 2019

Notes to the financial statements

1 Accounting policies

The annual report of Microsoft Development Center Copenhagen ApS for 2018/19 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 2018 - 30 June 2019

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 functions, 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 income and 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.

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

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

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

Financial statements 1 July 2018 - 30 June 2019

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

Financial 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 collectibility.

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

Financial statements 1 July 2018 - 30 June 2019

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 statements 1 July 2018 - 30 June 2019

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

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

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses	
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$	
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$	
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$	
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$	

DKK'000	2018/19	2017/18
2 Staff costs and incentive programmes		
Wages/salaries	326,012	318,122
Pensions	25,293	27,662
Other social security costs	717	698
	<u>352,022</u>	<u>346,482</u>

Staff costs are recognised as follows in the financial statements:

Production	335,969	313,248
Distribution	3,216	7,008
Administration	12,837	26,226
	<u>352,022</u>	<u>346,482</u>
Average number of full-time employees	<u>321</u>	<u>310</u>

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 Tax for the year		
Estimated tax charge for the year	15,362	12,957
Deferred tax adjustments in the year	-3,225	-474
Tax adjustments, prior years	0	184
	<u>12,137</u>	<u>12,667</u>

Financial statements 1 July 2018 - 30 June 2019

Notes to the financial statements

4 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 July 2018	93,841	27,008	23,482	144,331
Additions in the year	29,261	42,510	277	72,048
Disposals in the year	-436	0	0	-436
Transfer from other accounts	7,347	16,140	-23,487	0
Cost at 30 June 2019	130,013	85,658	272	215,943
Impairment losses and depreciation at 1 July 2018	42,394	7,580	0	49,974
Amortisation/depreciation in the year	31,900	23,349	0	55,249
Amortisation/depreciation and impairment of disposals in the year	-316	0	0	-316
Impairment losses and depreciation at 30 June 2019	73,978	30,929	0	104,907
Carrying amount at 30 June 2019	56,035	54,729	272	111,036

5 Investments

DKK'000	Receivables from group entities	Deposits	Total
Cost at 1 July 2018	4,641,055	0	4,641,055
Additions in the year	0	212	212
Disposals in the year	-2,460	0	-2,460
Cost at 30 June 2019	4,638,595	212	4,638,807
Carrying amount at 30 June 2019	4,638,595	212	4,638,807

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

6 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 52,464 thousand relating to 2017/18 income taxes

DKK -1,693 thousand relating to 2018/19 income taxes.

Part of the receivable, DKK 4,246,871 thousand, is expected to be received after 30 June 2020 and should therefore be considered a long-term receivable.

Financial statements 1 July 2018 - 30 June 2019

Notes to the financial statements

DKK'000	2018/19	2017/18
7 Deferred tax		
Deferred tax at 1 July	-4,203	-3,729
Adjustment of the deferred tax charge for the year	-3,225	-474
Deferred tax at 30 June	<u>-7,428</u>	<u>-4,203</u>
Deferred tax relates to:		
Property, plant and equipment	-6,496	-3,245
Provisions	-1,003	-958
Other taxable temporary differences	71	0
	<u>-7,428</u>	<u>-4,203</u>
Management considers it likely that there will be future taxable income against which tax deductions can be offset.		
8 Other provisions		
Opening balance at 1 July	4,253	3,969
Provisions in the year	305	284
Other provisions at 30 June	<u>4,558</u>	<u>4,253</u>
The provisions are expected to be payable in:		
> 5 year	<u>4,558</u>	<u>4,253</u>
	<u>4,558</u>	<u>4,253</u>
Other provisions includes provisions for restoration of leased premises and similar provisions.		
9 Other payables		
Wages/salaries, salary taxes, social security contributions, etc.	46,833	52,855
Compensated absence commitment	49,802	53,316
Other accrued expenses	7,493	13,911
	<u>104,128</u>	<u>120,082</u>

Financial statements 1 July 2018 - 30 June 2019**Notes to the financial statements****10 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 covered by the Danish rules on compulsory joint taxation and has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 30 June 2019, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 56,716 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	2018/19	2017/18
Rent and lease liabilities	125,974	143,018

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 remaining obligation amounting to DKK 225 million as of 30 June 2019. Microsoft Development Center Copenhagen ApS is expected to pay 55% of the rent commitment.

11 Collateral

The Company has not provided any security or other collateral in assets at 30 June 2019.

Financial statements 1 July 2018 - 30 June 2019

Notes to the financial statements

12 Related parties

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

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Microsoft Corporation	Redmond, WA, USA	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
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	<u>2018/19</u>	<u>2017/18</u>
Commission income	577,121	525,437
Service fee (income)	370	431
Receivables from group entities - Long-term	4,638,595	4,641,055
Receivables from group entities - Short-term	98,692	150,669
13 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	<u>508</u>	<u>572</u>
	<u>508</u>	<u>572</u>
14 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	<u>43,026</u>	<u>44,382</u>
	<u>43,026</u>	<u>44,382</u>