

Microsoft Development Center Copenhagen ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no.76 24 72 18

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

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

Chairman:



Chantal Pernille Patel Simonsen

CONTENTS

	Pages
STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD	1
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S REVIEW	5-15
Company details	5
Financial highlights	5-6
Management commentary	7-15
FINANCIAL STATEMENTS	
Statement of profit or loss	16
Statement of financial position	17-18
Statement of changes in equity	19
Notes to the financial statements	20-32

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 ("the Company") for the financial year 1 July 2022 - 30 June 2023.

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

In our opinion, the company's financial statements give a true and fair view of the Company's financial position at 30 June 2023 and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023.

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

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

Lyngby-Taarbæk **6 December 2023**
Executive Board:



Charlotte Mark Christensen
CEO

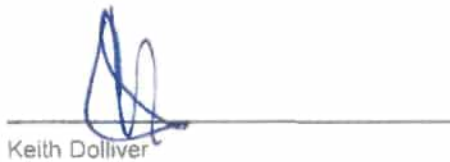
Board of Directors:



Benjamin Owen Orndorff
Chairman



Leigh Anne Kiviatt



Keith Dolliver

Independent auditor's report

To the shareholders 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 2022 - 30 June 2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30 June 2023, and of the results of its operations for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

Basis 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report (continued)

To the shareholders of Microsoft Development Center Copenhagen ApS

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued)

To the shareholders of Microsoft Development Center Copenhagen ApS
Statement on the management commentary (continued)

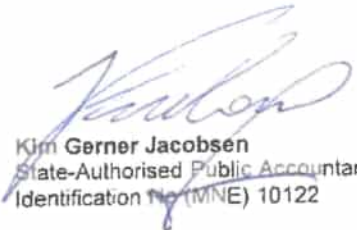
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act


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

Copenhagen, 6. 12. 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



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



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

MANAGEMENT'S REVIEW

Company details

Name	Microsoft 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 2022 - 30 June 2023
Website	www.microsoft.com
Board of Directors	Benjamin Owen Orndorff, Chairman Keith Dolliver Leigh Anne Kiviat
Executive Board	Charlotte Mark Christensen, CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	603,982	536,395	587,065	595,188	577,121
Operating profit (EBIT)	43,018	49,380	49,930	49,095	55,484
Net financials	35,406	(3,927,926)	(381)	(1,610)	(321)
Profit /(Loss) for the year	61,591	(7,097,924)	38,734	36,856	43,026
Total assets	2,303,851	2,222,675	9,348,734	9,292,418	9,241,824
Investment in property, plant and equipment	63,550	58,634	23,450	16,239	72,048
Equity	2,163,595	2,102,004	9,199,928	9,161,194	9,124,338

MANAGEMENT'S REVIEW

Financial highlights (continued)

	2023	2022	2021	2020	2019
Financial ratios					
Operating margin	7.1%	9.2%	8.5%	8.2%	9.6%
Equity ratio	93.9%	94.6%	98.4%	98.6%	98.7%
Return on equity	1.4%	-104.5%	0.4%	0.4%	0.5%
	2023	2022	2021	2020	2019
Average number of full-time employees	316	304	311	318	321

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

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

Operating margin	$\frac{\text{Operating profit(EBIT)} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total Equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

MANAGEMENT'S REVIEW

Management commentary

Business review

Microsoft Development Center Copenhagen ApS (Company) is one of Microsoft's strategic international development centers. The Company is principally involved in research and development of software and information technology related products in areas such as Microsoft Dynamics 365 (business applications), GitHub (developer tools) and Visual Studio App Center (app tools and testing), as well as Quantum research activities.

Research and development activities

Microsoft Development Center Copenhagen ApS drives high quality engineering and advanced research to empower Microsoft partners and customers across the globe.

With Microsoft Dynamics 365 we bring together the power of intelligent cloud, business applications and AI to enable businesses to accelerate their digital transformation, increase their productivity and achieve more.

Our Visual Studio App Center enables fully automatic testing of mobile apps on all conceivable models of Android and iOS devices and operating systems. Another team is dedicating efforts to the tools' backend registry, which forms the heart of the javascript ecosystem today at GitHub and NPM, inc. for better serving, supporting, and inspiring the developer community. The Quantum team is driving the scientific research and innovation of groundbreaking technologies, that will enable the future of computing.

Financial review

Microsoft Dynamics 365 and other Microsoft solutions are marketed through Microsoft's worldwide subsidiaries who work with an ecosystem of local and international partners that sell, customize, and deploy the products to customers.

The net turnover for Microsoft Development Center Copenhagen ApS consists of intra-group commission based on cost plus a mark-up.

The Company's revenue for the year amounted to DKK 604 million (2022: DKK 536 million). For 2022/2023 the expectations for the revenue were set to increase by up to 10% in comparison to prior year. The increase of 12% in the revenue is slightly above the expectations previously expressed.

MANAGEMENT'S REVIEW

Management commentary (continued)

Financial review (continued)

Net result for the year amounted to DKK 62 million and is above the expectations due to higher interest income received in the year 2022/2023, while the prior year loss of DKK -7,098 million was affected by settlement of the tax dispute between the Company and Danish Tax Agency in connection to the income years 2003 and 2005. The tax settlement is considered as a non-recurring event and not attributable to primary business activity of Microsoft Development Center Copenhagen ApS. The liability with Danish Tax Agency was fully settled in prior fiscal year and the Company has accumulated sufficient equity reserves to continue operating as going concern with no disruption to business activities of the Company.

Management assesses this result as satisfactory.

Financial risks and use of financial instruments

Microsoft Development Center Copenhagen ApS does not bear significant operational risks with respect to provided services as being compensated by group entities for its provision of these services based on cost plus model.

The financial risk of credit losses on receivables is not considered as significant since the larger part of the Company's receivables are receivables from related parties. The tax liability for the years 2003 and 2005 was settled in prior year and resulted in an outflow of receivable funds the same year, yet current liquidity position of the Company's remains satisfactory.

Due to its solvency and business structure, the Company's exposure to the changes in interest rates, currency and market fluctuations is considered non-substantial.

Statement on Data Ethics

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

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

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

MANAGEMENT'S REVIEW

Management commentary (continued)

Statement on Data Ethics (continued)

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

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

Corporate Responsibility

The following sections comprise Microsoft Development Center Copenhagen ApS' statutory reporting on corporate responsibility, cf. §99a in the Danish FSA.

Business model

Microsoft's mission is to 'Empower every person and every organization on the planet to achieve more', with a strategy to build best-in-class platforms and productivity services for a cloud-first world. People and organizations in every industry are increasingly looking to digital technology to overcome today's challenges and emerge stronger. Microsoft's platforms and tools are best positioned to harmonize interests of end users, developers, IT and to connect technology with customer needs.

To achieve our mission and pursue our commitments today and in the future, Microsoft must ensure the technology we create benefits everyone on the planet, as well as the planet itself. Our mission and commitments guide not only the products and services we develop, but the policies and practices that govern our work, and our commitment to causes and communities around the world. The challenges facing the world are complex, and no one company, industry, or country can solve them alone, that's why at Microsoft we work across sectors and borders to foster collective action and amplify impact. We focus on four enduring commitments: expand opportunity; earn trust; protect fundamental rights; and advance sustainability.

Microsoft Development Center Copenhagen ApS' main activity is to operate as a strategic development center, particularly working with research and development. Sustainability is an integrated element in our business' purpose, activities, and strategy. Particularly, we focus on mitigating the negative impacts and maximizing the positive impacts of our activities within the areas of environment, climate, human rights, anti-corruption, as well as for our employees. Microsoft Development Center Copenhagen ApS follows the Group's (Microsoft) policies in these areas, and the following sections will highlight how we, as a group and locally, work to implement these in practice and drive forward our work with social and environmental sustainability.

MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

Environment and climate

Risks

Microsoft focuses on four areas - carbon, water, waste, and ecosystems - where we have assessed that our most material risks related to the environment and the climate are. Within these areas, we seek to scale by minimizing the negative impacts of our operations and maximizing the positive impacts of our technology. Within the Danish context, our key risks particularly are related to the generation and handling of waste and energy use.

Policies

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

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

Actions and results 2022/23

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

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

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

MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

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

Human rights

Risks

Microsoft has relationships with thousands of suppliers around the globe, where there is an inherent risk that human rights may be impacted along the supply chain. Hence, Microsoft invests heavily in supplier relationships and our human rights commitment extends to all our suppliers. In relation to our customers, a key risk is not being able to secure users' rights to privacy, and internally, key human rights risks are identified as employees potentially facing discrimination.

Policies

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

Actions and results 2022/23

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

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

MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

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

Anti-corruption and bribery

Risks

Due to the global nature of our business, we face the risk of being involved in corruption and bribery across the value chain. The Group's corruption and bribery risk assessments help drive our decisions and priorities for enhancing controls, processes, and monitoring.

Policies

The Group does not and will not tolerate violations of our standards and policies. We prohibit offering or paying bribes, kickbacks, or other improper benefits to anyone. Our anti-corruption compliance program is designed to prevent, detect, and fix compliance issues. Microsoft approaches compliance with a growth mindset and a process of continuous improvement and invest heavily in innovative and fresh approaches. Microsoft's company-wide Standard of Business conduct (Trust Code) drives awareness of the importance of compliance and ethics, highlighting resources to report concerns regarding misconduct, including corruption.

Actions and results 2022/23

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

MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

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

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

Social conditions and employee relations

Risks

Microsoft's business is based on the knowledge and innovation created by people. Failing to attract, retain and develop the best employees poses a material risk for Microsoft, as we may not be able to continue delivering the best solutions on the market.

Policies

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

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

Actions and results 2022/23

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

Locally, we had a keen focus on building a strong engineering culture by hosting popular internal events as TechTalks, Hackathons, Cake & Culture, and Garage activities. During the year, Microsoft Development Center Copenhagen ApS engaged in raising interest in IT and STEM (Science, Technology, Engineering, Mathematics) capabilities among young people, and especially girls, aiming to strengthen IT education in Denmark.

MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

During 2022/23 Microsoft Development Center Copenhagen ApS has hosted, among others, Children IT-Conference together with Coding Pirates, Girls' Day in Science, Internship Week, and DigiKidz. Additionally, we hosted Ukrainian Refugee Coding Day for 50 Ukrainian kids at our office. We ran an awareness campaign on social media, aimed at breaking the stereotypes around STEM and inspiring young people to pursue career in STEM.

We are proud to say that during 2022/2023, Microsoft Development Center Copenhagen ApS was rated:

- no.1 as the Most Attractive Workplace according to IT company Rank (Version 2);
- no.1 as the Most Attractive IT-Workplace according to 2022 Profilanalysen (Ingeniøren) - both in the student and professional categories.

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

Gender composition of management

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

Microsoft Development Center Copenhagen ApS has set specific goals for gender composition along with a strategy for how to reach these goals, we aim for an aspirational target of female hires at 20%. As of 2022/23:

- 18,8% of employees at the company are women - up from 18,6% in the previous year, with 9,6% at the managerial level;
- The Board of Directors comprises of three members, where the one of the members is a woman. The Company has therefore achieved a balanced gender representation with regards to the Board of Directors according to the definition provided by Danish Business Authority .

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

MANAGEMENT'S REVIEW

Management commentary (continued)

Knowledge resources

Microsoft Development Center Copenhagen ApS counts 316 employees. Most of our employees are highly specialized software engineers and researchers recruited from Denmark and more than 45 countries across the world.

Events after the balance sheet date

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

Outlook

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

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

With company revenue being equivalent to costs plus mark-up, Management expects an increase in the revenue and operating profit up to 5% for the fiscal year 2023/24 in comparison to the previous year. This will be driven by investment decisions by management to support Microsoft's long term strategy.

STATEMENT OF PROFIT OR LOSS

	Note	2023 DKK'000	2022 DKK'000
Revenue	2	603,982	536,395
Production costs	3	(474,956)	(407,703)
Gross margin		<u>129,026</u>	<u>128,692</u>
Distribution costs	3	0	(1,277)
Administrative expenses	3	(86,008)	(78,035)
Operating profit		<u>43,018</u>	<u>49,380</u>
Other operating expenses		(30)	0
Profit before net financials		<u>42,988</u>	<u>49,380</u>
Financial income	4	35,406	0
Finance expenses	5	0	(3,927,926)
Profit/(loss) before tax		<u>78,394</u>	<u>(3,878,546)</u>
Tax for the year	6	(16,803)	(3,219,378)
Profit/(loss) for the year		<u>61,591</u>	<u>(7,097,924)</u>

STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023 DKK'000	30 June 2022 DKK'000
Assets			
Non-current assets			
<i>Property, plant and equipment</i>			
Other fixtures and fitting, tools and equipment	7	15,813	8,637
Property, plant and equipment under construction	7	49,429	30,678
Leasehold improvements	7	61,667	42,574
		<u>126,909</u>	<u>81,889</u>
<i>Other non-current assets</i>			
Other securities from group entities	8	1,875,705	1,851,213
Other receivables	8	235	223
Deferred tax assets	10	17,169	18,057
		<u>1,893,109</u>	<u>1,869,493</u>
Total non-current assets		<u>2,020,018</u>	<u>1,951,382</u>
<i>Current Assets</i>			
Receivables from group entities	15	266,009	52,694
Other receivables		5,510	3,625
Prepayments		12,314	2,993
Income Tax receivable	9	0	211,981
		<u>283,833</u>	<u>271,293</u>
Cash		<u>0</u>	<u>0</u>
Total current assets		<u>283,833</u>	<u>271,293</u>
Total Assets		<u>2,303,851</u>	<u>2,222,675</u>

STATEMENT OF FINANCIAL POSITION (continued)

	Note	30 June 2023 DKK'000	30 June 2022 DKK'000
Equity and liabilities			
Equity			
Share capital		37,264	37,264
Profit and loss account		246,331	2,064,740
Dividend proposed for the year		1,880,000	0
Equity holders' share of equity		<u>2,163,595</u>	<u>2,102,004</u>
Total equity		<u>2,163,595</u>	<u>2,102,004</u>
Non-current liabilities			
Other provisions	11	5,646	5,268
Income tax payable		15,942	0
Other payables	12	105	118
Total non-current liabilities		<u>21,693</u>	<u>5,386</u>
Current liabilities			
Trade payables		10,935	16,727
Income tax payable		8,797	0
Other payables	12	98,831	98,558
Total current liabilities		<u>118,563</u>	<u>115,285</u>
Total liabilities		<u>140,256</u>	<u>120,671</u>
Total equity and liabilities		<u>2,303,851</u>	<u>2,222,675</u>

1 Accounting policies

13 Contractual obligations and contingencies etc

14 Collateral

16 Fees paid to auditors appointed at the annual general meeting

18 Events after the balance sheet date

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital DKK'000	Profit and loss account DKK'000	Dividend proposed for the year DKK'000	Total DKK'000
Equity at 1 July 2021		37,264	9,162,664	0	9,199,928
Profit/(loss) for the year	17	0	(7,097,924)	0	(7,097,924)
Dividend distribution		0	0	0	0
Equity at 30 June 2022		37,264	2,064,740	0	2,102,004
Profit/(loss) for the year	17	0	(1,818,409)	1,880,000	61,591
Dividend distribution		0	0	0	0
Equity at 30 June 2023		37,264	246,331	1,880,000	2,163,595

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The annual report of Microsoft Development Center Copenhagen ApS for the year ended 30 June 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The presentation of Annual report for the year ended 30 June 2023 continues to follow an IFRS presentation of the Statement of financial position consistent with prior year.

There has been no changes in the accounting policies as per last year's Annual report.

1.1 Omission of a cash flow statement

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

1.2 Basis of recognition and measurement

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

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

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

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

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

1.3 Reporting currency

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

1.4 Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

1.4 Foreign currency translation (continued)

Property, plant and equipment and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

1.5 Income statement

(a) Revenue

Revenue consists of intra-group commissions equivalent to costs plus a mark-up. Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties.

(b) Production costs

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

Research and development costs are reimbursed by Microsoft Corporation.

(c) Distribution costs

Distribution costs comprise of 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 depreciation and impairment losses relating to property, plant and equipment attached to the distribution process.

(d) Administrative expenses

Administrative expenses comprise of costs incurred in the year to manage and administer the Company, including expenses related to administrative staff, management, office premises, office expenses as well as depreciation and impairment losses relating to property, plant and equipment used for administration of the Company.

(e) Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and items of property, plant and equipment.

(f) Financial income and expenses

Financial income and expenses comprises interests, including those to group entities net capital gains and losses on transactions in foreign currencies as well as tax relief and surcharges under the Danish Tax Prepayment Scheme, etc.

(g) Tax for the year

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(g) Tax for the year (continued)

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.

1.6 Balance sheet

(a) Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition, and preparation costs of the asset until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	3 to 6 years
Computers (excl. servers)	Fully depreciated in month of acquisition
Leasehold improvements	Over the agreed lease period, not to exceed 10 years

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

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

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

In July 2022, we completed an assessment of the useful lives of our server and network equipment and determined we should increase the estimated useful life of server equipment from four years to six years and increase the estimated useful life of network equipment from four years to six years. This change in accounting estimate is effective beginning fiscal year 2023. Based on the carrying amount of server and network equipment included in Property, plant and equipment as of June 30, 2023, it is estimated this change decreased our fiscal year 2023 operating expenses by DKK 572 thousand. Forward looking expectations for the same change in accounting estimate is to decrease our fiscal year 2024 operating expense by DKK 396 thousand.

(b) Other securities

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(c) Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries, associates and participating interests is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is indication of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

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

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

(d) Receivables

Receivables are measured at amortised cost, usually equaling nominal value less provisions for bad debts. Provisions for bad debts are calculated on the basis of an assessment of the expected collectibility. Trade receivables with a due date greater than 12 months are considered as a long-term receivable and are classed as Other non-current assets in the balance sheet.

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

(e) Prepayments

Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years. Prepayments are measured at cost.

(f) Cash

Cash comprises cash in hand and bank deposits.

(g) Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(h) Provisions

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

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

(i) Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

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

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

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

(j) Liabilities

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

2. Segment information

	2023 DKK'000	2022 DKK'000
Commission income	603,982	536,395
	<u>603,982</u>	<u>536,395</u>

NOTES TO THE FINANCIAL STATEMENTS

3. Staff costs and incentive plans

	2023 DKK'000	2022 DKK'000
Wages and salaries	351,176	326,066
Pensions	29,147	26,863
Other social security costs	2,534	2,453
	<u>382,857</u>	<u>355,382</u>

Staff costs are recognised in the financial statements under the following line items:

Production costs	368,323	345,194
Administrative expenses	14,534	10,188
	<u>382,857</u>	<u>355,382</u>

Average number of full-time employees	<u>316</u>	<u>304</u>
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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 comprise of stocks in the ultimate parent company. The Danish Company does not pay for these rights.

4. Financial income

	2023 DKK'000	2022 DKK'000
Foreign exchange gains	8	0
Other interest income	35,398	0
	<u>35,406</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Financial expenses

	2023 DKK'000	2022 DKK'000
Foreign exchange losses	0	3,249
Other interest expense	0	3,924,677
	<u>0</u>	<u>3,927,926</u>

Other interest expense recognized in 2021/22 comprised tax interest and penalties amounted DKK 3,924.5 million based on revised income tax assessments issued by Danish Tax Agency for the years 2003 and 2005. The revised tax assessments were subject to ongoing tax dispute between Microsoft Development Center Copenhagen ApS and Danish Tax Agency. In the year 2021/22 Company made a decision not to pursue further litigation actions and settled the liability with Danish Tax Agency. The tax settlement is considered as non-recurring event and did not occur in reporting year.

6. Tax for the year

	2023 DKK'000	2022 DKK'000
<i>Tax for the year</i>		
Estimated tax charge for the year	15,942	8,824
Adjustment of the deferred tax charge for the year	861	1,305
Tax adjustments, prior year	(27)	3,209,459
Adjustment of the deferred tax charge, prior year	27	(210)
	<u>16,803</u>	<u>3,219,378</u>

The tax adjustments for prior year reported in 2021/22 comprised the special item of DKK 3,209 million and attributable to tax charge recognized by Microsoft Development Center Copenhagen ApS based on revised income tax assessments issued by Danish Tax Agency for the years 2003 and 2005 (see Note 5 for further details), no recognition of special item occurred in current year.

NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment

	Other fixtures and fitting, tools and equipment DKK'000	Property, plant and equipment under construction DKK'000	Leasehold improvements DKK'000	Total DKK'000
Cost at 1 July 2022	157,056	30,678	118,167	305,901
Additions	11,575	39,937	12,038	63,550
Transferred	1,871	(18,717)	16,846	0
Disposals	(660)	(2,469)	0	(3,129)
Cost at 30 June 2023	169,842	49,429	147,051	366,322
Depreciation and impairment losses at 1 July 2022	148,419	0	75,593	224,012
Depreciation	6,199	0	9,791	15,990
Disposals	(589)	0	0	(589)
Transferred	0	0	0	0
Depreciation and impairment losses at 30 June 2023	154,029	0	85,384	239,413
Carrying amount at 30 June 2023	15,813	49,429	61,667	126,909

8. Other securities and non-current receivables

	Loans to Group entities DKK'000	Deposits DKK'000	Total DKK'000
Cost at 1 July 2022	1,851,213	223	1,851,436
Additions in the year	29,616	12	29,628
Disposals in the year	(5,124)	0	(5,124)
Costs at 30 June 2023	1,875,705	235	1,875,940
Carrying amount at 30 June 2023	1,875,705	235	1,875,940

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

NOTES TO THE FINANCIAL STATEMENTS

9. Income tax receivable

In the year Danish Tax Agency has refunded amount of DKK 235 million to the Company following the revised calculation of the tax interests in connection to the years 2003 and 2005. As of 30 June 2023 the Company does not hold income tax receivables.

10. Deferred tax asset

	30 June 2023 DKK'000	30 June 2022 DKK'000
Deferred tax at 1 July	18,057	19,152
Adjustment of the deferred tax charge, for the year	(861)	(1,305)
Adjustment of the deferred tax charge, prior year	(27)	210
Deferred tax at 30 June	<u>17,169</u>	<u>18,057</u>

The deferred tax charge relates to:

Property, plant and equipment	15,711	17,026
Provisions	1,241	938
Other taxable temporary differences	217	93
	<u>17,169</u>	<u>18,057</u>

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

11. Other provisions

	30 June 2023 DKK'000	30 June 2022 DKK'000
Opening balance at 1 July	5,268	4,914
Provision for the year	378	354
Other provisions at 30 June	<u>5,646</u>	<u>5,268</u>

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

NOTES TO THE FINANCIAL STATEMENTS

12. Other payables

	30 June 2023 DKK'000	30 June 2022 DKK'000
Payroll Liabilities	55,886	50,751
Compensated absence commitment	27,043	31,985
Other payables	15,902	15,822
	<u>98,831</u>	<u>98,558</u>

Non-current other payables due after 30 June 2024:

	30 June 2023 DKK'000	30 June 2022 DKK'000
Compensated absence commitment	105	118
	<u>105</u>	<u>118</u>

13. Contractual obligations and contingencies, etc.

13.1. Other contingent liabilities

The Company is covered by the Danish rules on compulsory joint taxation and has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit, Microsoft Danmark ApS is acting as administrator company of the unit. At 30 June 2023, the net taxes payable to Danish Tax Agency by the companies included in the joint taxation amounted to DKK 36,970 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

	30 June 2023 DKK'000	30 June 2022 DKK'000
Other financial obligations		
<i>Other rent and lease liabilities</i>		
Rent and lease liabilities	100,121	71,652
	<u>100,121</u>	<u>71,652</u>

NOTES TO THE FINANCIAL STATEMENTS

13. Contractual obligations and contingencies, etc. (continued)

Microsoft Danmark ApS and Microsoft Development Center Copenhagen ApS have entered into a joint contract to lease a shared domicile located in Lyngby north of Copenhagen. The two companies are jointly liable for the 10 year rent commitment, with a remaining obligation amounting to DKK 103 million as of 30 June 2023. Microsoft Development Center Copenhagen ApS is expected to pay 55% of the rent commitment, which amounts to DKK 56 million, and is part of "Other rent and lease liabilities" amount of DKK 100 million as of 30 June 2023.

13.2. Other contingent assets

The company is pursuing an action to claim the partial amount of tax interests, which have been paid to Danish Tax Agency and recognized in Company's profit and loss in the year 2021/2022 following the issuance of revised tax assessments for the years 2003 and 2005, as described in note 5. If the Company's action is successful, the inflow of monetary funds is estimated to DKK 186 million. This matter is, however, subject to inherent uncertainties as to the timing of proceedings and financial outcomes.

14. Collateral

The Company has not provided any security or other collateral in assets at 30 June 2023

15. 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

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

Related party transactions and balances

Microsoft Development Center Copenhagen ApS was engaged in the below related party transactions, in addition to dividend distribution and remuneration of management:

NOTES TO THE FINANCIAL STATEMENTS

15. Related parties (continued)

	30 June 2023 DKK'000	30 June 2022 DKK'000
Transactions with group entities		
Commission income	603,982	536,395
Service fee (expenses)	(1,648)	(2,223)
Sale of Property, plant and equipment	72	0
Financial income	33,163	0
Transactions with parent company		
Sale of Property, plant and equipment	689	0
Balances with counterpart		
Receivables from group entities - Long-term	1,875,705	1,851,213
Receivables from group entities - Short-term	265,337	52,694
Balances with parent company		
Receivables from ultimate parent - Short-term	672	0

During the year office rent reimbursement transactions occurred between related parties. The amount of reimbursement income received by Microsoft Development Center Copenhagen ApS was DKK 504 thousand and the reimbursement expense was DKK 21,295 thousand. See note 13 for further details.

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

	2023 DKK'000	2022 DKK'000
Fee for statutory audit	555	555
Total fee paid to Auditor	<u>555</u>	<u>555</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Appropriation of profit/(loss)

	30 June 2023 DKK'000	30 June 2022 DKK'000
<i>Recommended appropriation of profit</i>		
Proposed dividend recognised under equity	1,880,000	0
Profit and loss account	(1,818,409)	(7,097,924)
	<u>61,591</u>	<u>(7,097,924)</u>

18. Events after balance sheet date

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