

Microsoft Development Center Copenhagen ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no.76 24 72 18

Annual report for the year 1 July 2021 - 30 June 2022

Approved at the Company's annual general meeting on 08 December 2022

Chairman:

DocuSigned by:


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Chantal Pernille Patel Simonsen

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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 ("the Company") for the financial year 1 July 2021 - 30 June 2022.

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 2022 and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022.

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.

Executive Board: 28 November 2022



Charlotte Mark Christensen
CEO

Board of Directors:



Benjamin Owen Orndorff
Chairman



Leigh Anne Kiviat



Keith Dolliver

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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 2021 - 30 June 2022, 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 2022, and of the results of its operations for the financial year 1 July 2021 - 30 June 2022 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.

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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.

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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.

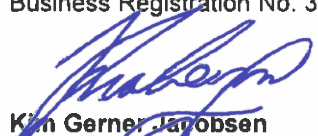
Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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, 28 November 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



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



Jacob Medard Frederiksen
State-Authorised Public Accountant
Identification No (MNE) 44110

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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 2021 - 30 June 2022
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

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	536,395	587,065	595,188	577,121	525,437
Operating profit (EBIT)	49,380	49,930	49,095	55,484	57,191
Net financials	(3,927,926)	(381)	(1,610)	(321)	(142)
(Loss) / profit for the year	(7,097,924)	38,734	36,856	43,026	44,382
Total assets	2,222,675	9,348,734	9,292,418	9,241,824	9,221,490
Investment in property, plant and equipment	58,634	23,450	16,239	72,048	57,988
Equity	2,102,004	9,199,928	9,161,194	9,124,338	9,081,312

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MANAGEMENT'S REVIEW**Financial highlights (continued)**

	2022	2021	2020	2019	2018
<i>Financial ratios</i>					
Operating margin	9.2%	8.5%	8.2%	9.6%	10.9%
Equity ratio	94.6%	98.4%	98.6%	98.7%	98.5%
Return on equity	-104.5%	0.4%	0.4%	0.5%	0.5%

	2022	2021	2020	2019	2018
Average number of full-time employees	304	311	318	321	310

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

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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 and marketing of software and information technology related products in areas such as Microsoft Dynamics 365 (business applications), Github 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 customers and partners across the globe.

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 enables full automatic testing of mobile apps on all conceivable models of Android and iOS devices and operating systems. Another team is dedicating efforts on the 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.

As part of Microsoft's investment in quantum computing, we are continuing to build on the international teams working on quantum research and offers the only full-stack, cloud ecosystem to enable quantum impact with worldwide partners and customers.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Financial review

Microsoft Dynamics 365 and other Microsoft solutions are marketed through Microsoft 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 536 million (2021: DKK 587 million). For 2021/2022 the expectations for the revenue were set on the same level or slightly below the prior year. The decrease of 8% in revenue (equivalent to costs plus mark-up) is attributable to lower development of operational expenses in course of the reporting year than expected.

The Company's net result for the year was DKK -7,097.9 million (2021: DKK 38.7 million), affected by recognition of finance expenses of DKK - 3,924.5 million and prior year adjustment of tax expense of DKK - 3,209 million, based on revised income tax assessment 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 2021/2022 Company has made a decision not to pursue further litigation actions and as of June, 30th 2022 the Company settled the liability with Danish Tax Agency and consider the tax dispute closed.

The tax settlement is treated as non-recurring event and not attributable to primary business activity of Microsoft Development Center Copenhagen ApS, the Company accumulated sufficient equity reserves to cover the loss for the year and has settled liability with own funds with no disruption to business operations of the Company. Management assesses this result as acceptable.

Financial risks and use of financial instruments

Microsoft Development Center Copenhagen ApS doesn't 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 Company's receivables are receivables from related parties. The tax settlement for the years 2003 and 2005 has resulted in an outflow of receivable funds, yet the Company's current liquidity position remains sufficient to continue the operations as a going concern.

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

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MANAGEMENT'S REVIEW

Management commentary (continued)

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 Copenhagen 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, being an integral part of our policies in the areas of privacy, security, digital safety, the responsible use of AI and transparency.

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>

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MANAGEMENT'S REVIEW

Management commentary (continued)

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 mobile-first, cloud-first world. Microsoft's platforms will harmonize the interests of end users, developers, and IT better than any competing ecosystem or platform.

To achieve our mission and fulfill our corporate purpose 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 purpose 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 people and the planet are complex, and no one company, sector, or even country can solve them alone. That's why at Microsoft we are committed to working across sectors to foster partnerships and solutions that will have lasting impact. We focus on four interconnected commitments: to support the inclusive economic growth; to protect fundamental rights; to address climate change for creating a sustainable future and to earn trust every day.

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 on 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.

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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 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, we continuously strive to promote sustainability in our operations, products, policies, and help enable our customers and partners to do the same. The Microsoft Board is engaged in oversight of climate-related risks and opportunities, and Management has outlined a set of climate goals and detailed plan to achieve them.

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 2021/22

As part of our commitment the Group has, among other things:

- Contracted to remove 2.5 million mtCO₂, meeting our cumulative two-year goal for the 2021/2022 and 2020/2021.
- Made a \$100 million grant to Breakthrough Energy Catalyst to accelerate the development of climate solutions across areas such as clean hydrogen, direct air capture, long duration energy storage and sustainable aviation fuel.
- Starting in late 2021, Xbox Series S has become our first console to incorporate Post-Consumer Recycled (PCR) resins into the manufacturing of the body and various internal components, and both the Xbox Series X|S have achieved 97% recyclability by material type.
- Launched Microsoft Cloud for Sustainability to help organizations record, report and reduce their environmental impact.
- Through Microsoft's Climate Innovation Fund (commitment to invest \$1 billion over the four years) Group continues to directly invest into new technologies and expand access to capital around the world to people working to achieve the climate goals.

Locally in Lyngby, sustainability continues to be one of our top priorities. Our building is constructed according to the Danish Building Regulation No. 2015, which secures an energy-efficient building that meets the standards of LEED (Leadership in Energy and Environmental Design). The power consumption of the building in Lyngby for the year 2021/22 continues to be 100% covered by the wind energy based on guarantees of origins purchased from Danish Wind Turbines for the period from January 2021 to December 2023.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

Furthermore, several sustainability initiatives have been implemented throughout the year 2021/22 as part of Microsoft's carbon-negative 2030 strategy, such as: LED lights installed in the entire building, 30 new electrical car charges put in function, new office chairs made of re-used plastic from Microsoft plastic trash, recycled materials used in mailroom. Along with sustainability campaigns ("We bike to work", "Grow your own microgreens") those initiatives served to optimize our energy use, reduce waste, and raise awareness amongst employees during the year.

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' right 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 protect and promote human rights; to safeguard democracy; to support humanitarian action and emergency response; and to ensure equitable access to technology.

Actions and results 2021/22

Microsoft continually works to implement our human rights policies, in relation to the customers, employees, and suppliers, in the year 2021/2022 as a part of our commitment the Group has:

- Provided AccountGuard threat notification service in 32 countries, protecting over 4.4 million accounts of election officials, human rights organizations, journalists, and other organizations essential to a healthy democracy.
- Committed \$265 million to six humanitarian emergencies in five countries through donations, technology, services, and employee giving, including our cross-company response to support people impacted by the war in Ukraine.
- Completed 12 AI for Humanitarian Action projects and launched eight new projects covering disaster preparedness, engagement with vulnerable populations, and the use of image recognition to support health outcomes.
- Identified need to expand our suppliers' capabilities through risk assessments carried out by the Responsible Sourcing team at our Devices division, who conducted risk assessments (comprising environmental and social criteria) of 100% of our active factories-a supply chain that employs 971,400 workers.
- Added new accessibility features to Windows 11, including Live Captions, Voice Access, and Focus Mode following our commitment to expand accessibility in technology. Use of Office Accessibility Checker-our 'spellcheck' for accessibility- grew 14X over last year.

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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. This includes helping organizations and communities prepare for, respond to, and recover from humanitarian crises, and advocating for fair immigration practices. As people's access to education, healthcare, and other critical services becomes increasingly dependent on technology, we continue to promote that access to broadband and technology are also fundamental to a more equitable future.

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. 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 invests 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 2021/22

During the year, we have worked to implement our policies for anti-corruption in various ways. Microsoft requires our 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, and we are using compliance professionals and digital technologies to detect and mitigate corruption risks. Our analytics program focuses on flagging high risk deals and partners and prioritizing risk mitigation efforts so that our compliance professionals and investigators can apply additional oversight. Further, our global compliance investigation team continuously reviews and investigates concerns reported by employees or third parties to our anonymous hotline.

As a part of Group's commitment to grow the skills of our employees around ethical decision-making, employees of Microsoft Development Center Copenhagen ApS have taken the part in annual mandatory training program "Standards of Business Conduct", which is a primary component of the policy governance framework and contains Microsoft's commitment to ethical business practices and complying with the law.

At Microsoft we strive to earn the trust of the communities we serve, and our future commitment goes beyond words to actions, but is to provide tools and frameworks for the efficient compliance solutions and practices for our customers and partners, as well as our employees.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

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 in the market.

Policies

Being able to deliver the best services in the market requires motivated and dedicated employees. Hence, Microsoft focuses on maintaining and developing its position as one of Denmark's best workplaces. As one element of this, Microsoft is strategically dedicated to diversity across gender, age, nationality, religion and sexual orientation. To be successful as a business in empowering everyone on the planet, we need to reflect the world we serve. This is our commitment, and we have goals and programs to improve representation in all roles and at all levels.

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

Actions and results 2021/22

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, employees complete diversity & inclusion courses and as part of our performance and development approach, every employee is encouraged to deepen their learning about diversity and make inclusion a daily and personal part of their job. During the year, 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.

Microsoft Development Center Copenhagen ApS is engaged in raising the interest in IT and STEM (Science, Technology, Engineering, Mathematics) capabilities among young people, and especially girls. 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.

Events such as TechTalks, hackathons and school outreach aim to inspire more young people to choose an IT career. Examples of school outreach activities during 2021/2022 include collaboration with CyberSkills as well as hosting events like Girls' Day in Science and DigiKidz. We ran an awareness campaign on social media, aimed at breaking the stereotypes around STEM and inspiring young people to pursue career in STEM and reached 150.000 unique users with high engagement.

We are proud to say that during 2021/2022, 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.

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MANAGEMENT'S REVIEW**Management commentary (continued)****Corporate Responsibility (continued)**

At Microsoft we believe that economic opportunity should be inclusive - for every country, every community, every organization, and every person - including more than one billion people with disabilities.

Going forward, we will continue to support our initiatives to increase access to technology, digital skills, and data, and extend our effort to support public health. 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.

We aim for balanced gender representation in management:

- We have set an aspirational target of female hires at 20%;
- Today 18,6% of employees at the company are women - up from 18,4% in the previous year, with 9,43% 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 balance gender with regards to Board of Directors.

It is Microsoft Development Center Copenhagen ApS intent and policy to increase the number of females in all management layers to reflect the country population most accurately. While the tech industry is making progress on representation and access to opportunity for women, Microsoft Group maintains intentional focus on programs, networks and systemic approaches that continue the momentum: through our 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 and the thriving communities across women at Microsoft.

Knowledge resources

Microsoft Development Center Copenhagen ApS counts 304 employees. Most of our employees are highly specialized software engineers and researchers recruited from Denmark and more than 45 countries across the world.

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MANAGEMENT'S REVIEW**Management commentary (continued)****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.

The occurrence of regional epidemics or a global pandemic such as COVID-19 may adversely affect our operations, financial condition, and results of operations. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The extent to which global pandemics impact our business going forward will depend on factors such as the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. Management have evaluated the financial impact of COVID-19 on the entity operations, solvency and liquidity and to date no significant impacts as a result of COVID-19 have been identified to cast doubt on the entity's ability to continue as a going concern.

With company revenue being equivalent to costs plus mark-up, Management expects an increase in the revenue up to 10% for the fiscal year 2022/23 in comparison to the previous year. The same expectations continue for the operating profit to be within 0-5% variance of the 2021/2022 year result. The trend, however, is dependent on the future capital investments (and therefore depreciation) to incur in the following fiscal year.

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STATEMENT OF PROFIT OR LOSS

	Note	2022 DKK'000	2021 DKK'000
Revenue	2	536,395	587,065
Production costs	3	(407,703)	(455,446)
Gross margin		<u>128,692</u>	<u>131,619</u>
Distribution costs	3	(1,277)	(2,783)
Administrative expenses	3	(78,035)	(78,906)
Operating profit		<u>49,380</u>	<u>49,930</u>
Other operating expenses		0	(249)
Profit before net financials		<u>49,380</u>	<u>49,681</u>
Financial income	4	0	116
Finance expenses	5	(3,927,926)	(497)
(Loss)/profit before tax		<u>(3,878,546)</u>	<u>49,300</u>
Tax for the year	6	(3,219,378)	(10,566)
(Loss)/profit for the year		<u>(7,097,924)</u>	<u>38,734</u>

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STATEMENT OF FINANCIAL POSITION

	Note	30 June 2022 DKK'000	30 June 2021 DKK'000
Assets			
Non-current assets			
Property, plant and equipment			
Other fixtures and fitting, tools and equipment	7	8,637	19,085
Property, plant and equipment under construction	7	30,678	7,290
Leasehold improvements	7	42,574	19,240
		<u>81,889</u>	<u>45,615</u>
Other non-current assets			
Other securities from group entities	8	1,851,213	4,698,595
Other receivables	8	223	223
Deferred tax assets	10	18,057	19,152
Income Tax receivable	9	0	4,238,043
		<u>1,869,493</u>	<u>8,956,013</u>
Total non-current assets		<u>1,951,382</u>	<u>9,001,628</u>
Current Assets			
Receivables from group entities	15	52,694	223,451
Other receivables		3,625	116,060
Prepayments		2,993	189
Income Tax receivable	9	211,981	7,406
		<u>271,293</u>	<u>347,106</u>
Cash		<u>0</u>	<u>0</u>
Total current assets		<u>271,293</u>	<u>347,106</u>
Total Assets		<u>2,222,675</u>	<u>9,348,734</u>

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STATEMENT OF FINANCIAL POSITION (continued)

	Note	30 June 2022 DKK'000	30 June 2021 DKK'000
Equity and liabilities			
Equity			
Share capital		37,264	37,264
Profit and loss account		2,064,740	9,162,664
Equity holders' share of equity		<u>2,102,004</u>	<u>9,199,928</u>
Total equity		<u>2,102,004</u>	<u>9,199,928</u>
Non-current liabilities			
Other provisions	11	5,268	4,914
Other payables	12	118	34,596
Total non-current liabilities		<u>5,386</u>	<u>39,510</u>
Current liabilities			
Trade payables		16,727	12,479
Other payables	12	98,558	96,817
Total current liabilities		<u>115,285</u>	<u>109,296</u>
Total liabilities		<u>120,671</u>	<u>148,806</u>
Total equity and liabilities		<u>2,222,675</u>	<u>9,348,734</u>

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STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital DKK'000	Profit and loss account DKK'000	Total DKK'000
Equity at 1 July 2020		37,264	9,123,930	9,161,194
(Loss) / profit for the year	17	0	38,734	38,734
Equity at 30 June 2021		<u>37,264</u>	<u>9,162,664</u>	<u>9,199,928</u>
(Loss) / profit for the year	17	0	(7,097,924)	(7,097,924)
Dividend distribution		0	0	0
Equity at 30 June 2022		<u>37,264</u>	<u>2,064,740</u>	<u>2,102,004</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies**

The annual report of Microsoft Development Center Copenhagen ApS for the year ended 30 June 2022 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 2022 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.

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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.

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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 5 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.

(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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(c) Impairment of assets (continued)**

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.

(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".

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NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

(i) Income tax and deferred tax (continued)

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

	2022 DKK'000	2021 DKK'000
Commission income	536,395	587,065
	<u>536,395</u>	<u>587,065</u>

3. Staff costs and incentive plans

	2022 DKK'000	2021 DKK'000
Wages and salaries	326,066	344,937
Pensions	26,863	25,705
Other social security costs	2,453	2,166
	<u>355,382</u>	<u>372,808</u>

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

Production costs	345,194	362,840
Administrative expenses	10,188	9,968
	<u>355,382</u>	<u>372,808</u>

Average number of full-time employees	<u>304</u>	<u>311</u>
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By reference to section 98b (3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

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NOTES TO THE FINANCIAL STATEMENTS**3. Staff costs and incentive plans (continued)****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

	2022 DKK'000	2021 DKK'000
Foreign exchange gains	0	116
	<u>0</u>	<u>116</u>

5. Financial expenses

	2022 DKK'000	2021 DKK'000
Foreign exchange losses	3,249	0
Other interest expense	3,924,677	497
	<u>3,927,926</u>	<u>497</u>

Other interest expense comprised tax interest and penalties amounted to 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 2021/2022 Company has made a decision not to pursue further litigation actions and as of June, 30th 2022 the Company settled the liability with Danish Tax Agency and consider the tax dispute closed.

6. Tax for the year

	2022 DKK'000	2021 DKK'000
<i>Tax for the year</i>		
Estimated tax charge for the year	8,824	12,213
Adjustment of the deferred tax charge for the year	1,305	(1,422)
Tax adjustments, prior year	3,209,459	(616)
Adjustment of the deferred tax charge, prior year	(210)	391
	<u>3,219,378</u>	<u>10,566</u>

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NOTES TO THE FINANCIAL STATEMENTS

6. Tax for the year (continued)

Tax adjustments for prior year comprised tax charge for the years 2003 and 2005 based on revised income tax assessments issued by Danish Tax Agency and amounted to DKK 3,209 million. See Note 5 for further details.

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 2021	155,269	7,290	88,279	250,838
Additions	3,372	30,678	24,584	58,634
Transferred	0	(5,304)	5,304	0
Disposals	(1,585)	(1,986)	0	(3,571)
Cost at 30 June 2022	157,056	30,678	118,167	305,901
Depreciation and impairment losses at 1 July 2021	136,184	0	69,039	205,223
Depreciation	13,820	0	6,554	20,374
Disposals	(1,585)	0	0	(1,585)
Transferred	0	0	0	0
Depreciation and impairment losses at 30 June 2022	148,419	0	75,593	224,012
Carrying amount at 30 June 2022	8,637	30,678	42,574	81,889

8. Other securities and non-current receivables

	Loans to Group entities DKK'000	Deposits DKK'000	Total DKK'000
Cost at 1 July 2021	4,698,595	223	4,698,818
Additions in the year	0	0	0
Disposals in the year	(2,847,382)	0	(2,847,382)
Costs at 30 June 2022	1,851,213	223	1,851,436
Carrying amount at 30 June 2022	1,851,213	223	1,851,436

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NOTES TO THE FINANCIAL STATEMENTS**8. Other securities and non-current receivables (continued)**

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

9. Income tax receivable

The Company's deposit held with Danish Tax Agency in connection to tax dispute has been paid in favor of the tax liability for the years 2003 and 2005, the Company no longer holds long term income tax receivable.

The current portion of tax receivable comprise:

DKK 233,224 thousand refund due relating to tax settlement for the years 2003 and 2005

DKK -12,420 thousand relating to 2020/21 income taxes

DKK -8,823 thousand relating to 2021/22 income taxes

10. Deferred tax asset

	30 June 2022 DKK'000	30 June 2021 DKK'000
Deferred tax at 1 July	19,152	18,121
Adjustment of the deferred tax charge, for the year	(1,305)	1,422
Adjustment of the deferred tax charge, prior year	210	(391)
Deferred tax at 30 June	18,057	19,152

The deferred tax charge relates to:

Property, plant and equipment	17,026	18,300
Provisions	938	1,081
Other taxable temporary differences	93	(229)
	18,057	19,152

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

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NOTES TO THE FINANCIAL STATEMENTS**11. Other provisions**

	30 June 2022 DKK'000	30 June 2021 DKK'000
Opening balance at 1 July	4,914	4,585
Provision for the year	354	329
Other provisions at 30 June	5,268	4,914

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.

12. Other payables

	30 June 2022 DKK'000	30 June 2021 DKK'000
Payroll Liabilities	50,751	46,862
Compensated absence commitment	31,985	37,336
Other payables	15,822	12,619
	98,558	96,817

Non-current other payables due after 30 June 2023:

	30 June 2022 DKK'000	30 June 2021 DKK'000
Compensated absence commitment	118	34,596
	118	34,596

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NOTES TO THE FINANCIAL STATEMENTS**13. Contractual obligations and contingencies, etc.*****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. At 30 June 2022, the net taxes payable to Danish Tax Agency by the companies included in the joint taxation amounted to DKK 23,829 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 2022 DKK'000	30 June 2021 DKK'000
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Other financial obligations***Other rent and lease liabilities***

Rent and lease liabilities	71,652	91,011
	<u>71,652</u>	<u>91,011</u>

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 123 million as of 30 June 2022. Microsoft Development Center Copenhagen ApS is expected to pay 55% of the rent commitment, which amounts to DKK 67 million, and is part of "Other rent and lease liabilities" amount of DKK 71 million as of 30 June 2022.

14. Collateral

The Company has not provided any security or other collateral in assets at 30 June 2022

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NOTES TO THE FINANCIAL STATEMENTS**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

Transactions with related parties

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

	30 June 2022 DKK'000	30 June 2021 DKK'000
Commission income with group entities	536,395	587,065
Service fee (expenses) with group entities	(2,223)	(952)

Balances with related parties

Receivables from group entities - Long-term	1,851,213	4,698,595
Receivables from group entities - Short-term	52,694	223,451

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 345 thousand and the reimbursement expense was DKK 20,045 thousand. See note 13 for further details.

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NOTES TO THE FINANCIAL STATEMENTS**16. Fees paid to auditors appointed at the annual general meeting**

	2022 DKK'000	2021 DKK'000
Fee for statutory audit	555	534
Total fee paid to Auditor	<u>555</u>	<u>534</u>

17. Appropriation of (loss)/profit

	30 June 2022 DKK'000	30 June 2021 DKK'000
<i>Recommended appropriation of profit</i>		
Profit and loss account	(7,097,924)	38,734
	<u>(7,097,924)</u>	<u>38,734</u>