

Microsoft Development Center Copenhagen ApS

Kanalvej 7, 2800 Kgs. Lyngby

CVR no.76 24 72 18

Annual report for the year 1 July 2020 - 30 June 2021

Approved at the Company's annual general meeting on 22 November 2021

Chairman:

DocuSigned by:
Chantal Pernille Patel
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Chantal Pernille Patel

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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 2020 - 30 June 2021.

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 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021.

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: 25 October 2021



Charlotte Mark Christensen
CEO

Board of Directors:



Benjamin Orndorff (CELA) (Oct 25, 2021 08:07 PDT)

Benjamin Owen Orndorff
Chairman



Leigh Anne Kiviat (CELA) (Oct 27, 2021 08:53 PDT)

Leigh Anne Kiviat



Keith Dolliver (CELA) (Oct 27, 2021 08:35 PDT)

Keith Ranger 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 2020 - 30 June 2021, which comprise of an 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 financial position of the company at 30 June 2021, and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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Independent auditor's report

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 judgment 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's review

Management is responsible for the Management's review.

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

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

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

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

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Independent auditor's report


To the shareholders of Microsoft Development Center Copenhagen ApS

Copenhagen, 25 October 2021

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

Microsoft Development Center Copenhagen ApS**5 of 31****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 2020 - 30 June 2021
Website	www.microsoft.com
Board of Directors	Benjamin Owen Orndorff, Chairman Keith Ranger Dolliver Leigh Anne Kiviat
Executive Board	Charlotte Mark Christensen, CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

Financial highlights

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	587,065	595,188	577,121	525,437	467,052
Operating profit (EBIT)	49,930	49,095	55,484	57,191	47,328
Net financials	(381)	(1,610)	(321)	(142)	(287)
Profit for the year	38,734	36,856	43,026	44,382	34,231
Total assets	9,348,734	9,292,418	9,241,824	9,221,490	9,143,526
Investment in property, plant and equipment	23,450	16,239	72,048	57,988	36,403
Equity	9,199,928	9,161,194	9,124,338	9,081,312	9,036,930

Microsoft Development Center Copenhagen ApS**6 of 31****MANAGEMENT'S REVIEW****Financial highlights (continued)**

	2021	2020	2019	2018	2017
Financial ratios					
Operating margin	8.5%	8.2%	9.6%	10.9%	10.1%
Equity ratio	98.4%	98.6%	98.7%	98.5%	98.8%
Return on equity	0.4%	0.4%	0.5%	0.5%	0.4%
	2021	2020	2019	2018	2017
Average number of full-time employees	311	318	321	310	313

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015".

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

Research and development activities

With Microsoft Dynamics 365 we bring together the power of the intelligent cloud and our CRM and ERP capabilities along with productivity applications to enable businesses to accelerate their digital transformation, increase their productivity and achieve more.

Our Visual Studio App Center 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.

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 exclusively of intragroup sales; the turnover is linked to the costs incurred by the development center. Profit after tax for the year was DKK38.73 million (2020: DKK36.86 million). For 2020/2021 the expectations for the revenue and profit before tax were set on the same level or slightly below the prior year. The minor decrease of 1% in revenue and 1% increase in profit before tax are fully aligned with expectations previously expressed.

Management assesses this result as satisfactory.

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MANAGEMENT'S REVIEW

Management commentary (continued)

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.

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 potential risk of credit losses in connection to a deposit made with Central Tax Administration for an amount of DKK 4 250 million is not considered as significant since Company expresses the expectations that the outcome of the case will be in favour of the Company.

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.

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.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

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: ensuring that **economic opportunity is inclusive**; unequivocally supporting **fundamental rights**; addressing climate change for a **sustainable future** and **earning trust** every day by spanning privacy, security, digital safety, responsible AI, and transparency.

Microsoft Development Center Copenhagen ApS' main activity is to operate as a strategic development center, particularly working with software 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.

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, including embedding it deeply into its governance structure. The Microsoft Board is engaged in oversight of climate-related risks and opportunities, and management is fully engaged in assessing and managing risks and opportunities.

In 2020 Microsoft Group have announced a commitment, to be carbon negative, water positive, zero waste by 2030 and to protect ecosystems by developing a Planetary Computer.

Actions and results 2020/21

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

- Worked with community organizations and partners to establish over 20 water projects around the world.
- Partnered with suppliers to see how plastic waste recovered from our oceans, waterways and beaches can be processed and used in consumer products and will have more to share on this soon.
- Met our land protection commitment through partnerships with The Nature Conservancy and the National Fish and Wildlife Federation to preserve more than 15,000 acres of important ecosystems.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

- Through Microsoft's \$1 billion Climate Innovation Fund, the Group has made direct investments in several companies to help them accelerate and scale their solutions.

In July 2020, Microsoft was announced as founding member of the 'The Transform to Net Zero' coalition, alongside a number of large multinational companies. The coalition aim to demonstrate and enable the business transformation needed to achieve net zero emissions by 2050, in addition to driving broader change with a focus on policy, innovation and finance.

Locally in Lyngby, sustainability is one of our top priorities. Our building is constructed according to the Danish Building Regulation No. 2015, which secures an energy-efficient building, also meeting the standards of LEED (Leadership in Energy and Environmental Design).

In year 2020/2021 Microsoft in Lyngby have purchased guarantees of origins from Danish Wind Turbines securing 100% coverage of our power consumption of the building by wind energy for the period from January 2021 to December 2023.

In addition to the building, several sustainability initiatives such as discontinued use of water bottles, reduced numbers of printers inhouse, employee webinars on growing own food and vegetarian recipes, have been implemented. Along with ongoing sustainability campaigns (e.g. Earth Day, WasteLess Week) to 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. It is inseparable from our mission to empower every person and every organization on the planet to achieve more with our technologies. We believe that people, organizations, and societies will only use technologies they trust, and they will only trust technologies that respect their rights and advance human dignity, agency, and wellbeing. The Group has developed policies that support Microsoft in meeting its responsibility to respect human rights in relation to customers, employees, suppliers, and regarding our legal obligations. We are committed to upholding the fundamental principles of human rights, as well as worker's rights, as outlined in the ILO core conventions within our own operations and throughout the value chain.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

Actions and results 2020/21

Microsoft continually works to implement our human rights policies, in relation to customers, employees, and suppliers. To fight discrimination and advance employees' rights, Microsoft has specific policies and supporting programs in place.

In 2020, Microsoft promptly responded to recommendations from the European Data Protection Board by adding new protections to contracts with public sector and enterprise customers to further secure customers' right to privacy and access to compensation.

Concerning human rights risks in the supply chain, Microsoft has also this year worked with supplier relationships, and the Supplier Code of Conduct has been continuously enforced, where it is expected that all suppliers who do business with Microsoft uphold the requirements set out in the Code.

To mark Human Rights Day in December 2020, Microsoft released an update to the Microsoft Global Human Rights Statement, which we are publishing in 18 languages and dialects.

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.

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 invest heavily in innovative and fresh approaches. The Group's compliance program meets the highest standards, including ISO 37001, the new Anti-Bribery Management System Standard.

Actions and results 2020/21

During 2020/21, we have worked to implement our policies for anti-corruption in various ways. Microsoft has a mandatory anti-corruption training program, in which all partners and suppliers must participate. Further, our global compliance investigation team continuously reviews and investigates concerns reported by employees or third parties to our anonymous hotline.

Employees of Microsoft Development Center Copenhagen have participated in annual 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.

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MANAGEMENT'S REVIEW

Management commentary (continued)

Corporate Responsibility (continued)

Every day 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.

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.

Actions and results 2020/21

We are accelerating our cultural transformation through further investment in inclusion, defining it as a "core priority" for all employees. Microsoft Development Center Copenhagen ApS is engaged in raising the interest in IT and STEM (Science, Technology, Engineering, Mathematics) capabilities among young people, and girls in particular. Our aim is to strengthen IT education in Denmark to make sure that we are prepared for a future workplace that requires more people with digital competencies, and increase the amount of young people choosing a career where they not only use IT, but create solutions with IT.

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

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 2020 include collaboration with Engineer the Future, TekTanken (Naturfagsmarathon reached 22.000 students) as well as hosting the Danish Cybersecurity championships (100 participants). We ran an awareness campaign for 6 weeks on social media, aimed at parents to address the myths about the IT-industry and reached 700.000 unique users with high engagement. This year, we saw a 10% increase in the number of women seeking it-education, compared to 2019.

We are proud to say that during 2020/21, Microsoft Development Center Copenhagen was rated

- n.1 as the Most Attractive Workplace according to IT company Rank (Version 2)
- n.1 as the Most Attractive IT-Workplace according to 2021 Profilanalysen (Ingeniøren) - both in the student- and professional categories.

At Microsoft we believe that every person must have access to the technology, skills, and opportunity to pursue in-demand jobs in a changing economy. That's why we will continue to accelerate our efforts to close the skills and broadband gaps, and we are committed to promote inclusion and accessibility globally as well as in our own 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 a balanced gender representation in management.

- We have set an aspirational target of female hires at 20% to match the percentage of women in the tech group of the overall Microsoft Corporation.
- Today 18,4 % of employees at the company are women - up from 17,7% in the previous year, with 10.9 % at the managerial level.
- The Board of Directors comprises of three members, where one of the members is a woman. The Company has therefore achieved a balance of gender with regards to the Board of Directors.

Microsoft Development Center Copenhagen ApS has several initiatives focusing on attracting and retaining female employees including female targeted employer branding material, female networks, female targeted recruiting, mentorships and a strong focus on inclusion (workshops and trainings) to make all thrive regardless of gender and background.

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

It is Microsoft Development Center Copenhagen's intent and policy to increase the number of females in all management layers to reflect the country population most accurately. There are several initiatives focusing on attracting and retaining female employees including female targeted employer branding material, female networks, female targeted recruiting, mentorships and a strong focus on inclusion (workshops and trainings) to make all thrive regardless of gender and background.

Knowledge resources

Microsoft Development Center Copenhagen ApS counts 311 employees. The majority of our employees are highly specialized software engineers and researchers recruited from Denmark and more than 50 countries across the world. The Quantum research team is led by Scientific Directors Charlie Marcus and Peter Krogstrup.

Events after the balance sheet date

Since the balance sheet date a decision was taken regarding a procurement order placed by Microsoft Development Centre Copenhagen ApS in FY2020/21, which will be reallocated and fully delivered to an other group entity. The expected reimbursement in FY2021/22 amounts to DKK 15 million. See note 2.

The impacts of the COVID-19 pandemic have been considered, and mitigating actions including employees working remotely from home allow operations to function effectively.

No other events have occurred after the balance sheet date that would impact significantly on the financial statements.

Outlook

Management expects no significant change in the Company's activities in the future and has considered the potential impact of the current COVID-19 pandemic to the Company's business operations. There is an uncertainty in the nature and degree of the effect of continuous COVID-19 pandemic over time, to date no significant negative impacts as a result of COVID-19 have been identified to cast doubt on the entity's ability to continue operating as a going concern in the foreseeable future.

With company revenue being equivalent to costs plus mark-up, the revenue is anticipated to be on the same level or slightly decreased in 2021/2022 compared to 2020/2021. The same expectations continue for the profit before tax to be within 0-5% variance of the 2020/2021 fiscal year result. The trend, however, is dependent on the future investments (and therefore depreciation) to be made in the course of the following fiscal year.

Management continuously and closely monitor the latest developments of the COVID-19 outbreak and its impact on people and organizations.

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STATEMENT OF PROFIT OR LOSS

	Note	2021 DKK'000	2020 DKK'000
Revenue	3	587,065	595,188
Production costs	4	(455,446)	(466,429)
Gross margin		<u>131,619</u>	<u>128,759</u>
Distribution costs	4	(2,783)	(2,614)
Administrative expenses	4	(78,906)	(77,050)
Operating profit		<u>49,930</u>	<u>49,095</u>
Other operating expenses		(249)	0
Profit before net financials		<u>49,681</u>	<u>49,095</u>
Financial income	5	116	0
Finance expenses	6	(497)	(1,610)
Profit before tax		<u>49,300</u>	<u>47,485</u>
Tax for the year	7	(10,566)	(10,629)
Profit for the year		<u>38,734</u>	<u>36,856</u>

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STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021 DKK'000	30 June 2020 DKK'000
Assets			
Non-current assets			
Property, plant and equipment			
Other fixtures and fitting, tool and equipment	8	19,085	33,461
Property, plant and equipment under construction	8	7,290	3,680
Leasehold improvements	8	19,240	20,341
		<u>45,615</u>	<u>57,482</u>
Other non-current assets			
Other securities from group entities	9	4,698,595	4,698,595
Other receivables	9	223	212
Deferred tax assets	11	19,152	18,121
Income Tax receivable	10	4,238,043	4,242,863
		<u>8,956,013</u>	<u>8,959,791</u>
Total non-current assets		<u>9,001,628</u>	<u>9,017,273</u>
Current Assets			
Receivables from group entities	16	223,451	117,853
Other receivables		116,060	93,147
Prepayments		189	450
Income Tax receivable	10	7,406	63,695
		<u>347,106</u>	<u>275,145</u>
Cash		<u>0</u>	<u>0</u>
Total current assets		<u>347,106</u>	<u>275,145</u>
Total Assets		<u>9,348,734</u>	<u>9,292,418</u>

Microsoft Development Center Copenhagen ApS**17 of 31****STATEMENT OF FINANCIAL POSITION (continued)**

	Note	30 June 2021 DKK'000	30 June 2020 DKK'000
Equity and liabilities			
Equity			
Share capital		37,264	37,264
Profit and loss account		9,162,664	9,123,930
Equity holders' share of equity		<u>9,199,928</u>	<u>9,161,194</u>
Total equity		<u>9,199,928</u>	<u>9,161,194</u>
Non-current liabilities			
Other provisions	12	4,914	4,585
Other payables	13	34,596	0
Total non-current liabilities		<u>39,510</u>	<u>4,585</u>
Current liabilities			
Trade payables		12,479	11,647
Payables to group entities		0	248
Other payables	13	96,817	114,744
Total current liabilities		<u>109,296</u>	<u>126,639</u>
Total liabilities		<u>148,806</u>	<u>131,224</u>
Total equity and liabilities		<u>9,348,734</u>	<u>9,292,418</u>

Microsoft Development Center Copenhagen ApS**18 of 31****STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital DKK'000	Profit and loss account DKK'000	Total DKK'000
Equity at 1 July 2019		37,264	9,087,074	9,124,338
Profit for the year	18	0	36,856	36,856
Equity at 30 June 2020		37,264	9,123,930	9,161,194
Profit for the year	18	0	38,734	38,734
Equity at 30 June 2021		37,264	9,162,664	9,199,928

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 2021 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 2021 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.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(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.

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

In July 2020, we completed an assessment of the useful lives of our server and network equipment and determined we should increase the estimated useful life of both server equipment and network equipment from three years to four years. This change in accounting estimate is effective beginning fiscal year 2021.

Based on the carrying amount of server and network equipment included in Property, plant and equipment as of June 30, 2020, it is estimated this change increased our fiscal year 2021 operating income by DKK 147 thousand. Forward looking expectations for the same change in accounting estimate is to increase our fiscal year 2022 operating income by DKK 42 thousand.

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.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(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 and associates 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.

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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. Events after the balance sheet date

Due to the management decision, one of the procurement orders placed by Microsoft Development Centre Copenhagen ApS in FY2020/21, will be reallocated and fully delivered to an other group entity in the following year. The current year costs recognised by the Company in connection with the order amount to DKK 15m, which will be reimbured in FY2021/22.

3. Segment information

	2021 DKK'000	2020 DKK'000
Commission income	587,065	595,188
	<u>587,065</u>	<u>595,188</u>

Microsoft Development Center Copenhagen ApS**24 of 31****NOTES TO THE FINANCIAL STATEMENTS****4. Staff costs and incentive plans**

	2021 DKK'000	2020 DKK'000
Wages and salaries	344,937	323,409
Pensions	25,705	26,391
Other social security costs	2,166	2,344
	<u>372,808</u>	<u>352,144</u>

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

Production costs	362,840	340,048
Administrative expenses	9,968	12,096
	<u>372,808</u>	<u>352,144</u>

Average number of full-time employees	<u>311</u>	<u>318</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.

5. Financial income

	2021 DKK'000	2020 DKK'000
Foreign exchange gains	116	0
	<u>116</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS

6. Financial expenses

	2021 DKK'000	2020 DKK'000
Foreign exchange losses	0	19
Other interest expenses	497	1,591
	<u>497</u>	<u>1,610</u>

7. Tax for the year

	2021 DKK'000	2020 DKK'000
<i>Tax for the year</i>		
Estimated tax charge for the year	12,213	21,788
Adjustment of the deferred tax charge for the year	(1,422)	(10,693)
Tax adjustments, prior year	(616)	(466)
Adjustment of the deferred tax charge, prior year	391	0
	<u>10,566</u>	<u>10,629</u>

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NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment

	Other fixtures and fitting, tool and equipment DKK'000	Property, plant and equipment under construction DKK'000	Leasehold improvements DKK'000	Total DKK'000
Cost at 1 July 2020	140,269	3,680	85,027	228,976
Additions	13,869	6,772	2,809	23,450
Transferred	2,170	(3,162)	992	0
Disposals	(1,039)	0	(549)	(1,588)
Cost at 30 June 2021	155,269	7,290	88,279	250,838
Depreciation and impairment losses at 1 July 2020	106,808	0	64,686	171,494
Depreciation	30,391	0	4,634	35,025
Disposals	(1,088)	0	(208)	(1,296)
Transferred	73	0	(73)	0
Depreciation and impairment losses at 30 June 2021	136,184	0	69,039	205,223
Carrying amount at 30 June 2021	19,085	7,290	19,240	45,615

9. Other securities and non-current receivables

	Loans to Group entities DKK'000	Deposits DKK'000	Total DKK'000
Cost at 1 July 2020	4,698,595	212	4,698,807
Additions in the year	0	11	11
Disposals in the year	0	0	0
Costs at 30 June 2021	4,698,595	223	4,698,818
Carrying amount at 30 June 2021	4,698,595	223	4,698,818

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

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NOTES TO THE FINANCIAL STATEMENTS**10. Income tax receivable**

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

The tax receivable comprise:

DKK 4,250,256 thousand paid deposits regarding current tax cases

DKK 7,406 thousand relating to 2019/20 income taxes

DKK -12,214 thousand relating to 2020/21 income taxes

Part of the receivable DKK 4,238,043 thousand, is expected to be received after 30 June 2022 and is therefore considered considered a long-term receivable.

11. Deferred tax asset

	30 June 2021 DKK'000	30 June 2020 DKK'000
Deferred tax at 1 July	18,121	7,428
Adjustment of the deferred tax charge, for the year	1,422	0
Adjustment of the deferred tax charge, prior year	(391)	10,693
Deferred tax at 30 June	19,152	18,121
<i>The deferred tax charge relates to:</i>		
Property, plant and equipment	18,300	17,154
Provisions	1,081	1,009
Other taxable temporary differences	(229)	(42)
	19,152	18,121

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

12. Other provisions

	30 June 2021 DKK'000	30 June 2020 DKK'000
Opening balance at 1 July	4,585	4,558
Provision for the year	329	319
Restoration release	0	(292)
Other provisions at 30 June	4,914	4,585
<i>Other provisions are expected to mature within:</i>		
> 5 years	0	4,585

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

13. Other payables

	30 June 2021 DKK'000	30 June 2020 DKK'000
Payroll Liabilities	46,862	47,788
Compensated absence commitment	37,336	54,035
Other payables	12,619	12,921
	96,817	114,744

Non-current other payables due after 30 June 2022:

	30 June 2021 DKK'000	30 June 2020 DKK'000
Compensated absence commitment	34,596	0
	34,596	0

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NOTES TO THE FINANCIAL STATEMENTS**14. 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 2021, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 5,999 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.

The Company is involved in certain disputes of which the final financial outcome is not yet certain. If the any of the disputes result in considerable payments for the Entity, the parent company will refund the payments so that the financial position of the Entity will not be impacted. Therefore, Management's assessment is that a final settlement will not have a significant impact on the financial position of the Entity.

	30 June 2021 DKK'000	30 June 2020 DKK'000
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Other financial obligations***Other rent and lease liabilities***

Rent and lease liabilities	91,011	111,489
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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 155 million as of 30 June 2021. Microsoft Development Center Copenhagen ApS is expected to pay 55% of the rent commitment, which amounts to DKK 85 million, and is part of "Other rent and lease liabilities" amount of DKK 91 million as of 30 June 2021.

15. Collateral

The Company has not provided any security or other collateral in assets at 30 June 2021

Microsoft Development Center Copenhagen ApS**30 of 31****NOTES TO THE FINANCIAL STATEMENTS****16. 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 remuneration of management.

	30 June 2021 DKK'000	30 June 2020 DKK'000
Commission income with group entities	587,065	595,188
Service fee (expenses) with group entities	(952)	0
Service fee income with group entities	0	411

Balances with related parties

Payables to group entities	0	(248)
Receivables from group entities - Long-term	4,698,595	4,698,595
Receivables from group entities - Short-term	223,451	117,853

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 303 thousand and the reimbursement expense was DKK 19,721 thousand. See note 14 for further details.

Microsoft Development Center Copenhagen ApS**31 of 31****NOTES TO THE FINANCIAL STATEMENTS****17. Fees paid to auditors appointed at the annual general meeting**

	2021 DKK'000	2020 DKK'000
Fee for statutory audit	534	524
Total fee paid to Auditor	<u>534</u>	<u>524</u>

18. Appropriation of profit

	30 June 2021 DKK'000	30 June 2020 DKK'000
<i>Recommended appropriation of profit</i>		
Profit and loss account	38,734	36,856
	<u>38,734</u>	<u>36,856</u>