
Red Hat ApS

c/o Horten Philip Heymans Alle 7, DK-2900
Hellerup

Annual Report for 1 March 2018 - 28 February 2019

CVR No 33 78 54 45

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
10/07 2019

Jacob Kornerup
Chairman of the General
Meeting



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Red Hat ApS for the financial year 1 March 2018 - 28 February 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 28 February 2019 of the Company and of the results of the Company operations for 2018/19.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 10 July 2019

Executive Board

Eric Ryan Shander
Executive Officer

Michael Martin O'Neill
Executive Officer

Thomas Ian Savage
Executive Officer

The Independent Practitioner's Report

To the Shareholder of Red Hat ApS

Conclusion

We have performed an extended review of the Financial Statements of Red Hat ApS for the financial year 1 March 2018 - 28 February 2019, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, in our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 28 February 2019 and of the results of the Company operations for the financial year 1 March 2018 - 28 February 2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner's responsibilities for the extended review of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Practitioner's responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the Financial Statements. This requires that we plan and perform procedures to obtain limited assurance in respect of our conclusion on the Financial Statements and, moreover, that we perform supplementary procedures specifically required to obtain additional assurance in respect of our conclusion.

An extended review consists of making inquiries, primarily of Management and others within the enterprise, as appropriate, and applying analytical procedures and the supplementary procedures specifically

The Independent Practitioner's Report

required as well as assessing the evidence obtained.

An extended review is less in scope than an audit and, consequently, we do not express an audit opinion on the Financial Statements.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, 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 in Management's Review.

Hellerup, 10 July 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Carsten Nielsen

statsautoriseret revisor

mne30212

Company Information

The Company

Red Hat ApS
c/o Horten Philip Heymans Alle 7
DK-2900 Hellerup

Telephone: + 45 33 34 40 00

E-mail: jk@horten.dk

Website: www.redhat.com

CVR No: 33 78 54 45

Financial period: 1 March - 28 February

Financial year: 8th financial year

Municipality of reg. office: Gentofte

Executive Board

Eric Ryan Shander
Michael Martin O'Neill
Thomas Ian Savage

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

The Company's main activity is to market Red Hat's subscription, training and consulting services to entities located in Denmark.

Development in the year

The income statement of the Company for 2018/19 shows a profit of EUR 66,531, and at 28 February 2019 the balance sheet of the Company shows equity of EUR 558,235.

Subsequent events

On 28 October 2018 IBM announced its intention to acquire the ultimate parent company, Red Hat Inc. The transaction is expected to close in the latter half of 2019, subject to certain conditions, including receiving regulatory approvals.

Income Statement 1 March - 28 February

	Note	2018/19 EUR	2017/18 EUR
Revenue		3,362,296	2,991,236
Other external expenses		-381,944	-453,837
Gross profit/loss		2,980,352	2,537,399
Staff expenses	1	-2,889,811	-2,251,106
Depreciation		-8,029	-6,461
Profit/loss before financial income and expenses		82,512	279,832
Financial income		0	2,878
Financial expenses		5,598	0
Profit/loss before tax		88,110	282,710
Tax on profit/loss for the year	2	-21,579	-62,195
Net profit/loss for the year		66,531	220,515

Distribution of profit

Proposed distribution of profit

Retained earnings	66,531	220,515
	66,531	220,515

Balance Sheet 28 February

Assets

	Note	2019 EUR	2018 EUR
Other fixtures and fittings, tools and equipment		16,436	8,563
Property, plant and equipment	3	16,436	8,563
Deposits		8,202	2,865
Prepayments		121,517	219,761
Fixed asset investments		129,719	222,626
Fixed assets		146,155	231,189
Receivables from group enterprises		418,118	387,574
Other receivables		16,708	31,573
Deferred tax asset		1,741	1,760
Prepayments		469,424	485,711
Receivables		905,991	906,618
Cash at bank and in hand		118,739	114,860
Currents assets		1,024,730	1,021,478
Assets		1,170,885	1,252,667

Balance Sheet 28 February

Liabilities and equity

	Note	2019 EUR	2018 EUR
Share capital		10,728	10,728
Retained earnings		547,507	480,976
Equity	4	558,235	491,704
Trade payables		16,756	46,020
Payables to group enterprises		6,149	12,247
Corporation tax		13,945	39,119
Other payables		575,800	649,587
Deferred income		0	13,990
Short-term debt		612,650	760,963
Debt		612,650	760,963
Liabilities and equity		1,170,885	1,252,667
Contingent assets, liabilities and other financial obligations	5		
Related parties	6		
Accounting Policies	7		

Notes to the Financial Statements

	2018/19 EUR	2017/18 EUR
1 Staff expenses		
Wages and salaries	2,556,310	1,983,005
Pensions	148,300	138,014
Other social security expenses	23,140	38,050
Other staff expenses	162,061	92,037
	2,889,811	2,251,106
Average number of employees	21	14
2 Tax on profit/loss for the year		
Current tax for the year	21,560	62,898
Deferred tax for the year	19	(703)
	21,579	62,195
3 Property, plant and equipment		
		Other fixtures and fittings, tools and equipment
		EUR
Cost at 1 March		33,383
Additions for the year		15,902
Cost at 28 February		49,285
Impairment losses and depreciation at 1 March		24,820
Depreciation for the year		8,029
Impairment losses and depreciation at 28 February		32,849
Carrying amount at 28 February		16,436

Notes to the Financial Statements

4 Equity

	Share capital	Retained earnings	Total
	EUR	EUR	EUR
Equity at 1 March	10,728	480,976	491,704
Net profit/loss for the year	0	66,531	66,531
Equity at 28 February	10,728	547,507	558,235

The share capital consists of 80 shares of a nominal value of EUR 1,000. No shares carry any special rights.

	2019	2018
	EUR	EUR
5 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
The Company has contingent liabilities for rental agreements	22,747	15,757

There are no other security and contingent liabilities at 28 February 2019.

Notes to the Financial Statements

6 Related parties

	<u>Basis</u>
Controlling interest	
Red Hat, Inc.	Majority shareholder
Eric Ryan Shander	Member of the board of director
Michael Martin O'Neill	Member of the board of director
Thomas Ian Savage	Member of the board of director

Consolidated Financial Statements

The company is included in the consolidated financial statements of Red Hat, Inc. for the smallest and largest Group.

<u>Name</u>	<u>Place of registered office</u>
Red Hat, Inc.	North Carolina

The Group Annual Report of Red Hat, Inc. may be obtained at the following address:

100 East Davie Street Raleigh, North Carolina 27601, USA

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Red Hat ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Company has fulfilled its obligations in order to file the Annual Report in english. The accounting policies applied remain unchanged from last year.

In order to comply with the Danish Financial Statements Act § 23 amendments have been made to the comparative figures in the Balance Sheet. The amendments have no effect on the Company' income statement, equity or financial position.

The Financial Statements for 2018/19 are presented in EUR.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

7 Accounting Policies (continued)

Translation policies

Euro is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

The Company earns revenue under sales, marketing and support service agreements with Red Hat Limited and other Red Hat Group entities. Revenue earned under these service agreements is recognised as the services are rendered.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as the Company's administration, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, price adjustment of securities as well as extra payments and repayment under the onaccount taxation scheme.

Notes to the Financial Statements

7 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3	years
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Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposit securities and long-term prepayments.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and commissions to employees.

Notes to the Financial Statements

7 Accounting Policies (continued)

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Other liabilities

Other liabilities are measured at amortised cost, which for short-term non-interest-bearing liabilities corresponds to the nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.