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# ***Red Hat ApS***

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

## **Annual Report for 1 March 2019 - 31 December 2019**

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CVR No 33 78 54 45

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company  
on June 22,  
2020

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 2019 - 31 December 2019.

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

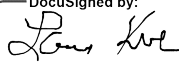
In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for the period 1 March 2019 - 31 December 2019.

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, June 22, 2020

### Executive Board

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**Laurie Krebs**  
Executive Officer

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**Michael Martin O'Neill**  
Executive Officer

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**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 2019 - 31 December 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 31 December 2019 and of the results of the Company operations for the financial year 1 March 2019 - 31 December 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

## The Independent Practitioner's Report

specifically 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, June 22, 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Carsten Nielsen

State Authorised Public Accountant

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](mailto:jk@horten.dk)

Website: [www.redhat.com](http://www.redhat.com)

CVR No: 33 78 54 45

Financial period: 1 March - 31 December

Financial year: 9th financial year

Municipality of reg. office: Gentofte

### **Executive Board**

Laurie Krebs  
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**

On 9 July 2019, International Business Machines Corporation (IBM) completed its acquisition of Red Hat, Inc and therefore IBM is the ultimate parent company. Due to the acquisition the year end of Red Hat ApS changed from 28 February to 31 December.

The income statement of the Company for 2019 shows a profit of EUR 261,570, and at 31 December 2019 the balance sheet of the Company shows equity of EUR 819,805.

### **Subsequent events**

As the new coronavirus, COVID-19, evolves, we continue to prioritize the health and well-being of both Red Hat associates and the communities where we live and work. Even if there are temporary changes in how Red Hatters engage with each other, our partners, our customers and our communities, we do not expect COVID-19 to impact the availability of Red Hat's products, services or support. Red Hat has a comprehensive business continuity plan down to the business functional level and we regularly test business resiliency across our core functions to enable us to serve our customers and partners.

### **Consolidated Financial Statements:**

Red Hat ApS's accounts are consolidated into the accounts of IBM, a U.S. company. A copy of the consolidated accounts can be obtained at 1 New Orchard Road, Armonk, New York 10504-1722, USA.

## Income Statement 1 March - 31 December

	Note	01/03/2019 - 31/12/2019	01/03/2018 - 28/02/2019
		EUR	EUR
<b>Revenue</b>		<b>5,046,905</b>	<b>3,362,296</b>
Other external expenses		-648,301	-381,944
<b>Gross profit/loss</b>		<b>4,398,604</b>	<b>2,980,352</b>
Staff expenses	2	-4,045,430	-2,889,811
Depreciation		-10,865	-8,029
<b>Profit/loss before financial income and expenses</b>		<b>342,309</b>	<b>82,512</b>
Financial income		5,861	5,598
<b>Profit/loss before tax</b>		<b>348,170</b>	<b>88,110</b>
Tax on profit/loss for the reporting period	3	-86,600	-21,579
<b>Net profit/loss for the reporting period</b>		<b>261,570</b>	<b>66,531</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	261,570	66,531
	<b>261,570</b>	<b>66,531</b>



## Balance Sheet 31 December

### Assets

	Note	31/12/2019	28/02/2019
		EUR	EUR
Other fixtures and fittings, tools and equipment		24,825	16,436
<b>Property, plant and equipment</b>	<b>4</b>	<b>24,825</b>	<b>16,436</b>
Deposits		8,190	8,202
Prepayments		93,946	121,517
<b>Fixed asset investments</b>		<b>102,136</b>	<b>129,719</b>
<b>Fixed assets</b>		<b>126,961</b>	<b>146,155</b>
Receivables from group enterprises		66,907	418,118
Other receivables		22,000	16,708
Deferred tax asset		2,667	1,741
Prepayments		148,295	469,424
<b>Receivables</b>		<b>239,869</b>	<b>905,991</b>
<b>Cash at bank and in hand</b>		<b>1,586,862</b>	<b>118,739</b>
<b>Currents assets</b>		<b>1,826,731</b>	<b>1,024,730</b>
<b>Assets</b>		<b>1,953,692</b>	<b>1,170,885</b>

## Balance Sheet 31 December

### Liabilities and equity

	Note	31/12/2019	28/02/2019
		EUR	EUR
Share capital		10,728	10,728
Retained earnings		809,077	547,507
<b>Equity</b>	<b>5</b>	<b>819,805</b>	<b>558,235</b>
Other payables		163,820	0
<b>Long-term debt</b>		<b>163,820</b>	<b>0</b>
Trade payables		30,677	16,756
Payables to group enterprises		155,212	6,149
Corporation tax		62,236	13,945
Other payables		721,942	575,800
<b>Short-term debt</b>		<b>970,067</b>	<b>612,650</b>
<b>Debt</b>		<b>1,133,887</b>	<b>612,650</b>
<b>Liabilities and equity</b>		<b>1,953,692</b>	<b>1,170,885</b>
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## Notes to the Financial Statements

### 1 Subsequent events

As the new coronavirus, COVID-19, evolves, we continue to prioritize the health and well-being of both Red Hat associates and the communities where we live and work. Even if there are temporary changes in how Red Hatters engage with each other, our partners, our customers and our communities, we do not expect COVID-19 to impact the availability of Red Hat's products, services or support. Red Hat has a comprehensive business continuity plan down to the business functional level and we regularly test business resiliency across our core functions to enable us to serve our customers and partners.

	01/03/2019 - 31/12/2019	01/03/2018 - 28/02/2019
	EUR	EUR
<b>2 Staff expenses</b>		
Wages and salaries	3,667,418	2,556,310
Pensions	164,538	148,300
Other social security expenses	25,191	23,141
Other staff expenses	188,284	162,061
	<b>4,045,430</b>	<b>2,889,811</b>
<b>Average number of employees</b>	<b>22</b>	<b>21</b>

### 3 Tax on profit/loss for the year

Current tax for the reporting period	87,526	21,560
Deferred tax for the reporting period	(926)	19
	<b>86,600</b>	<b>21,579</b>

### 4 Property, plant and equipment

	<u>Other fixtures and fittings, tools and equipment</u>
	EUR
Cost at 1 March	49,285
Additions for the reporting period	19,254
Cost at 31 December	<b>68,539</b>
Impairment losses and depreciation at 1 March	32,849
Depreciation for the reporting period	10,865
Impairment losses and depreciation at 31 December	<b>43,714</b>
<b>Carrying amount at 31 December</b>	<b>24,825</b>

## Notes to the Financial Statements

### 5 Equity

	Share capital	Retained earnings	Total
	EUR	EUR	EUR
Equity at 1 March	10,728	547,507	558,235
Net profit/loss for the reporting period	-	261,570	261,570
<b>Equity at 31 December</b>	<b>10,728</b>	<b>809,077</b>	<b>819,805</b>

The share capital consists of 10 shares of a nominal value of EUR 1,000. No shares carry any special rights.

	31/12/2019	28/02/2019
	EUR	EUR

### 6 Contingent assets, liabilities and other financial obligations

#### Rental and lease obligations

The Company has contingent liabilities for rental agreements	321,440	22,747
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There are no other security and contingent liabilities at 31 December 2019.

# Notes to the Financial Statements

## 7 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
International Business Machines Corporation (IBM)	Majority shareholder
Laurie Krebs	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 IBM for the smallest and largest Group.

<u>Name</u>	<u>Place of registered office</u>
International Business Machines Corporation (IBM)	New York

The Group Annual Report of IBM may be obtained at the following address:

1 New Orchard Road, Armonk, New York 10504-1722, USA

# Notes to the Financial Statements

## 8 Accounting Policies

The Annual Report of Red Hat ApS for 1st March 2019 -31st December 2019 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.

The Financial Statements for 1st March 2019 -31st December 2019 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**

### **8 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

### 8 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.



## Notes to the Financial Statements

### 8 Accounting Policies (continued)

#### Prepayments

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

#### 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.

#### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

#### Deferred income

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