

IBM Client Innovation Center Danmark ApS

Annual Report for 2023

Njalsgade 76, 3.,DK-2300 København S.

CVR No: 38 07 37 29

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
Company on
23.05.2024

Anders Linde Reislev
Conductor

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement on the Annual Report	3
Independent Auditor's Report	4
Management's Review	
Company Information	6
Financial highlights	7
Management's Review	8
Financial Statements	
Income Statement 1 January – 31 December	9
Balance Sheet 31 December	10
Statement of changes in the equity	12
Notes to the Annual Report	13
Notes, Accounting Policies	16

Management's Statement on the Annual Report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of IBM Client Innovation Center Danmark ApS for the financial period 1 January – 31 December 2023.

The Annual Report was 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 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the affairs described.

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

Copenhagen, 23.05.2024

Executive Board

Signe Birgitte Schmid

Board of Directors

Jesper Braum Nielsen
Chairman

Thomas Kovsted

Frank Bøje Andersen

Michael Jepsen

Independent Auditor's Report

To the shareholder of IBM Client Innovation Center Danmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of IBM Client Innovation Center Danmark ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

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 audit 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 audit, 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 Financial 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.

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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Hellerup, 23.05.2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Brian Christiansen
State Authorised Public Accountant
mne23371

Leif Ulbæk Jensen
State authorised Public Accountant
mne23327

Company Information

The Company

IBM Client Innovation Center Danmark ApS
Njalsgade 76, 3.
DK-2300 København S.

Telephone: +45 45 24 00 00

CVR No: 38 07 37 29

Financial period: 1 January – 31 December

Municipality of reg office: Copenhagen

Executive Board

Signe Birgitte Schmid

Board of Directors

Jesper Braum Nielsen

Thomas Kovsted

Frank Bøje Andersen

Michael Jepsen

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

Financial highlights

2023 2022 2021 2020 2019

Key figures

in DKK '000

Income statement

Revenue	94,280	105,526	98,494	97,543	79,678
Profit before depreciation and amortization (EBITDA)	3,959	3,488	3,897	5,447	3,743
Profit before financial items	3,959	3,488	3,844	5,190	3,389
Net financial item	347	87	54	-84	-52
Profit before tax	4,306	3,575	3,898	5,106	3,337
Profit for the year	3,354	2,837	3,043	3,979	2,582

Balance

Investments in tangible fixed assets	0	0	0	0	189
Total balance	23,021	22,529	18,573	26,665	15,302
Equity	17,808	14,454	11,617	8,574	4,595

Financial ratios

EBITDA margin	4.2%	3.3%	4.0%	5.6%	4.7%
Operating margin	4.6%	3.4%	4.0%	5.2%	4.2%
Return on assets	18.7%	15.9%	21.0%	19.1%	21.8%
Solvency ratio	77.4%	64.2%	62.5%	32.2%	30.0%
Return on equity	20.8%	21.8%	30.1%	60.4%	78.1%

The financial ratios have been calculated as:

EBITDA margin: $\frac{\text{Profit before depreciation and amortization (EBITDA)}}{\text{Revenue}} \times 100$

Operation margin: $\frac{\text{Profit before tax}}{\text{Revenue}} \times 100$

Return on assets: $\frac{\text{Profit before tax}}{\text{Total Balance}} \times 100$

Solvency ratio: $\frac{\text{Equity}}{\text{Total Balance}} \times 100$

Return on equity: $\frac{\text{Profit for the year}}{\text{Average equity}} \times 100$

Management's Review

The Annual Report of IBM Client Innovation Center Danmark ApS for the period 1 January – 31 December 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C middle size companies.

Key activities

The establishment of IBM Client Innovation Center Danmark ApS was based on the strategic intent to build out the IBM skill base within next generation data and tech services and to do so in a separate legal entity. The Company's principal activity is to provide consulting services – from advice thru technology execution – according to the board of directors. The company is focusing on consultant skills and technology expertise within ai, data & analytics, cloud application development, test & automation, business analysis, project management, UX, design and agile ways of working.

Profit & Loss for the year

For the year 2023 the profit before tax became 4,306 tDKK (2022 3,575 tDKK). The profit for period after tax amounts to 3,354 tDKK (2022 2,837 tDKK), which is satisfactory and meets expectations for the period.

Expectations for the coming year

Despite continued concern about the global economy, the management anticipate continued growth and a positive outcome for 2024. We are confident in our ability to thrive in these uncertain times, as our expertise lies within technological high-growth areas, including our focus and delivery within generative ai and energy transition platforms and sustainability in general, both for IBM's clients as well as alliance partners. Our success depends on the skills and dedication of our team members, and we will continue to invest in their professional development, providing opportunities for training and growth. Finally, we recognize that the business landscape is constantly evolving, and we must be prepared to adapt to changing circumstances. We will stay agile, monitoring the market and adjusting our strategy and skills as needed. Our expectations for 2024 are in line with IBM Danmark and IBM Corporate. We expect revenue growth between 4% and 6%, and a corresponding improvement in the annual result compared to 2023.

Special risks

Management do not consider the company to be exposed to special risks for the coming year. The company apply strict governance of financial risk in contracting – including inflation / currency / interest rates.

Sustainability & Corporate Social Responsibility

The company follows IBM Corporate's commitment to protecting the environment and continue to drive reductions in the environmental impacts and apply IBM's leading technology innovations and expertise to address global environmental challenges. The company is furthermore governed by IBM Corporates CSR policies and guidelines. For an overview of sustainability, CSR and Corporate Responsibility policies, standards, and principles refer to the latest updated report at any given time which can be found on the global website: <https://www.ibm.org/responsibility/reports-and-policies>

Knowledge Resources

IBM Client Innovation Center provide consulting services and our employees, and their skills and knowledge, are vital for the business. Hence attracting, recruiting, developing, and engaging employees is of the highest importance, and a variety of initiatives are driven to promote an inclusive culture, continuous skills and career development and thereby accelerate engagement and innovation.

Income Statement 1 January - 31 December

	Note	2023	2022
		DKK '000	DKK '000
Revenue	1	94,280	105,526
Operating expenses		-18,409	-19,485
Gross profit		75,871	86,041
Staff expenses	2	-71,832	-82,611
Other operating expenses		-176	-51
Other operating income		96	109
Earnings before interest, tax, depreciation and amortisation (EBITDA)		3,959	3,488
Profit before financial income and expenses		3,959	3,488
Financial income	3	579	275
Financial expenses	4	-232	-188
Profit before tax		4,306	3,575
Tax on profit for the period	5	-952	-738
Net profit for the period		3,354	2,837
Distribution of profit			
Proposed distribution of profit			
Retained earnings		3,354	2,837
		3,354	2,837

Balance Sheet at 31 December

Assets	Note	2023	2022
		DKK '000	DKK '000
Deposits	6	509	509
Total fixed asset investments	6	509	509
Deferred tax asset	5	89	118
Total non-current assets		598	627
Receivables from group related companies		21,526	20,572
Other receivables		770	1,279
Total receivables		22,296	21,851
Cash at bank and in hand		127	51
Current assets		22,423	21,902
Assets		23,021	22,529

Balance Sheet at 31 December

Liabilities and Equity	Note	2023	2022
		DKK '000	DKK '000
Share capital		50	50
Retained earnings		17,758	14,404
Equity		17,808	14,454
Payables to group related companies		2,377	4,992
Other payables		2,025	2,336
Trade payable		811	747
Short-term debt		5,213	8,075
Debt		5,213	8,075
Liabilities and equity		23,021	22,529
Contingent liabilities and other financial obligations	7		
Related parties and ownership	8		
Significant subsequent events	9		

Statement of changes in equity

1.000 kr

	Share- capital	Retained earnings	Total
Equity at 1 January 2022	50	11,567	11,617
Profit for the year	0	2,837	2,837
Equity at 31 December 2022	50	14,404	14,454
Equity at 1 January 2023	50	14,404	14,454
Profit for the year	0	3,354	3,354
Equity at 31 December 2023	50	17,758	17,808

Notes to the Annual report

Note	2023	2022
	DKK '000	DKK '000
1 Segment information		
Commission income	94,280	105,526
	94,280	105,526
2 Staff expenses		
Payroll	67,424	77,835
Pensions	4,151	4,476
Other social security expenses	257	300
	71,832	82,611
Average number of employees	112	132
3 Financial income		
Interest income, group related companies	507	64
Foreign exchange gains	72	211
	579	275
4 Financial expense		
Interest expense, group related companies	0	18
Other financial expense	23	8
Foreign exchange loss	209	162
	232	188

Notes to the Annual report

Note	2023	2022
	DKK '000	DKK '000
5 Tax on profit for the period - Deferred tax		
Current tax for the period	923	788
Deferred tax for the period	29	-39
Adjustment of tax, previous periods	0	-11
	952	738
which breaks down as follows:		
Tax on profit for the period	952	738
	952	738
Deferred tax at 1 January 2023	118	79
Deferred tax for the period	-29	39
	89	118
Deferred tax at 31 December 2023		
6 Fixed asset		
	IT equipment	Deposit
Cost at 1 January 2023	512	509
Disposals for the year	-470	0
Cost at 31 December 2023	42	509
Depreciation at 1 January 2023	512	0
Disposals for the year	-470	0
Depreciation at 31 December 2023	42	0
Value at 31 December 2023	0	509

Notes to the Annual report

Note	2023	2022
	DKK '000	DKK '000
7	Contingent liabilities and other financial obligations	
Lease	614	597
	614	597

The Group's Danish enterprises are jointly and severally liable for tax on the jointly taxed income etc of the Group. The total accrued corporation tax is disclosed in the annual report of IBM Danmark ApS, which is the management company under the joint taxation. Moreover, the group enterprises are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

8 Related parties and ownership

Controlling interest

IBM World Trade Investments B.V. holds 100% of the shares of IBM Client Innovation Center Danmark ApS.

Place of registered office:
Johan Huizingalaan 765, 1066 VH, Amsterdam, Netherlands

The ultimate parent company that prepares consolidated financial statements in which the company is a subsidiary is International Business Machines Corporation

Place of registered office:
New Orchard Road, Armonk, New York 10504, United States of America

Related parties

Transactions with related parties are considered to have been completed on normal market terms.

Other related parties:

Other related parties with significant influence include the company's board of directors, executive Board and senior executives as well as their family members.

Transactions with related parties:

Apart from normal management remuneration, in 2023 there have been no transactions with the Board of Directors, the Executive Board or senior executives.

9 Significant subsequent events

No events have occurred after the balance sheet date which materially affect the assessment of the Company's financial position.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of IBM Client Innovation Center Danmark ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C middle size companies.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK thousands.

Recognition and measurement

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.

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.

Presentation currency

The Company uses Danish kroner as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

Notes, Accounting Policies

Income statement

Revenue

Revenue from Services is recognized as execution of the service to which the contract relates when using the production method, whereby the net sales correspond to the sales value of the service rendered during the year. The method is used when total income and cost of service and completion at the balance sheet date can be reliably calculated and it is likely that the economic benefits, including payments, will accrue to the company. As completion, applied costs are used in relation to the expected total cost of service.

Net sales are recognized exclusive of VAT and less discounts in connection with the sale.

Other external expenses

Other external expenses comprise expenses for premises, travel as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries, including holiday pay and pensions as well as other social security expenses, etc. to the Company's employees.

Depreciation, amortisation and impairment losses

Depreciation, amortisation, and impairment losses comprises depreciation, amortisation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest as well as realised and unrealised exchange adjustments and are recognised in the income statement at the amounts relating to the financial year.

Tax on profit for the period

Tax for the period consists of current tax for the period and deferred tax for the period. The tax attributable to the profit for the period is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax recognised in the income statement is classified as tax on ordinary activities and other taxes, respectively.

The Company is jointly taxed with Danish group enterprises. The current corporation tax is allocated to the jointly taxed enterprises in proportion to their taxable incomes.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost with the addition of revaluations and less accumulated depreciation and 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.

Notes, Accounting Policies

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

IT equipment	3-5 Years
--------------	-----------

The depreciation period and residual value of the Company's property, plant and equipment is subjected to an annual reassessment.

Fixed asset investments

Fixed asset investments consist of deposits in relation to office rental, and is booked at cost or the recoverable amount, whichever ever may be lowest.

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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Receivables

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation, and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax on temporary differences concerning non-taxable amortisable goodwill as well as other items is not recognised where, unless arising from acquisitions, they have arisen at the date of acquisition without affecting the profit for the period or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes, Accounting Policies

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as tax calculated on the taxable income for the period, adjusted for tax on the taxable income of previous periods and for taxes paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in financial income and expenses in the income statement.

Financial debts

Debt such as loans from group related companies, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently the loans are measured at the amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of IBM Corporation, USA, the Company has not prepared a cash flow statement.

The company is a part of the consolidated statement of:

International Business Machines Corporation, New Orchard Road, Armonk, New York 10504, United States of America.