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Vertiv Integrated Systems GmbH (formerly: Knürr GmbH), Arnstorf

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Vertiv Integrated Systems GmbH (formerly: Knürr GmbH)

**Arnstorf**

Annual financial statements for the business year from 01/01/2018 to 12/31/2018

Management report for the 2018 financial year

### A. Basics of society

Knürr GmbH was renamed Vertiv Integrated Systems GmbH by resolution of March 15, 2018.

Vertiv Integrated Systems GmbH (Vertiv Integrated), Arnstorf, develops and sells products and solutions made from mechanical, electrotechnical and thermal components.

The main product groups include:

- Modular cabinet and housing systems
- Subracks and bus systems
- Air conditioning
- Power supplies
- Consoles and technical workstations
- Mobile workstations

### **Business model of Vertiv Integrated and its affiliated companies in the Vertiv EMEA business area in Europe, the Middle East and Africa - EMEA**

Vertiv Integrated develops and manufactures its products at the Arnstorf site. In addition, Vertiv Integrated has its products manufactured by Knürr sro, Volyne / Czech Republic.

The distribution of all business areas was standardized in Europe. Since July 1, 2013, Vertiv Integrated has basically only generated sales with sales companies and third-party sales with customers in the MENA (Middle East and North Africa), CSE (Central and Southern Europe) and SSA (Sub-Saharan and Africa) regions, in which the Deliveries to customers are not made via the local companies. For the business with

industrial furniture and mobile equipment racks (business area of the former Knürr Technical Furniture GmbH), third-party sales are still made with customers.

## Research and Development

Vertiv Integrated is constantly developing new products in association with other Vertiv group companies. For this purpose, it mainly uses internal and in-house resources, making use of suppliers and occasionally external service providers in the design area. 19 employees (previous year: 15 employees) are employed in research and development. The costs for this area amounted to approx. EUR 2.6 million in the financial year (approx. EUR 0.6 million in the short financial year and approx. EUR 2.5 million for 12 months in the 2016/2017 financial year).

## Subsidiaries

Vertiv Integrated holds the following major investments:

- Vertiv Infrastructure AG, Fällanden / Switzerland
- Vertiv sro, Volyne / Czech Republic
- Vertiv GmbH, Munich
- Knürr GmbH & Co. Grundbesitz OHG, Arnstorf
- Knürr-Lommatec mechanics for the electronics participation and administration GmbH, Munich

## Group

The company is included in the consolidated financial statements of the Vertiv Group Corporation, Columbus / Ohio (smallest group of consolidated companies). The company is also included in the consolidated financial statements of Vertiv Holdings LLC, Columbus / Ohio, (ultimate parent company).

## B. Economic report

### 1. General economic conditions

According to the February 2019 monthly report of the Deutsche Bundesbank, the overall economic development in Germany in the 2018 calendar year was as follows:

Global economic growth in the final quarter of 2018 is unlikely to match the pace of the first half of the year. This applies to the advanced economies as well as to the emerging markets - albeit with quite marked differences between individual countries. While the previously strong macroeconomic expansion in the USA probably only weakened slightly in autumn, the real gross domestic product (GDP) in the euro area rose again only moderately. In China, the gradual slowdown in growth continued. Overall, after a phase of increased growth from the end of 2016 to mid-2018, the global economy now appears to be following a more moderate expansion path again.

Against the background of this economic slowdown, the International Monetary Fund (IMF) downgraded its global growth forecast somewhat in the January update of the World Economic Outlook. He now assessed the short-term outlook for the euro area to be less favorable than in October. Due to the significantly lower oil price, he also slightly downgraded the growth forecasts for crude oil exporting countries. In contrast, the outlook for most of the other economies would not have changed significantly. Overall, the IMF therefore expects the global economy to expand only slightly more slowly in the current and coming year than in 2018. However, he sees downside risks for this outlook. In addition, the continued clouding of global sentiment and leading indicators suggests that his latest projection could overestimate global economic momentum.

Possible downside risks for the global economy were also at the center of developments on the international financial markets. As a result, the markets increasingly assumed it. that monetary policy in the major currency areas will now be looser than previously expected. This was especially true for the USA, where further rate hikes by the Federal Reserve are hardly accepted. For the euro area - after the suspension of net purchases as part of the expanded asset purchase program (APP) at the end of 2018 - expectations for an initial interest rate hike shifted further into the future. In addition, the financial analysts lowered their expectations of future corporate profits on both sides of the Atlantic more than the growth prospects. On the stock markets, which react particularly sensitively to changes in expectations and changed risk assessments, significant price losses have been recorded on balance since the end of September, although prices recovered slightly in the new year. On the other hand, as is often the case in phases of heightened uncertainty, the demand for safe government bonds increased and the yields on these securities fell as a result worldwide. Events on the foreign exchange markets were remarkably little influenced by the developments described. The exchange rate volatility between the major currencies remained relatively low. The exchange rate of the euro against the US dollar, for example, has largely moved within a comparatively narrow range since mid-October 2018. Overall, the weighted average of the euro fell slightly on balance against the currencies of 19 important trading partners compared to the end of September 2018. At its December meeting, the Governing Council decided, as expected, to end the net purchases under the APP after December 2018. At the same time, the Governing Council expanded its guidance on the future development of reinvestments (Forward Guidance): According to the new wording, the Council intends to increase the redemption amounts of the securities acquired under the APP for a longer period of time beyond the point in time at which it commenced the increase the key interest rate begins, and in any case for as long as necessary when due in full again in order to maintain favorable liquidity conditions and extensive monetary policy accommodation.

The broad monetary aggregate M3 in the euro area continued to grow robustly in the fourth quarter of 2018, although the Eurosystem further reduced the volume of its monthly net asset purchases. On the part of the counterparts, the main drivers of the monetary dynamic were once again the loans to the domestic private sector. Its credit demand was supported by the continued favorable financing conditions, the high level of capacity utilization and the good labor market situation in the euro area. However, since the economic momentum and the mood in the economy deteriorated noticeably, the inflows of book loans to non-financial companies did not accelerate further in 2018. In contrast, the upward trend in growth in household loans continued into the quarter under review. The bank managers surveyed in the Bank Lending Survey stated that, on balance, they had hardly changed their supply policy in the lending business with the private sector in the fourth quarter of 2018.

The economy in Germany remained weak until the end of the year. According to the quick release of the Federal Statistical Office, real GDP in the last quarter of the year remained seasonally and calendar adjusted at the level of the previous quarter, in which it had decreased by 0.2%, mainly due to a special effect in the automotive industry. In a calendar-adjusted view, the corresponding previous year's level was exceeded by 0.6%. The fact that the economic momentum did not gain momentum after the setback in the summer was largely due to the ongoing weakness in industry. So the overcoming of the production losses in the motor vehicle industry, which was connected with the new EU-wide

emission measurement procedure, significantly longer than initially assumed. In addition, production was scaled back in other industrial sectors. But there was probably no additional impetus from the construction industry either, which is working close to capacity limits. In contrast, the service sector is likely to have supported economic output in the final quarter of the year. The degree of utilization of the overall economic capacities fell again; however, it is likely to continue to clearly exceed its longer-term mean. In contrast, the service sector is likely to have supported economic output in the final quarter of the year. The degree of utilization of the overall economic capacities fell again; however, it is likely to continue to clearly exceed its longer-term mean.

Goods exports were able to compensate for the decline from the previous quarter in autumn, but did not develop any additional momentum. In connection with the gloomy expectations of companies, this is likely to have weighed on commercial investments, which probably expanded slightly at best. Private consumption also remained without much momentum despite the solid increase in employment and the more rapidly increasing earnings; the sharp rise in prices, particularly for energy products, may have dampened consumer spending. In contrast, government consumer spending is likely to have increased noticeably again. Negative impulses probably came from inventory investments,

The basic economic trend will likely remain subdued even after the turn of the year. The declining order intake in the manufacturing sector outside of the motor vehicle industry signals that the industrial economy will hardly regain momentum during the winter months. According to surveys by the Ifo Institute and the German Chamber of Commerce and Industry (DIHK), the heavily gloomy business expectations in important economic sectors also point in this direction. This should inhibit the propensity to invest. This suggests that the basic economic pace should remain subdued, at least in the first half of the year. But there is also no evidence that the slowdown is turning into a downturn. On the one hand, some of the negative special factors from the summer of last year are dissolving; With regard to the automotive industry, for example, after the slump in the summer there are at least signs of a gradual normalization of vehicle production and exports. On the other hand, the continued very good labor market situation and the strong wage development suggest that private consumption will pick up again and, in contrast to the second half of 2018, will counterbalance the dampening influences. In addition, there is the supportive effect of fiscal measures that came into force in early 2019. With regard to the automotive industry, for example, after the slump in the summer there are at least signs of a gradual normalization of vehicle production and exports. On the other hand, the continued very good labor market situation and the strong wage development suggest that private consumption is picking up again and, in contrast to the second half of 2018, will counterbalance the dampening effects. In addition, there is the supportive effect of fiscal measures that came into force in early 2019. With regard to the automotive industry, for example, after the slump in the summer there are at least signs of a gradual normalization of vehicle production and exports. On the other hand, the continued very good labor market situation and the strong wage development suggest that private consumption is picking up again and, in contrast to the second half of 2018, will counterbalance the dampening effects. In addition, there is the supportive effect of fiscal measures that came into force in early 2019. that private consumption will pick up again and, in contrast to the second half of 2018, will counterbalance the dampening effects. In addition, there is the supportive effect of fiscal measures that came into force in early 2019. that private consumption will pick up again and, in contrast to the second half of 2018, will counterbalance the dampening effects. In addition, there is the supportive effect of fiscal measures that came into force in early 2019.

## 2. Industry-specific framework conditions

From the report of the Bitkom Charts Annual Press Conference Economy of February 14, 2018:

The demand for data center infrastructure within the ICT market in Germany continues to increase. The average growth in hardware investment is 3%. The drivers in this environment are essentially the operators of cloud data centers, who are significantly expanding their capacities at existing and new locations. The reason for this is the settlement of colocation providers from the United States. The background to this is Europe's exit from the "Save Harbor Agreement", which means that companies have to save their data in Europe or Germany. The share of the colocation data center space in the total area of the data centers will be 40% by 2020.

Another market driver is digitization. This area influences industry, authorities, but also the private sector. Above all, data is recorded locally, which in turn leads to increased investments, but also to new product developments in the area of edge computing. The digitization of public authorities' radio or the rail network are some examples of this. Significant growth in data volumes is expected over the next few years (IoT = Internet of Things). The platforms for this form fast data networks which have to process considerable data at the user interfaces. That is why the structure of the upcoming 5G network plays a significant role.

In addition to the large colocation data centers, in-house data centers also play an important role. The in-house operation of such data centers is particularly crucial for medium-sized companies. 93% of the IT managers consider self-management to be important. In Germany there are around 48,000 IT locations.

In summary, it can be said that the investment cycle and the resulting need for IT hardware for power, thermal management, racks and PDUs will continue to increase. This is likely to continue in 2019 and ensures stable growth in the industry for equipment manufacturers. Basically, nothing changed in the growth opportunities that are supported by the cloud business in the infrastructure area in the 2018 financial year.

The investment behavior of the large colocation providers continues unchecked. Existing and new data centers are continuously being expanded or newly built.

However, two aspects provide additional positive outlook:

### 1) New entries in the colocation market

A further boost in the expansion space was increasingly driven by new companies or providers from the USA in 2018. Completely new players appear here who are already established in the USA, but do not yet have a name in this country. These "New Entries" are now responsible for the additional investment boost. Typically, these investments are made in Frankfurt, Munich and partially Berlin.

### 2) Enterprise data centers are becoming colocalizers

In this case, it's about large retailers and telecom groups. They use their large data centers and the associated excess capacities to place offers in the cloud area. Here, too, significant investments have to be made in hardware and software, which have a positive impact on Vertiv's business.

In summary, it can be said that the investment volume will grow strongly. In addition, politicians are also creating the framework to accelerate these decisions.

This applies to the power supply from the utility companies but also to the rapid processing of building permits.

Another market aspect is Industry 4.0, i.e. the networking of factories with the associated process levels. But the introduction of the new 5G radio standard should also lead to further investments.

In all probability, however, these will only come into effect towards the end of 2019, when the radio licenses have been auctioned.

### 3. Course of business

When planning the budget for the 2018 financial year, Vertiv Integrated assumed sales revenues of EUR 56,905 thousand. The management assumed that it would achieve a negative operating result in the 2018 financial year.

In fact, sales of EUR 53,996 thousand were achieved in the 2018 financial year. The budget could just barely be reached, as the planned sales could not be realized and there were also some postponements of planned orders from customers.

Overall, the development of sales and total output compared to the previous year is as follows:

	2018		2017		2016/2017	
	KEUR	Share %	KEUR	Share %	KEUR	Share %
19 "products / outdoor	34,134	63.2	10,705	64.1	29,950	72.0
Industrial furniture / mobile equipment carriers	19,047	35.3	4,879	29.2	10,627	25.6
Others	633	1.2	245	1.5	287	0.7
Commissions	227	0.4	50	0.3	241	0.6
License revenue	335	0.6	841	5.0	632	1.5
	54,376	100.7	16,720	100.2	41,737	100.4
Sales deductions	-380	-0.7	-27	-0.2	-149	-0.4
Sales	53,996	100.0	16,693	100.0	41,588	100.0
Inventory change	-298		1,049		1,598	
Overall performance	53,698		17,742		43,186	
inland	22,996	42.6	6,598	39.5	16,821	40.4
foreign countries	31,000	57.4	10,095	60.5	24,767	59.6
Sales	53,996	100.0	16,693	100.0	41,588	100.0
					Change from 2018 to 2016/2017	
					KEUR	%
19 "products / outdoor					4,184	14.0
Industrial furniture / mobile equipment carriers					8,420	79.2
Others					346	120.6
Commissions					-14	-5.8
License revenue					-297	-47.0
					12,639	30.3
Sales deductions					-231	155.0
Sales					12,408	29.8
Inventory change					-1,896	
Overall performance					10,521	24.3
inland					6,175	36.7
foreign countries					6,233	25.2
Sales					12,408	29.8

In FY 2016/2017, the operating company Knürr Technical Furniture GmbH, Arnstorf, was merged with Vertiv Integrated during the year, which is why the sales of industrial furniture / mobile equipment carriers are only comparable to a limited extent.

Revenue developed as follows over the past five financial years:

	Sales		change	
	KEUR		KEUR	%
2014/2015	23,851		-2,188	-8.4
2015/2016	21,204		-2,647	-11.1
2016/2017	41,588		20,354	96.0
2017	16,693		-24,865	-59.8
2018	53,996		37,303	223.5

In the 2018 financial year, a loss (before profit transfer) of EUR 1,440 thousand (previous year: profit of EUR 315 thousand) was generated.

In summary, it can be said that the course in the 2018 financial year was not satisfactory. The economic situation of the company at the time the management report was drawn up can nevertheless be assessed as stable.

### 4. Earnings position

In the 2018 financial year, a negative result before profit transfer in the amount of EUR 1,440 thousand (previous year: EUR 315 thousand) was achieved. The increased personnel costs in the financial year made a major contribution to this.

The development of the earnings situation compared to the previous year is as follows:

	2018		2017		2016/2017	
	KEUR	%	KEUR	%	KEUR	%
Sales	53,996	100.6	16,693	94.1	41,588	96.3
Inventory change	-298	-0.6	1,049	5.9	1,598	3.7
Overall performance	53,698	100.0	17,742	100.0	43,186	100.0
Other company income	10,397	19.4	1,608	9.1	5,299	12.3

	2018		2017		2016/2017	
	KEUR	%	KEUR	%	KEUR	%
Operating performance	64,095	119.4	19,350	109.1	48,485	112.3
Cost of materials	-28,621	-53.3	-9,254	-52.2	-26,242	-60.8
Personnel expenses	-22,237	-41.4	-5,710	-32.2	-12,781	-29.6
Scheduled depreciation	-410	-0.8	-65	-0.4	-229	-0.5
Other operating expenses	-13,850	-25.8	-3,926	-22.1	-14,226	-32.9
Operating expenses	-65,118	-121.3	-18,955	-106.8	-53,478	-123.9
Operating profit	-1,023	-2.0	395	2.2	-4,993	-11.6
Investment result	0	0.0	0	0.0	2,573	6.0
Depreciation of financial assets	0	0.0	0	0.0	-26	-0.1
Interest income	-417	-0.7	-68	-0.4	-23	-0.1
Earnings before income taxes	-1,440	-2.7	327	1.8	-2,469	-5.7
Income taxes	0		-12		-6	
Result before result transfer	-1,440		315		-2,475	

## Change from 2018 to 2016/2017

	KEUR	%
Sales	12,408	29.8
Inventory change	-1,896	-118.6
Overall performance	10,521	24.3
Other company income	5,098	96.2
Operating performance	15,610	32.2
Cost of materials	-2,379	9.1
Personnel expenses	-9,456	74.0
Scheduled depreciation	-181	79.0
Other operating expenses	376	-2.6
Operating expenses	-11,640	21.8
Operating profit	3,970	-79.5
Investment result	-2,573	-100.0
Depreciation of financial assets	26th	-100.0
Interest income	-394	1,713.0
Earnings before income taxes	1,029	-41.7
Income taxes	6	
Result before result transfer	1,035	

The other operating income results mainly from internal offsets amounting to EUR 9,447 thousand (previous year: EUR 1,036 thousand and in FY 2016/2017: EUR 204 thousand) and a write-up in the area of financial assets amounting to EUR 581 thousand. because in the previous year the income received from intercompany was offset against the expenses passed on from intercompany. From this financial year onwards there will be no more offsetting.

The cost of materials ratio increased from 52.2% to 53.3%. The main reasons for this are:

- Shifts in the product mix,
- Internal acquisitions in the area of material costs

The personnel expense ratio increased from 32.2% to 41.4%. The increase is mainly due to the takeover of employees as part of the merger in previous years. The staff ratio in the short financial year was only 32.2%, because the fourth quarter is the quarter with the highest turnover of the financial year.

The average headcount developed as follows:

	2018	2017
Employees	223	202
Wage earners	102	105
	325	307
trainee	12th	12th
Marginally employed	26th	27
Number of employees as an annual average	363	346

The material and personnel cost ratio (material and personnel costs in relation to total output) developed as follows over the last three financial years:

	2018	2017	2016/2017
	%	%	%
Material cost ratio	53.3	52.2	60.8
Staff cost ratio	41.4	32.2	29.7
	94.7	84.4	90.5

The increase in intercompany offsets in other operating expenses is primarily due to the fact that in the previous year the income received from Intercompany was offset against the expenses charged on from Intercompany. From this financial year onwards there will be no more offsetting.

The interest expense increased due to the use of the cash pool.

In accordance with the profit and loss transfer agreement with Knürr-Holding GmbH, Arnstorf, the loss for the reporting year was taken over by the shareholder.

## 5. Financial position

As of the balance sheet date, total assets increased by EUR 2,038 thousand or 3.6% to EUR 59,064 thousand. The increase is mainly due to the increase in receivables from affiliated companies and the cash pool liabilities; in contrast, trade payables decreased.

	December 31, 2018		December 31, 2017		change
	KEUR	Share %	KEUR	Share %	KEUR
Tangible and other intangible assets	993	1.7	796	1.4	197
Financial assets	35,629	60.3	35,047	61.5	582
Capital assets	36,622	62.0	35,843	62.9	779
Stocks	4,048	6.9	4,075	7.1	-27
Requests from deliveries and services	5,020	8.5	5,669	9.9	-649
Receivables from affiliated companies	12,997	22.0	11,061	19.4	1,936
Other assets	132	0.2	231	0.4	-99
Liquid funds (including cash pool receivables)	2	0.0	3	0.0	-1
Current assets	22,199	37.6	21,039	36.8	1,160
Prepaid expenses	243	0.4	144	0.3	99
Total assets	59,064	100.0	57,026	100.0	2,038
Equity	40,215	68.1	40,215	70.5	0
Pension provisions	353	0.6	33	0.1	320
Other provisions	4,034	6.8	5,030	8.8	-996
accruals	4,387	7.4	5,063	8.9	-676
Payments received	118	0.2	0	0.0	118
Trade payables (including affiliated companies)	6,525	11.0	9,138	16.0	-2,613
Liabilities cash pool	6,757	11.5	2,388	4.2	4,369
Other liabilities	1,062	1.8	222	0.4	840
liabilities	14,462	24.5	11,748	20.6	2,714
Total capital	59,064	100.0	57,026	100.0	2,038

Investments in fixed assets during the financial year totaled EUR 492 thousand and are made up as follows:

	2018	2017
	KEUR	KEUR
Property, plant and equipment		
Intangible assets	2	0
Land and buildings	80	0
Technical equipment and machinery	159	0
Other equipment, factory and office equipment	251	29
Of which from amalgamation	0	7th
Payments on account and assets under construction	0	17th
	492	46
Of which from amalgamation	0	7th

Fixed assets increased by EUR 779 thousand (previous year: decrease by EUR 457 thousand) to EUR 36,662 thousand. The main reason for this is the write-up in the area of financial assets in the amount of EUR 581 thousand. The share of fixed assets in total assets decreased from 62.9% to 62.0%. The main reason for this change is the increased balance sheet total. In addition, adjustment postings were made in the area of fixed assets in order to correct the acquisition costs from the 2016/2017 financial year. The values are listed separately in the fixed asset schedule in the columns "Adjustments to system conversion".

Trade accounts receivable from third-party customers and affiliated companies increased by EUR 1,278 thousand to EUR 18,017 thousand at the end of the year due to the higher business volume.

Equity is unchanged from the previous year. The equity ratio fell from 70.5% in the previous year to 68.1%, as the balance sheet total increased somewhat.

The provisions decreased by a total of EUR 996 thousand, primarily due to the reduction in the provision for restructuring.

Trade payables, including affiliated companies, decreased by EUR 2,613 thousand or 28.6% due to the increase in the cash pool. In return, the liabilities from the cash pool increased by EUR 4,369 thousand.

Other liabilities increased by EUR 840 thousand, mainly in the tax liabilities area.

## 6. Financial position

The company is financed from equity, cash flow from operating activities and within the group within the framework of the existing cash pool agreements. In addition, a loan agreement for EUR 9,600 thousand was concluded with the affiliated company GREAT RIVER FINANCE DESIGNATED ACTIVITY COMPANY, Dublin, Ireland, in January 2019, which is due on January 1, 2023.

The company's liquid funds (including liabilities from the cash pool) amounted to EUR -6,755 thousand as of the balance sheet date (previous year: EUR -2,385 thousand). The negative cash pool is covered by the long-term loan from January 2019. The company is in a position to meet its payment obligations at all times through the connection to the European cash pool.

The cash flow from operating activities increased by EUR 632 thousand compared to the previous year.

The summarized cash flow statement is as follows:

	2018	2017	Change in
		kEUR	TEUR
Cash generated from operations	-3,462	-4,094	632
Cash flow from investing activities	-492	150	-642
Cash flow from financing activities	-416	-77	-339
Cash changes in cash funds	-4,370	-4,021	-349
Cash funds at the beginning of the period	-2,385	1,636	-4,021
Cash funds at the end of the period	-6,755	-2,385	-4,370

The financial resources are made up as follows:

	2018	2017
		kEUR
Cash on hand	2	3
Cash pool liabilities	-6,757	-2,388
	-6,755	-2,385

## C. Forecast, opportunities and risk report

### 1. Risk management

Vertiv Integrated faces a number of risks that are inextricably linked to doing business. Due to the close interlinking of the companies within the Vertiv Group, the statements are of fundamental importance for all companies belonging to this. This applies in particular to risks resulting from market developments, the positioning of products and services, from contractual and non-contractual liability and from commercial transactions. Our business policy is to make the best possible use of existing business opportunities. It is the task of our risk policy to carefully weigh up the associated risks.

The company is integrated into the risk management system of the Vertiv Group. The central components of the risk management system are the planning and controlling process, the internal group rules, reporting and the risk early warning system. The functionality of the internal control and monitoring system as well as compliance with the organizational security measures are continuously checked by the internal audit department. The findings from these audits are taken into account in the continuous process for improving the risk management system.

The risk management system includes the control and "delegation of authority" of all financial processes, pricing, contracts and human resources as well as project controlling. All employees of the company are integrated into the Vertiv risk management system.

With the internal control instruments installed, it is possible to identify developments threatening the continued existence of the company at an early stage so that suitable measures can be taken to ensure the continued existence of the company.

All employees of the company are involved in the Vertiv ethics program.

### 2. Opportunities

The following factors in particular give rise to opportunities for the future development of the company:

- Good demand for products, especially in the area of industrial furniture / mobile equipment carriers
- Growth in the core markets
- Further integration and process harmonization within the group companies in the Europe, Middle East and Africa region
- Continuous optimization of cost structures.

The management is convinced that the company is in a good starting position to maintain and further expand its market position.

### 3. Risks

In the following, the risks that could have a negative impact on the asset, financial and earnings position are presented. However, this is not necessarily a complete list of risks. Any risks that we are not yet aware of, or risks that are classified as insignificant, could have a negative impact on our business activities.

#### Risks from the product portfolio

Over its history, Vertiv Integrated has set itself apart from its competitors, particularly through technically sophisticated products. The customer was always ready to honor this technical advantage together with the high processing quality of the products. With this strategy, Vertiv Integrated was able to establish itself sustainably, especially on the German and Swiss markets.

With the increasing internationalization of sales activities in markets with other competitors and, in some cases, significantly lower purchasing power than in the core markets, the demands on Vertiv Integrated products are expanding in terms of price segment and complexity.

The Vertiv Integrated reacts to this with additional products as well as alternative manufacturing and assembly concepts in order to meet the requirements of the most diverse markets.

#### Procurement market risks

Since Vertiv Integrated deals almost exclusively with products that are manufactured in the Vertiv Group, there is no significant risk for the company on the procurement markets. Possible influences that result from fluctuating prices for raw materials, components and finished parts are appropriately addressed by the manufacturing companies and central purchasing.

In principle, the Vertiv Group has the option of accessing the Group's global suppliers as part of its increasing integration into the group. In addition to the cost advantages that can be achieved from this, there is a potential risk for Vertiv Integrated to lose direct influence on suppliers.

#### Economic performance risks

The international business activities make Vertiv Integrated dependent on both national and international economic developments. The risks in the sales markets essentially depend on general economic expectations and thus on the investment behavior of customers. Of particular

importance is the willingness of customers, especially large customers, to invest in projects. The Vertiv Group can react to short-term economic fluctuations at any time by flexibly adjusting capacities.

Sales activities within Europe, the Middle East and Africa were reorganized in 2013. The sales activities of the component suppliers so-called LOBs (Line of Business) were bundled in 14 sales companies so-called market units. In addition to Vertiv Integrated, which stands for the LOB "IT & Edge Infrastructure" with its main areas, the sales companies also include the product areas AC Power and Industrial (UPS systems), Thermal Management (room cooling systems), Monitoring (monitoring and control) and represent the service area.

Since sustainable technical competence and market knowledge is required for the individual LOBs in sales, the employees of the sales units have been organizationally assigned to the respective component providers so that they can continue to influence the sales strategy in the respective region.

With this uniform market presence, the Vertiv Group will continue to have access to new markets and new customers without losing the technical orientation of sales and thus a competent presence on the market.

### **Financial risks**

Risk of default - When goods are delivered and services are rendered, there is a natural risk of bad debts. In the past financial year, the del credere risk increased slightly compared to previous years.

Bad debt risks are subject to strict, proactive receivables management. The ongoing control of the payment behavior of our customers, the checking of their creditworthiness and, if necessary, an adjustment of the payment modalities are essential components for avoiding and reducing the risk of bad debts.

Liquidity risk - Vertiv Integrated and the other companies in the group are financed through the group and the associated cash pool. Vertiv Integrated does not need to have its own credit line to ensure liquidity. In addition, a loan agreement for EUR 9,600 thousand was concluded with the affiliated company GREAT RIVER FINANCE DESIGNATED ACTIVITY COMPANY, Dublin, Ireland, in January 2019, which is due on January 1, 2023.

Currency risk - Due to our international business, we are active in different currency areas. The Vertiv Group's currency risk is particularly significant for the US dollar and the Czech crown. The currency risks are systematically recorded, analyzed and controlled centrally by the Vertiv Group. The scope of the hedge is regularly evaluated and, if necessary, determined in coordination with the Group's central treasury department. No currency hedging was concluded in the 2018 financial year.

### **Contract risks**

By integrating the sales activities in the group, the direct customer relationship is subject to the so-called regions. This means that the Vertiv Integrated can no longer directly control customer relationships and advertise the products directly on site. The option of being able to continue to adapt products to the customer's wishes in direct dialogue with the customer is largely dependent on the sales companies and the central European sales management. The so-called OEM customers, whose support the Vertiv Group took over at the beginning of the reporting year, are an exception to this in order to be able to support projects that go beyond the EMEA region worldwide.

In order to ensure that this does not result in any order risks, the activities of the sales companies were integrated into the Vertiv reporting system. Training measures in the area of product training are carried out with the sales companies in order to expand the know-how of the sales staff. In addition, Vertiv centrally initiates marketing measures tailored to market requirements in the respective countries.

Furthermore, Vertiv will create market studies and market analyzes with additional staff and inform the sales companies about specific data center projects and developments in their markets and monitor the processing.

### **Legal risks from lawsuits and claims by third parties**

Legal risks can arise from lawsuits against Vertiv Integrated. In order to keep the risk as low as possible, all major contracts are checked in advance by our own legal advisors. If necessary, they are supported in legal disputes by external lawyers. We minimize claims for damages from product liability through high-quality products.

Should contractual partners raise claims against Vertiv Integrated from delivery and service contracts, these will be carefully examined and, if necessary, provisions will be set up if payment obligations in connection with these claims are considered probable.

### **Overall statement on the risk situation**

An overall consideration of the risks shows that Vertiv Integrated is essentially at risk from market risks. These include in particular economic developments as well as the dependence on the development of important customers.

Overall, the risks at Vertiv Integrated are limited and manageable and do not endanger the continued existence of the company. There are also no identifiable risks that could threaten the continued existence of the company in the future. In terms of organization, all the prerequisites have been created in order to gain early knowledge of emerging risk situations and to be able to take countermeasures promptly.

In summary, the management does not currently see any facts that could jeopardize the continued existence of the company or significantly impair its development.

## **4. Forecast for the 2018 financial year**

### **Overall Economic Development**

According to the latest projections by the International Monetary Fund (IMF), the global upswing will continue at an unchanged pace this year and next. Intermediate hopes for an increase in growth were thus disappointed. For some emerging markets in particular, the IMF staff revised its growth projections downwards sharply. He also took into account the possible consequences of the measures recently taken in the trade conflict between the USA and China. For this reason, the growth projections for 2019 were each reduced by 0.2 percentage points in both countries. According to our own NiGEM simulations, the negative effects could intensify and noticeably affect the global economy if the trade conflict were to escalate further. The IMF staff classifies this as an important downside risk for the global upswing in addition to a sudden tightening of global financing conditions.

### **Industry development**

According to the Bitkom press report on July 31, 2019:

The digital industry is defying the general trend and can also increase its sales significantly in 2019. The recession in German industry is currently not noticeable in information technology and telecommunications (ITC) companies, but the outlook for 2020 is somewhat more

cautious. These are the central results of the current analysis of market data and business surveys by the digital association Bitkom. According to Bitkom calculations, industry sales will increase by 2.0% to 170.3 billion euros in 2019. The already good expectations at the beginning of the year are even exceeded. Bitkom originally assumed a turnover of 168.5 billion euros for this year. The Bitkom-ifo digital index remained almost unchanged in July 2019 compared to the previous month at 24.2 points (-0.1). While the current business situation is declining (42.7 points, -3.3), business expectations rose (7.1 points, +2.5). In terms of employment, Bitkom expects an increase of 42,000 to 1.191 million jobs by the end of the year. In 2018, 51,000 additional jobs were created in the industry - more than since the year 2000. In terms of employment, Bitkom expects an increase of 42,000 to 1.191 million jobs by the end of the year. In 2018, 51,000 additional jobs were created in the industry - more than since the year 2000. In terms of employment, Bitkom expects an increase of 42,000 to 1.191 million jobs by the end of the year. In 2018, 51,000 additional jobs were created in the industry - more than since the year 2000.

"The increasing digitization of economy, state and society is driving growth in the Bitkom branch. The crisis in the export-oriented branches of industry has not yet affected IT and telecommunications companies," says Bitkom President Achim Berg - and appeals to companies and at the same time Administrations: "Especially when the economic situation deteriorates, companies have to review their processes and business models. They have to become more efficient and therefore more competitive and rely on the high-growth digital markets. Postponing the necessary investments in digitization now would be fatal. Now it has to mean: don't talk, but do. And digitize with all consistency and without ifs or buts."

### **The digital transformation of the economy is evident in information technology**

The growth of the Bitkom industry will continue to be largely determined by information technology. According to Bitkom forecast 2019, sales in this largest sub-market will increase by 3.2% to 93.6 billion euros. Software is growing most strongly with a plus of 6.3% to 26.0 billion euros.

The market for IT services, including project business and IT consulting, is also growing at an above-average rate with an increase of 2.4% to 40.9 billion euros. "IT services are in demand across all industries. Every company needs IT consulting and software solutions when it comes to offering new products and services and optimizing business processes," says Berg. In the IT hardware business, Bitkom expects sales to increase by 1.5% to EUR 26.7 billion.

### **Telecommunication is growing in all segments**

After difficult years, telecommunications has been back on a growth path since 2018 (+ 2.1%). An increase of 1.8% to 68.2 billion euros is expected in 2019. While sales of telecommunications devices, such as smartphones in particular, rose sharply by 9.7% to 12.5 billion euros, investments in telecommunications infrastructure grew by 1.9% to 7.1 billion euros. There are no changes in the telecommunications services business. It remains stable with total sales of 48.6 billion euros. Berg: "After the auction of the 5G frequencies is before the network expansion." The network operators will invest heavily in upgrading the mobile communications networks and making them more closely meshed. Mountain: "This is not an easy situation for network operators. You have spent more than 6.5 billion euros to purchase the new frequencies. Now they have to invest billions in expanding the networks." Contrary to what was initially announced, the federal government does not want to use the frequency revenues to expand broadband in sparsely populated regions. With the 6.5 billion euros, 32,000 new radio masts could have been built. All the more important From Berg's point of view, the federal and state governments should purify the framework conditions for network expansion so that companies are not hampered by bureaucratic hurdles. 32,000 new radio masts could have been built for 5 billion euros. From Berg's point of view, it is all the more important that the federal and state governments detoxify the framework conditions for network expansion in such a way that companies are not made difficult by bureaucratic hurdles. 32,000 new radio masts could have been built for 5 billion euros. From Berg's point of view, it is all the more important that the federal and state governments detoxify the framework conditions for network expansion in such a way that companies are not made difficult by bureaucratic hurdles.

### **Consumer electronics are in the red**

Consumer electronics sales continue to decline. In 2019 there is again a strong minus of 7.7 percent. Sales shrink to 8.6 billion euros. "The consumer electronics market is under great pressure. Although prices remain almost stable, fewer devices are being sold," says Berg.

### **2020 will also point to growth**

According to Bitkom calculations, growth in the overall ICT market will continue in the coming year. However, the forecast is somewhat weaker than for this year with an increase in sales of 1.6% to 173.1 billion euros. Berg: "At the moment everything in the Bitkom industry points to continued growth in sales and employment - despite general economic risks. The Bitkom industry is a stabilizer of the economy in a turbulent environment. It is the engine of further growth and ensures that companies of all other industries can maintain and increase their competitiveness." It is all the more important

### **Business development of Vertiv Integrated Systems GmbH**

For the 2019 financial year we expect sales of EUR 51,346 thousand. This is expected primarily in the core markets of Vertiv Integrated, in Germany and Switzerland. At the same time, it is assumed that the restructuring measures of the last two years and the merger of Knürr Electronics and Knürr Technical Furniture will lead to further increases in efficiency, with an impact on earnings. However, due to the restructuring expenses, a negative result of approx. EUR 5 million is expected again in the financial year. The negative result will be offset by the profit and loss transfer agreement with the shareholder.

The overriding goal is to keep the quality and the readiness to deliver at a high level and thus to meet the requirements of the customers in the long term. In addition, the product and know-how portfolio in the Vertiv Group is used to be able to offer customers integrated system solutions. The management also expects to benefit from the wide sales network.

The fact that all forward-looking statements are of a prognostic nature entails the possibility that the actual results may differ from the expectations of the probable development.

### **Overall statement on business development**

The management continues to expect to achieve a negative operating result in the 2019 financial year. For the following years, the company will benefit sustainably from the structural changes and thus generate a positive result again.

Arnstorf, October 11, 2019

Vertiv Integrated Systems GmbH  
Giordano Albertazzi

## Balance sheet as of December 31, 2018

**assets**

	EUR	EUR	December 31, 2017 TEUR
A. Fixed assets			
1. Intangible assets			
Commercial property rights and similar rights and values acquired against payment, as well as licenses to such rights and values	12,883.86		45
		12,883.86	45
II. Tangible assets			
1. Land, land rights and buildings, including buildings on third-party land	146,532.84		54
2. Technical systems and machines	414,526.27		358
3. Other equipment, factory and office equipment	406,339.44		322
4. Advance payments made and assets under construction	13,228.38		17th
		980,626.93	751
III. Financial assets			
1. Shares in affiliated companies	13,547,323.19		13,547
2. Loans to affiliated companies	20,700,000.00		20,700
3. Holdings	1,381,190.01		800
		35,628,513.20	35,047
		36,622,023.99	35,843
B. Current Assets			
I. Inventories			
1. Raw materials and supplies	1,615,336.11		1,429
2. Work in progress, work in progress	902,269.76		907
3. Finished products and merchandise	1,530,171.60		1,739
		4,047,777.47	4,075
II. Receivables and other assets			
1. Trade accounts receivable	5,020,604.24		5,669
2. Receivables from affiliated companies	12,996,513.42		11,061
3. Other assets	131,679.86		231
		18,148,797.52	16,961
III. Cash on hand		1,765.37	3
		22,198,340.36	21,039
C. Prepaid expenses		243,148.33	144
		59,063,512.68	57.026

**liabilities**

	EUR	EUR	December 31, 2017 TEUR
A. Equity			
I. Drawn capital		12,108,800.00	12,109
II. Capital reserve		11,906,474.08	11,906
III. Retained earnings			
Other retained earnings	2,645,296.90		
		2,645,296.90	2,645
IV. Profit carried forward		13,554,221.17	13,554
		40,214,792.15	40.214
B. Provisions			
1. Provisions for pensions and similar obligations	353,264.00		33
2. Other provisions	4,034,004.37		5,030
		4,387,268.37	5,063
C. Liabilities			
1. Advance payments received on orders	117,758.91		0
2. Trade accounts payable	3,887,540.48		3,395
3. Liabilities to affiliated companies	9,394,085.71		8,131
4. Other Liabilities	1,062,067.06		223
		14,461,452.16	11,749
		59,063,512.68	57.026

## Income statement for 2018

EUR	EUR	01.10.2017 -31.12.2017 thousand
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	EUR	EUR	01.10.2017 -31.12.2017 thousand
1. Sales	53,995,561.03		16,693
2. Increase or decrease in stocks of finished and unfinished products	-297,714.17		1,049
3. Other operating income	10,397,032.75		1,608
		64,094,879.61	19,350
4. Cost of materials			
a) Expenses for raw materials, consumables and supplies and for purchased goods	28,588,755.15		9,234
b) Expenses for purchased services	32,912.54		19th
5. Personnel expenses			
a) Wages and salaries	19,001,419.24		4,932
b) Social security and pension and support expenses of which for pensions EUR 32,349.44 (previous year: EUR 4 thousand)	3,235,835.88		778
6. Depreciation on intangible assets and property, plant and equipment	409,502.66		66
7. Other operating expenses	13,849,834.02		3,926
		65,118,259.49	18,955
8. Other Interest and Similar Income	0.00		9
9. Interest and Similar Expenses	416,718.87		77
		-416,718.87	-68
10. Taxes on income and earnings		0.00	12th
11. Profit after tax		-1,440,098.75	315
12. Results transferred on the basis of a profit and loss transfer agreement		1,440,098.75	-315
13. Net income		0.00	0

## Appendix for the 2018 financial year

### I. General

The present annual financial statements were prepared in accordance with §§ 242 ff and 264 ff. HGB and the relevant provisions of the GmbH Act. The rules for large corporations apply.

The balance sheet was structured in accordance with Section 266 of the German Commercial Code. The total cost method was selected for the income statement (Section 275 (2) HGB).

The previous financial year 2017 forms a short financial year from October 1 to December 31, 2017. Therefore, the previous year's values are not comparable, because the fourth quarter of the calendar year is generally the highest in sales and therefore it does not make sense to multiply the previous year's sales by a factor of four and use as To use comparison value. In addition, some smaller companies were merged with Vertiv Integrated Systems GmbH in the short fiscal year.

### II. Register information

The company is registered under the company Vertiv Integrated Systems GmbH with headquarters in Arnstorf in the commercial register of the Landshut District Court under the number HRB 8459.

### III. Accounting and valuation principles

The following accounting and valuation methods were essentially unchanged for the preparation of the annual financial statements:

Purchased intangible assets are valued at acquisition cost, less straight-line depreciation. The expected useful life is three to ten years.

Tangible fixed assets are valued at acquisition or production costs, reduced by scheduled straight-line depreciation, in accordance with the expected useful life of the assets. In addition to the individual costs, the production costs of self-constructed systems also include proportionate overheads and depreciation caused by production. The useful life for buildings is ten to 50 years, for other systems, technical systems and machines as well as operating and office equipment, three to 23 years. Low-value assets (with acquisition costs of up to EUR 800) are written off in full in the financial year upon acquisition; their immediate departure was assumed.

Shares in affiliated companies and participations are shown at acquisition cost or lower fair value. These are measured on the basis of the future equity providers.

The loans to affiliated companies are generally recognized at their nominal value.

Raw materials, consumables and supplies are valued at acquisition cost or at the lower replacement cost. Corresponding devaluations were made for risks from obsolescence and imperfection.

Work in progress and finished goods and services are valued at the directly attributable direct production costs as well as pro rata production and material overheads and depreciation. In all cases, the valuation was carried out without loss, ie deductions were made from the expected sales prices for costs still to be incurred and reasonable profit.

Merchandise is valued at acquisition cost or lower market price.

Inventory risks, which can result from overreach and reduced usability, are taken into account by means of appropriate discounts. The range discounts on the inventories are made according to the Vertiv group scheme. Inventories are divided into three categories based on various criteria. On the part of the group, the amount of the depreciation is only specified for the stocks in the "Obsolete" category. The following devaluation rates were used in the categories:

category	devaluation	criteria
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category	devaluation	criteria
Obsolete	95%	Storage time> twelve months and no consumption in the last 24 months
Slowmover	64% -66%	Consumption of the last 24 months <current storage value Storage duration <twelve months or inventory <2.5 x
Active		- consumption of the last 24 months and is not recognized as a slowmover

Apart from customary retention of title, the inventories are free of third party rights.

Receivables and other assets are shown at their nominal value. In the case of receivables, recognizable individual risks are taken into account through individual value adjustments, the general credit risk through a general value adjustment. The general valuation allowance is formed from the ratio between the average depreciation of receivables and net sales from the last three years and the current sales.

Die flüssigen Mittel entsprechen den Nominalwerten, die aktiven Rechnungsabgrenzungsbeträge den zeitanteilig vorgeleisteten Beträgen.

Die Bewertung der Rückstellungen für Pensionsverpflichtungen sowie für Jubiläen erfolgt nach versicherungsmathematischen Grundsätzen gemäß dem Anwartschaftsbarwertverfahren (Projected-Unit-Credit-Methode). Der Bewertung wurden folgende Parameter zugrunde gelegt:

	31.12.2018	31.12.2017
	%	%
Zinssatz	3,21	3,68
Rentendynamik	1,75	1,75

Biometrische Rechnungsgrundlagen "Richttafeln 2018 G"/Prof. Dr. Klaus Heubeck

The average market interest rate with a remaining term of 15 years in accordance with the Provision Discounting Ordinance of November 18, 2009 was used for discounting.

The evaluation of the anniversary obligations was based on the following parameters:

	31.12.2018	12/31/2017
	%	%
interest rate	2.32	2.80
Salary dynamics in general	2.75	2.75

Biometric calculation bases "Mortality tables 2018 G" / Prof. Dr. Klaus Heubeck

The other provisions take into account all uncertain liabilities and impending losses from pending transactions and are recognized in the amount of the settlement amount required according to a reasonable commercial assessment. Provisions with a remaining term of more than one year have been discounted.

Liabilities are shown at the settlement amounts.

Foreign currency receivables and liabilities are stated at the mean spot exchange rate on the balance sheet date. Foreign currency receivables with a remaining term of more than one year are valued at cost at most. The currency conversion shown includes both realized and unrealized exchange rate differences.

Deferred taxes are taken into account with the parent company on the basis of the profit and loss transfer agreement. They result predominantly from tax losses as well as deviating values in terms of commercial and tax law for pension provisions and other provisions.

#### IV. Notes on the balance sheet

##### Capital assets

The development of the individual items of fixed assets is shown in the schedule of fixed assets (attachment to the notes). In the financial year, corrections were made due to system adjustments that were incorrectly recorded in the financial statements as of September 30, 2017 due to the conversion of the ERP system.

The shareholdings according to § 285 No. 11 HGB as of December 31, 2018 are as follows:

	Share in capital	Equity	Result of
	%	TEUR	TEUR
inland			
Knürr GmbH & Co. Grundbesitz OHG, Arnstorf	100.0	3,526	5
Knürr-Lommatec mechanics for the electronics participation and administration GmbH, Munich	100.0	53	-1
Vertiv GmbH, Munich	100.0	2,474	-587
foreign countries			
Vertiv Infrastructure AG, Fällanden / Switzerland	100.0	-1,539	-1,143
Vertiv sro, Volyne / Czech Republic	100.0	5	32
Knurr Ltd., St. Ives / England, a 100% subsidiary of Vertiv Integrated Systems GmbH, was liquidated on June 2, 2018.			

The loans exist to the shareholder Knürr-Holding GmbH, Arnstorf.

For the participation in the company Chuo Electronics Co., Ltd., Japan, according to Section 253 V HGB, a write-up of EUR 581 thousand was made to the historical acquisition costs in 2018, which is reported in other operating income.

### Receivables and other assets

The receivables and other assets have a remaining term of less than one year.

The receivables from affiliated companies are made up as follows:

	December 31, 2018	December 31, 2017
	kEUR	TEUR
Requests from deliveries and services	8,030	8,270
Claims against shareholders	4,967	2,790
	12,997	11,060

### accruals

The other provisions are made up as follows:

	December 31, 2018	December 31, 2017
	kEUR	TEUR
Other staff entitlements	1,736	1,468
Restructuring	1,033	1,959
Legal and advisory expenses	950	526
Outstanding invoices, etc.	315	1,077
	4.034	5,030

### liabilities

All liabilities are due within one year.

The liabilities to affiliated companies are made up as follows:

	December 31, 2018	December 31, 2017
	kEUR	TEUR
Cash pool liabilities	6,757	2,388
Liabilities to shareholders	433	62
liabilities from goods and services	2,204	5,681
	9,394	8,131

The other liabilities are made up as follows:

	December 31, 2018	December 31, 2017
	kEUR	TEUR
Verbindlichkeiten aus Steuern	884	50
Verbindlichkeiten soziale Sicherheit	15	0
Verbindlichkeiten aus Löhnen und Gehältern	0	78
Sonstige Verbindlichkeiten	163	95
	1.062	223

## V. Erläuterungen zur Gewinn- und Verlustrechnung

### Umsatzerlöse nach geographisch bestimmten Märkten

	2018	2017
	TEUR	TEUR
Inland	22.996	6.598
Ausland	31.000	10.095
	53.996	16.693

### Umsatzerlöse nach Sparten:

	2018		2017		Veränderung	
	TEUR	Anteil %	TEUR	Anteil %	TEUR	%
19" Produkte / Outdoor	34.134	63,2	10.705	64,1	23.429	218,9
Industriemöbel / mobile Geräteträger	19.047	35,3	4.879	29,2	14.168	290,4
Sonstiges	633	1,2	245	1,5	388	158,4
Kommissionen	2018	0,4	2017	0,3	Veränderung	354,0
Lizenz Erlöse	335	0,6	841	5,0	-506	-60,2
	54.376	100%	16.720	100%	37.656	225,2
Erlösschmälerungen	-380	-0,7	-27	-0,2	-353	
Umsatzerlöse	53.996	100,0	16.693	100,0	37.303	223,5
Bestandsveränderung	-298		1.049		-1.347	
Gesamtleistung	53.698		17.742		35.956	202,7

### Sonstige betriebliche Erträge

	2018	2017
	TEUR	TEUR
Verschmelzungsgewinne	0	419

	2018	2017
	TEUR	TEUR
Zuschreibung Finanzanlagen	581	0
Außergewöhnliche Erträge	581	419
Verrechnungen Intercompany	9.447	1.036
Erträge aus der Währungsumrechnung	264	131
Laufende betriebliche Erträge	105	22
	10.397	1.608

The intercompany charges relate to the charging of services to the other companies in the group of companies. The increase is mainly due to the fact that in the previous year the income received from intercompany was offset against the expenses charged from intercompany. From this financial year onwards there will be no more offsetting.

#### Other operating expenses

	2018	2017
	kEUR	kEUR
Amalgamation loss	0	10
Loss from disposal of financial assets	0	179
Extraordinary expenses	0	189
Ongoing operating expenses	7,540	2,970
Intercompany billing	5,912	0
Losses from the disposal of fixed assets	159	0
Currency translation expenses	239	739
	13,850	3,926

The increase in intercompany offsets is primarily due to the fact that in the previous year the income received from Intercompany was offset against the expenses charged on from Intercompany. From this financial year onwards there will be no more offsetting.

#### Interest and similar expenses

	2018	2017
	kEUR	kEUR
Expenses of affiliated companies	409	77
Interest portion of pension provisions	7th	0
	416	77

#### Taxes on income and earnings

Income taxes relate to withholding tax expenses.

### VI. Other Information

#### Contingent Liabilities

Vertiv Integrated Systems GmbH issued advance payment guarantees of EUR 536 thousand to customers for advance payments received. The risk of a claim from these guarantees is assessed as low due to the good asset, financial and earnings position of Vertiv Integrated Systems GmbH.

#### Other financial obligations

	Total	up to one year	one to five years	Over five years
	KEUR	kEUR	kEUR	kEUR
Land and building rents (to affiliated companies)	82	82	0	0
Other rental and leasing obligations	906	346	560	0
	988	428	560	0

The rental and leasing contracts end between 2019 and 2023.

#### Employee

	2018	2017
Employees	223	202
Wage earners	102	105
	325	307
trainee	12th	12th
Marginally employed	26th	27
Number of employees as an annual average	289	289

#### Auditor's Fees

	2018	2017
	kEUR	kEUR
annual audit	147	35
	147	35

#### Profit and loss transfer agreement

A profit and loss transfer agreement has been in place with the controlling shareholder Knürr-Holding GmbH, Arnstorf, since October 1, 2012 (agreement of August 21, 2013).

### Managing directors

The following persons have been appointed as managing directors of the company:

- Mr. Reinhard Purzer, graduate industrial engineer, Ingolstadt (until January 31, 2019)
- Mr. Appal Chintapalli, businessman, Munich (until January 31, 2019)
- Anne Meyke, clerk, Munich (until January 31, 2019)
- Ms. Giovanna Moschetto, clerk, Rovigo / Italy (from January 31, 2019)
- Mr. Gerhard Buchbauer, businessman, Hofkirchen (from 04.06.2019)
- Mr. Alexander John Pope, businessman, Gauting (from 04.06.2019)
- Mr. Giordano Albertazzi, businessman, Florence / Italy (from 04.06.2019)

The total remuneration of the managing directors is not disclosed in accordance with Section 286 (4) HGB.

### Group

The company is included in the consolidated financial statements of the Vertiv Group Corporation, Columbus / Ohio (smallest group of consolidated companies). The company is also included in the consolidated financial statements of Vertiv Holdings LLC, Columbus / Ohio, (ultimate parent company).

Vertiv Integrated Systems GmbH was not obliged to prepare consolidated financial statements as of December 31, 2018, as "ORTRUD" Verwaltungsgesellschaft mbH, Arnstorf, in its capacity as German group management, published the consolidated financial statements and management report of Vertiv Group Corporation as of December 31, 2018 Reveals language with a liberating effect for society; this is published in the Federal Gazette and is available at the company's registered office. The consolidated financial statements of the Vertiv Group Corporation are prepared in accordance with US accounting regulations (US GAAP). By including the "ORTRUD"

The consolidated financial statements of the Vertiv Group Corporation are equivalent to consolidated financial statements to be prepared under German law and comply with Council Directive 83/349 / EEC of June 13, 1983.

Additional explanations according to the requirements of § 292 HGB:

The main accounting, valuation and classification regulations that differ from German accounting regulations are explained below.

### Fundamental differences

Accounting according to US GAAP differs from that according to German HGB in terms of its objectives. While US GAAP focuses on the provision of decision-relevant information for investors, HGB accounting is characterized by a stronger emphasis on the protection of creditors and the principle of prudence. Furthermore, companies listed on the US stock exchange are obliged to comply with the accounting and reporting requirements of the US Securities and Exchange Commission (SEC).

### Structure rules

Die Bilanzgliederung nach U.S. GAAP richtet sich bei den Vermögensgegenständen nach dem Grad ihrer Liquidierbarkeit, bei den Schulden nach der Restlaufzeit. Die Bilanzgliederung für deutsche handelsrechtliche Zwecke ist für Kapitalgesellschaften grundsätzlich in § 266 HGB definiert.

Die Gliederung orientiert sich hier an der geplanten Verweildauer von Vermögensgegenständen im Unternehmen bzw. an der Unterscheidung nach Finanzierungsquellen wie Schulden und Eigenkapital.

### Immaterielle Vermögensgegenstände

Nach U.S. GAAP werden gem. ASC 350, Intangibles - goodwill and other, Immaterielle Vermögensgegenstände mit begrenzter Nutzungsdauer über die voraussichtliche Nutzungsdauer auf den geschätzten Restbuchwert abgeschrieben. Geschäfts- und Firmenwerte und andere immaterielle Vermögensgegenstände mit unbegrenzter Nutzungsdauer werden nicht planmäßig abgeschrieben, sondern mindestens einmal jährlich auf eine Wertminderung überprüft und gegebenenfalls auf den niedrigeren Marktwert abgeschrieben. Unter HGB werden Geschäfts- und Firmenwerte und andere immaterielle Vermögensgegenstände aktiviert und über die geschätzte Nutzungsdauer abgeschrieben.

The capital consolidation for subsidiaries that are consolidated for the first time due to an acquisition is carried out using the acquisition method at the time the company became a subsidiary. The valuation of the shares belonging to the parent company is offset against the amount of the subsidiary's equity attributable to these shares. Equity is stated at the amount that corresponds to the fair value of the assets, debts and prepaid expenses to be included in the consolidated financial statements at the time of consolidation. According to the German Commercial Code (HGB), any difference remaining after the offsetting is made if it occurs on the assets shown as goodwill and, if it arises on the liabilities side, under the item "Difference from capital consolidation" after equity. Since the dates of first-time consolidation can be different for the German parent company and the US parent company, this could also result in different differences.

### Property, plant and equipment

According to US GAAP, property, plant and equipment was revalued at the time of acquisition by the Vertiv Group Corporation (December 1, 2016) and depreciated with this valuation with a limited useful life over the expected useful life to the estimated residual book value.

Property, plant and equipment were not revalued under HGB; property, plant and equipment was capitalized at the cost of acquisition or manufacture that arose at the time of purchase or manufacture, and depreciated over the estimated useful life.

### Financial assets

According to US GAAP, the financial assets were revalued at the time of acquisition by the Vertiv Group Corporation (December 1, 2016) and recognized with this valuation. Financial assets were not revalued under HGB; the financial assets were capitalized at the acquisition costs that arose at the time of purchase.

### Other provisions

According to US GAAP, provisions for uncertain liabilities and impending losses from pending transactions in accordance with ASC 450, Contingencies, to be formed only if there is an obligation to a third party, a claim is probable and the amount of the provision can be reliably

estimated. When evaluating the provision according to US GAAP, the most probable value is to be used, and the lowest value is to be used for a range of equally probable values. Under the German Commercial Code (HGB), provisions are to be valued in accordance with the principle of prudence.

### Deferred taxes

According to US GAAP, deferred taxes are recognized for differences in valuation compared to German tax law.

### Currency unit

In deviation from Section 244 of the German Commercial Code, the exempting consolidated financial statements are not drawn up in euros, but in US dollars (USD).

### Supplementary report

The tax audit for the years 2012 to 2015 began at the beginning of July 2018 and has not yet been completed. The international examination for the years 2008 to 2011 has not yet been completed.

In February 2019, it was decided to relocate parts of the finance department to shared service centers, and to centralize or discontinue the product management / engineering, marketing and IT departments of Vertiv Integrated Systems GmbH at the site. For this purpose, a reconciliation of interests and a social plan were signed on May 27, 2019, which provide for 27 employees to leave the company by July 31, 2019. It is expected that this will result in costs of EUR 1,700 thousand.

With the shareholders' resolution of June 4, 2019, Mr. Gerhard Buchbauer, Mr. Alexander John Pope and Mr. Giordano Albertazzi were appointed as managing directors.

No other events that would be essential to assess the company's asset, financial and earnings position have occurred since the end of the financial year.

Arnstorf, October 11, 2019

**Vertiv Integrated Systems GmbH**  
**Giordano Albertazzi**

### Development of fixed assets December 31, 2018

	Acquisition and production costs				December 31, 2018 EUR
	01/01/2018 EUR	Additions EUR	Disposals EUR	Adjustments to system conversion EUR	
<b>I. Intangible Assets</b>					
Commercial property rights and similar rights and values acquired against payment, as well as licenses to such rights and values	8,819,082.36	2,130.00	240,360.09	-584,653.26	7,996,199.01
	8,819,082.36	2,130.00	240,360.09	-584,653.26	7,996,199.01
<b>II. Tangible assets</b>					
1. Land, land rights and buildings, including buildings on third-party land	1,933,566.92	79,949.96	0.00	-102,565.34	1,910,951.54
2. Technical systems and machines	3,043,501.63	159,262.43	5,622.35	-404,309.17	2,792,832.54
3. Other equipment, factory and office equipment	9,588,933.73	250,727.56	64,560.64	-1,514,045.28	8,261,055.37
4. Advance payments made and assets under construction	16,608.95	0.00	3,380.57	0.00	13,228.38
	14,582,611.23	489,939.95	73,563.56	-2,020,919.79	12,978,067.83
<b>III. Financial assets</b>					
1. Shares in affiliated companies	18,692,687.45	0.00	0.00	0.00	18,692,687.45
2. Loans to affiliated companies	20,700,000.00	0.00	0.00	0.00	20,700,000.00
3. Holdings	1,381,190.01	0.00	0.00	0.00	1,381,190.01
	40,773,877.46	0.00	0.00	0.00	40,773,877.46
	64,175,571.05	492,069.95	313,923.65	-2,605,573.05	61,748,144.30

#### Accumulated depreciation

	01/01/2018				Adjustments to system conversion EUR	December 31, 2018 EUR
	EUR	Additions EUR	Disposals EUR	Attributions		
<b>I. Intangible Assets</b>						
Commercial property rights and similar rights and values acquired against payment, as well as licenses to such rights and values	8,774,445.22	124,762.24	115,886.73	0.00	-800,005.58	7,983,315.15
	8,774,445.22	124,762.24	115,886.73	0.00	-800,005.58	7,983,315.15
<b>II. Tangible assets</b>						
1. Land, land rights and buildings, including buildings on third-party land	1,879,270.34	16,450.05	0.00	0.00	-131,301.69	1,764,418.70
2. Technical systems and machines	2,685,883.61	82,988.41	526.81	0.00	-390,038.94	2,378,306.27

	Accumulated depreciation				Adjustments to system conversion EUR	December 31, 2018 EUR
	01/01/2018 EUR	Additions EUR	Disposals EUR	Attributions		
3. Other equipment, factory and office equipment	9,266,491.92	185,301.96	35,514.59	0.00	-1,561,563.36	7,854,715.93
4. Advance payments made and assets under construction	0.00	0.00	0.00	0.00	0.00	0.00
	13,831,645.87	284,740.42	36,041.40	0.00	-2,082,903.99	11,997,440.90
III. Financial assets						
1. Shares in affiliated companies	5,145,364.26	0.00	0.00	0.00	0.00	5,145,364.26
2. Loans to affiliated companies	0.00	0.00	0.00	0.00	0.00	0.00
3. Holdings	581,190.01	0.00	0.00	581,190.01	0.00	0.00
	5,726,554.27	0.00	0.00	581,190.01	0.00	5,145,364.26
	28,332,645.36	409,502.66	151,928.13	581,190.01	-2,882,909.57	25,126,120.31
Book values						
					December 31, 2018	December 31, 2017
					EUR	TEUR
I. Intangible Assets						
Commercial property rights and similar rights and values acquired against payment, as well as licenses to such rights and values					12,883.86	45
					12,883.86	45
II. Tangible assets						
1. Land, land rights and buildings, including buildings on third-party land					146,532.84	54
2. Technical systems and machines					414,526.27	358
3. Other equipment, factory and office equipment					406,339.44	322
4. Advance payments made and assets under construction					13,228.38	17th
					980,626.93	751
III. Financial assets						
1. Shares in affiliated companies					13,547,323.19	13,547
2. Loans to affiliated companies					20,700,000.00	20,700
3. Holdings					1,381,190.01	800
					35,628,513.20	35,047
					36,622,023.99	35,843

The annual financial statements as of December 31, 2018 were adopted on November 11, 2019.

#### Independent auditor's report

### To Vertiv Integrated Systems GmbH

#### Examination Opinions

We have prepared the annual financial statements of Vertiv Integrated Systems GmbH, Arnstorf, - consisting of the balance sheet as of December 31, 2018 and the income statement for the financial year from January 1, 2018 to December 31, 2018 as well as the notes, including the presentation of the Accounting and valuation methods - checked. In addition, we have audited the management report of Vertiv Integrated Systems GmbH for the fiscal year from January 1, 2018 to December 31, 2018.

According to our assessment based on the knowledge gained during the audit

the attached annual financial statements comply in all material respects with the German commercial law regulations applicable to - corporations and give a true and fair view of the assets and financial position of the company as of December 31, 2018 as well as its earnings position for the financial year from January 1, 2018 to December 31, 2018 and

the attached management report gives an overall accurate picture of the company's position. In all material respects, this management - report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

#### Basis for the examination results

We carried out our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements and the management report" of our auditor's report. We are independent of the company in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements.

#### Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all essential respects with the German commercial law regulations applicable to corporations, and for ensuring that the annual financial statements, in compliance with the German principles of proper bookkeeping, provide a true and fair view of the assets, finance - and the company's earnings.

Furthermore, the legal representatives are responsible for the internal controls, which they have determined to be necessary in accordance with the German principles of proper accounting to enable the preparation of the annual financial statements, When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue business operations. They are also responsible for disclosing issues relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this. In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides an accurate picture of the company's position, is consistent with the annual financial statements in all material respects, complies with German legal requirements and accurately presents the opportunities and risks of future development . Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to be able to provide sufficient suitable evidence for the statements in the management report .

### **Auditor's responsibility for the audit of the annual financial statements and the management report**

Our objective is to obtain sufficient certainty as to whether the annual financial statements as a whole are free of material - intended or unintentional - misrepresentation, and whether the management report as a whole gives an accurate picture of the company's position and, in all material matters, with the annual financial statements as well is consistent with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, as well as issuing an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in compliance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these annual financial statements and management report.

During the audit, we exercise our due discretion and maintain a critical attitude. Furthermore

We identify and assess the risks of material - intentional or unintentional - misrepresentations in the annual financial statements and the management report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not discovered is higher in the case of violations than inaccuracies, since violations result in fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and - measures relevant to the audit of the management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Delivering systems to society; we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information;

we draw conclusions about the appropriateness of the accounting principle of going concern applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the company's ability to continue business activities can raise. If we come to the conclusion that there is material - uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements and in the management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the company can no longer continue its business activities;

we assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether - the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements provide a true and fair view of the assets, financial and the company's earnings position;

we assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture it provides of the company's position;

we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient, suitable audit evidence, we particularly review the significant assumptions on which the legal representatives are based - on the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

**Munich, October 31, 2019**

**Ernst & Young GmbH**  
auditing company  
von Wachter, auditor  
Baker, auditor

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