

Search Result

Surname	Area	information	V. date
IBM Germany Business & Technology Services GmbH Ehningen	Accounting / financial reports	Annual financial statements for the financial year from 01/01/2018 to 12/31/2018	01/02/2020

IBM Germany Business & Technology Services GmbH

Ehningen

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

MANAGEMENT REPORT FOR FISCAL YEAR 2018

BUSINESS AND FRAMEWORK CONDITIONS

Development of the overall economy and IT market

The German economy continued to grow in 2018, although economic dynamism weakened, especially in the second half of the year. The increase in the price-adjusted gross domestic product (GDP) for 2018 was announced by the Federal Statistical Office at 1.5% and was thus below the increase in the previous year (2.2%). The growth continued to be driven by consumer demand and investments.

The labor market continued to develop positively in 2018 and once again reached a new high in employment. The state budgets again achieved a clear surplus. The annual average increase in consumer prices in 2018 was 1.9%, slightly above the previous year's level (1.8%), but still within the target range of European monetary policy.

The IT market served by IBM Germany maintained its dynamic in 2018 and grew again by around 5% compared to the previous year. As in previous years, the strongest increases were recorded in the growth segments of cloud computing and solutions (integrated solutions).

business development

The IBM Germany Business & Technology Services GmbH, Ehningen, (IBM D B&TS) offers all kinds of IT outsourcing, infrastructure operation and other services within the range of services of the IBM group. In addition to taking on responsibility for the entire IT operation or the operation of individual sub-areas, the offer also includes advice on IT projects and application development, especially for medium-sized and large customers.

In accordance with the performance responsibility in the IBM group, since 2008 new customer contracts have generally been concluded by IBM Deutschland GmbH, Ehningen (IBM D), and fulfilled by IBM D B&TS as the service provider. The company's sales have shifted from customer sales to group sales.

The business development in 2018 was to be classified as difficult with regard to new contracts, which had the effect that further cost optimizations to improve margins were pushed. The focus was on the fulfillment and expansion of existing contracts. A very important element for further cost optimization was the announcement and design of a vendorization of the delivery units. The implementation will take place in 2019 and will have a positive development in terms of costs, but above all in terms of flexibility in the provision of resources.

In addition, there was a stronger focus on the project business, on the one hand to generate additional profitable sales in the short term and, on the other hand, to create a basis for long-term contracts with new customers through this project business. The basis for the realignment to fulfill this business was created. In this case, too, the implementation and organizational adjustment will take place in 2019.

Automation solutions that had already been started in previous years, as well as the relocations to global delivery centers, were further intensified. Other existing customers were transferred to cloud solutions in line with the IBM strategy.

As a result of the organizational change, the number of employees has continued to decrease compared to the previous year.

EARNINGS, ASSETS AND FINANCIAL POSITION

Earnings situation

As expected, total sales of € 509 million were lower than in the previous year due to a lower billing volume (previous year: € 567 million).

The cost of materials declined compared to the previous year due to lower costs for purchased services. Personnel expenses have also decreased slightly compared to the previous year, with the decline in wages and salaries due to the lower number of employees being partially offset by higher pension expenses due to the further decline in the discount rate. Other operating expenses increased compared to the previous year, which is mainly due to increased expenses for communication and network services.

Taking into account the financial result, mainly from the addition of interest to the pension provisions, the result for the year is € 47 million (previous year: € 93 million), which was transferred to IBM D on the basis of the existing control and profit and loss transfer agreement.

Assets and financial position

The balance sheet total has decreased compared to the previous year, which on the assets side is mainly due to lower fixed assets due to larger asset sales and disposals. The decrease on the liabilities side results from lower liabilities to affiliated companies in connection with the reduction of loan liabilities. Increased pension provisions had the opposite effect.

There is a cash pooling agreement with IBM D as part of the IBM Group's cash management, through which the company's financing is handled.

RISK REPORT

Risk management and control system

With regard to general business risks such as price and credit risks, the company is integrated into the management and control system of the IBM Group. Accordingly, reactions to additional risks are essentially subject to the Group's decision.

An essential component of the management and control system is inventory and contract controlling with the aim of identifying financial risks in good time and counteracting them in addition to the qualitative performance level control. Critical deviations are analyzed and evaluated, process improvements and solutions are developed and a decision is made in regular management reviews.

Due to the inclusion in the scope of consolidation of the IBM Corporation, Armonk, New York / USA, the SOX (Sarbanes-Oxley-Act) checkpoints required by the American Securities and Exchange Commission apply to the organizational and business processes as well as to the responsibilities management reporting.

In addition, audits and reviews are carried out as part of the internal audit and business controls activities. From these reports and records, identified or potential risks are analyzed and assessed by the IBM management and implemented in appropriate actions to prevent or eliminate risks. The reviews also apply to the integrity and objectivity of management reporting.

The processes and control instruments required for controlling, as well as their effectiveness, are subject to ongoing monitoring by the IBM management and are continuously developed.

Risks and Opportunities

The IBM D B&TS does not bear any serious risks due to the branch mix in the existing portfolio and the permanent refocusing of the sales resources of the IBM D to the market requirements. With its corporate function, the company is also dependent on the business development of the new customer business of IBM D.

The business success of IBM D B&TS will largely depend on the extent to which IBM, with its product and solution portfolio, is able to adapt to the significantly changing customer expectations and needs. In addition, business success in 2019 will depend on the course of the economy and the closely related spending behavior of customers and their willingness to invest in new, future-proof IT products and solutions.

Further risks lie in recognizing and reacting to the constantly changing structure of customer requirements for IT products, services and services. In addition to the possible risks with the hybrid cloud and the considerable opportunities from the cloud computing business, the risks involved in fulfilling employee skills should be mentioned. Skills must be made available more broadly, in depth and with a high degree of flexibility. Skill development must at least catch up with the speed at which the infrastructure is changing and the associated services for IBM customers. In 2019 the success of the trend reversal that began in 2018 will be evident, or to what extent additional measures will be necessary for improved resource management. The aforementioned vendorization of delivery will open up opportunities in terms of flexibility, skills and speed in fulfilling orders.

Thus, the own depth of added value of IBM B&TS changes through the relocation of workloads to cloud infrastructures, automation, vendorization and the sourcing mix. The business focus shifts to a service integrator role. At the same time, the requirements to ensure end-to-end regulatory and legal requirements are increasing, regardless of where or by whom the service is provided. In 2018, the implementation of GDPR compliance for the DACH and German customers was a corresponding field of action in this regard.

With its flexible and innovative product portfolio, which enables customers to achieve significant efficiency gains and cost savings, IBM is positioned to support and accompany customers in their own transformation and in securing and expanding their competitiveness in the global environment over the long term.

In addition, there are no particular risks to be seen that would stand in the way of positive business development and long-term corporate success.

FORECAST REPORT

The German government expects only weaker economic growth in 2019, due to the uncertainties in connection with the simmering trade conflicts and the UK's exit from the European Union. Economic growth should continue to be carried by consumer demand and investments. The positive development on the labor market will continue in 2019. Solid public finances and a continued moderate rate of price increase should support macroeconomic development.

The IT market served by IBM in Germany will continue to grow in 2019. The growth dynamics are mainly due to the growth segments cloud computing and solutions (integrated solutions), whereas the classic IT offerings are expected to decline slightly or grow only moderately.

As a company for AI solutions and cloud platforms, IBM provides its customers with added value in the digital transformation and development of industry-specific solutions. This is achieved through networking and combination as well as continuous further development of various business areas such as cloud computing, business analytics, security, blockchain and artificial intelligence. With this solution portfolio, IBM differentiates itself from the competition, which opens up significant business opportunities and generates additional sales.

The goals of IBM D for the 2019 fiscal year are geared towards revenue growth, growth in services order intake and improved results, which will also have an impact on the business results of IBM D B&TS. The range of products and solutions defined by IBM, such as cloud computing and big data, are also part of the range of services offered by IBM D B&TS, due to the infrastructure requirements. The focus continues to be on the management of complex and critical contracts.

As in the past, with a view to the positive development of the operating result, there will be a strong focus on increasing efficiency and productivity, in particular through further automation, in the coming financial year. In addition to relocating tasks to global centers, relocations to partners will also have an impact on the provision of services by IBM D B&TS. In this context, the company plans to transfer demarcated operational parts to an external provider on April 1, 2019 and buy back the services to be provided by these operational parts in the form of services. The scope of the measure includes around 300 employees. With both measures, the efficiency and flexibility will be increased and the know-how will be strengthened. Against this background, a slight decline in sales and earnings is expected for IBM D B&TS in 2019.

Balance sheet as of December 31, 2018

assets

	December 31, 2018 T €	December 31, 2017 T €
Capital assets		
Property, plant and equipment	149.973	193.151
Financial assets	1,483	1,483
	151,456	194,634
Current assets		
Receivables and other assets		
Requests from deliveries and services	606	2,402
Receivables from affiliated companies	289.780	301,949
Other assets	4,714	4,941
	295,100	309,292
Bank balances	2,821	1,303
	297.921	310,595
Prepaid expenses	1,537	1,481
	450.914	506.710

liabilities

	December 31, 2018 T €	December 31, 2017 T €
	December 31, 2018 T €	December 31, 2017 T €
Equity		
Subscribed capital	3,000	3,000
Capital reserve	153,939	153,939
Other retained earnings	767	767
retained profit	1,347	1,347
	159.053	159.053
accruals		
Provisions for pensions and similar obligations	185.873	174,985
Other provisions	25,527	24,193
	211,400	199.178
liabilities		
Liabilities to affiliated companies	77,767	145,685
Other liabilities	2,531	2,618
	80,298	148.303
Prepaid expenses	163	176
	450.914	506.710

Income statement for the 2018 financial year

	2018 T €	2017 T €
Sales	508.511	566,560
Other company income	1,150	3,363
	509,661	569.923
Cost of materials	-216,867	-239,744
Personnel expenses	-118.070	-121,214
Depreciation on property, plant and equipment	-46.065	-41,987
Other operating expenses	-72,872	-65,237
	55,787	101,741
Investment result	605	720
Interest income	-9,145	-9,450
	-8,540	-8,730
Earnings before taxes	47,247	93.011
Taxes on income and earnings	0	4th
Result after taxes	47,247	93.015
Other taxes	-245	-295
	47.002	92,720
Profit transferred on the basis of a profit and loss transfer agreement	-47.002	-92,720
Annual surplus	0	0
Profit brought forward from previous year	1,347	1,347
retained profit	1,347	1,347

APPENDIX FOR FISCAL YEAR 2018

IBM GERMANY BUSINESS & TECHNOLOGY SERVICES GMBH, EHNINGEN

Commercial register: HR B-Nr. 17122 Stuttgart District Court

LEGAL BASIS

IBM Germany Business & Technology Services GmbH, Ehningen, is a large corporation as of the balance sheet date in accordance with Section 267 (3) of the German Commercial Code (HGB). The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB), including the supplementary provisions of Sections 264 ff. And the other legal form-specific provisions. The financial year is the calendar year. The income statement (P&L) is based on the total cost method in accordance with Section 275 (2) of the German Commercial Code (HGB).

According to Section 265, Paragraph 7, No. 2 of the German Commercial Code (HGB), some items in the balance sheet and income statement have been combined in order to improve the clarity and clarity of the presentation. The combined items are shown and explained in detail in the notes. Information to be given in the balance sheet or in the profit and loss account, or optionally in the notes, has been given in the notes as a whole.

CURRENCY CONVERSIONS

Receivables and liabilities in foreign currencies are generally recorded at the rate at the time of the first posting. Short-term foreign currency receivables and liabilities (remaining term of one year or less) are converted at the mean spot exchange rate on the balance sheet date. In the case of long-term receivables and liabilities in foreign currencies, losses from exchange rate changes between the time of first posting and the balance sheet date are taken into account.

EXPLANATIONS TO THE INDIVIDUAL ITEMS OF THE BALANCE SHEET

CAPITAL ASSETS

The structure and development of FIXED ASSETS is shown in a separate overview (schedule of fixed assets).

PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT are valued at acquisition cost less depreciation.

Additions to other equipment as well as additions to operating and office equipment are amortized on a straight-line basis, based on the respective useful life, essentially between 3 and 10 years.

Movable, wear-and-tear assets were recognized in full up to an amount of € 410 up to 2017 and up to an amount of € 800 from 2018.

Depreciation on property, plant and equipment totaled € 46,065 thousand (previous year: € 41,987 thousand).

FINANCIAL ASSETS

The valuation of the FINANCIAL ASSETS is carried out at acquisition cost, if necessary reduced by depreciation to the lower fair value. The position FINANCIAL ASSETS is shown in a separate overview (shareholdings).

Fixed asset schedule 2018

in thousands of €	Acquisition or manufacturing costs				
	01/01/2018	Accesses	Departures	Rebookings	December 31, 2018
Land and buildings	45	0	0	0	45
Other equipment, factory and office equipment	407.102	36,763	74,659	0	369.206
Total property, plant and equipment	407.147	36,763	74,659	0	369.251
Financial assets					
Shares in affiliated companies	1,483	0	0	0	1,483
Total financial assets	1,483	0	0	0	1,483
Capital assets	408.630	36,763	74,659		370.734
in thousands of €		Depreciation			
	Cumulative depreciation as of				Cumulative depreciation as of
	01/01/2018	Accesses	Departures	Rebookings	December 31, 2018
Land and buildings	45	0	0	0	45
Other equipment, factory and office equipment	213,951	46,065	40,783	0	219.233
Total property, plant and equipment	213.996	46,065	40,783	0	219.278
Financial assets					
Shares in affiliated companies	0	0	0	0	0
Total financial assets	0	0	0	0	0
Capital assets	213.996	46,065	40,783	0	219.278
in thousands of €				Residual book values	
				December 31, 2018	December 31, 2017
Land and buildings				0	0
Other equipment, factory and office equipment				149.973	193.151
Total property, plant and equipment				149.973	193.151
Financial assets					
Shares in affiliated companies				1,483	1,483
Total financial assets				1,483	1,483
Capital assets				151,456	194,634

CURRENT ASSETS**RECEIVABLES AND OTHER ASSETS**

RECEIVABLES and OTHER ASSETS are valued at their nominal values, taking into account all identifiable individual risks and the general risk of receivables.

in thousands of €	2018	2017
Requests from deliveries and services	606	2,402
Receivables from affiliated companies (of which against shareholders)	289.780 (273,364)	301,949 (284,494)
Other assets (of which with a remaining term > 1 year)	4,714 (4,704)	4,941 (4,856)
	295,100	309.292

RECEIVABLES FROM AFFILIATED COMPANIES include receivables from transactions with domestic and foreign group companies, factoring and short-term investments with an affiliated company as part of cash pooling. In the financial year, essential receivables and liabilities were offset against each other, given the netting situation.

The item OTHER ASSETS mainly contains capital values of reinsurance policies for pensions. The reinsurance claims are valued on the basis of notifications from the insurers with the respective asset value as of the balance sheet date. Reinsurance policies that serve exclusively to meet retirement benefits and similar obligations and are not accessible to third parties (so-called plan assets) were included in the amount of € 188 thousand (previous year: € 248 thousand) in accordance with Section 246, Paragraph 2, Clause 2 of the German Commercial Code offset against the corresponding pension obligations (settlement amount) of € 411 thousand (previous year: € 440 thousand).

BANK BALANCES

In accordance with the statutory provisions, credit balances of € 2,821 thousand (previous year: € 1,303 thousand) are deposited in trust with a bank for the company's promised partial retirement obligations. Liquid funds are stated at their nominal value on the balance sheet date.

ACCOUNTING ITEMS

ACCRUED INCOME AND ACCRUED INCOME mainly prepaid license fees for the use of program products and maintenance contracts as well as prepaid services.

EQUITY

SUBSCRIBED CAPITAL is stated at the nominal amount. There is a control and profit and loss transfer agreement with IBM Deutschland GmbH, Ehningen.

ACCRUALS

The PENSION PROVISIONS contain the portion of the company pension obligations that is not borne by IBM Deutschlandützungskasse GmbH, Ehningen, and IBM Deutschland Pensionsfonds AG, Ehningen. The valuation was carried out using the projected unit credit method (PBO) in accordance with Section 253 (2) sentence 1 of the German Commercial Code (HGB) to calculate the provisions for pension obligations. Accordingly, the provision was calculated on the basis of an average market interest rate resulting from the past ten financial years - for an assumed remaining term of 15 years - and published by the Bundesbank at 3.21% as of the balance sheet date. The difference according to § 253 para. 6 HGB sentence 3 new for the provision on the basis of an average market interest rate, which results from the past seven financial years and was published at 2.32% as of the balance sheet date, amounted to 22,149 T € and is barred from distribution in accordance with Section 253 (6) HGB sentence 2 new. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G mortality tables, Heubeck-Richttafeln GmbH, Cologne 2018' were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. for the provision based on an average market interest rate, which results from the past seven financial years and which was published at 2.32% as of the balance sheet date, amounted to € 22,149 thousand and is barred from distribution in accordance with Section 253 (6) of the German Commercial Code (HGB) sentence 2 new version. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G mortality tables, Heubeck-Richttafeln GmbH, Cologne 2018' were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. which results from the past seven financial years and which was published at 2.32% as of the balance sheet date, amounted to € 22,149 thousand and is barred from distribution in accordance with Section 253 (6) of the German Commercial Code (HGB) sentence 2 new version. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G, Heubeck-Richttafeln GmbH, Cologne 2018' mortality tables were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. which results from the past seven financial years and was published at 2.32% as of the balance sheet date, amounted to € 22,149 thousand and is barred from distribution in accordance with Section 253 (6) HGB sentence 2 new version. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G, Heubeck-Richttafeln GmbH, Cologne 2018' mortality tables were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. which results from the past seven financial years and was published at 2.32% as of the balance sheet date, amounted to € 22,149 thousand and is barred from distribution in accordance with Section 253 (6) HGB sentence 2 new version. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G mortality tables, Heubeck-Richttafeln GmbH, Cologne 2018' were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. 6 HGB sentence 2 new version, blocked from distribution. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G, Heubeck-Richttafeln GmbH, Cologne 2018' mortality tables were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. 6 HGB sentence 2 new version, blocked from distribution. In addition, a salary trend of 2.05 percent, a pension trend of 1.80 percent as well as fluctuation probabilities and the biometric calculation bases according to the 'RT 2018G, Heubeck-Richttafeln GmbH, Cologne 2018' mortality tables were used as the basis for the assessment of the pension obligations. The effects on earnings from the change in the discount rate were recognized in the operating result. Heubeck-Richttafeln GmbH, Cologne 2018'. The effects on earnings from the change in the discount rate were recognized in the operating result. Heubeck-Richttafeln GmbH, Cologne 2018'. The effects on earnings from the change in the discount rate were recognized in the operating result.

The item includes assets transferred to a trustee as part of a CTA (Contractual Trust Arrangement) to secure promised pension obligations, which were valued at their market value on the balance sheet date. The assets, which serve exclusively to fulfill the pension and similar obligations and which are not accessible to third parties (so-called cover assets), amounted to € 8,296 thousand (previous year: € 8,711 thousand) in accordance with Section 246, Paragraph 2, Clause 2 of the German Commercial Code offset against the corresponding obligations of € 9,852 thousand (previous year: € 8,710 thousand, settlement amount). The valuation of the plan assets was carried out at fair market value. The acquisition costs amounted to € 8,685 thousand (previous year: € 8,471 thousand).

In the course of the reorganization of the pension scheme and implementation path in 2010, IBM Deutschland GmbH, Ehningen, granted a debt contribution for failing services of the pension providers.

OTHER PROVISIONS essentially relate to provisions for severance payments and early retirement programs, for bonuses, commissions and premiums, for outstanding supplier invoices and for remaining vacation entitlements. The valuation is based on prudent business judgment in the amount of the expected utilization.

LIABILITIES

in thousands of €	2018	2017
Liabilities to affiliated companies	77,767	145,685
(of which against shareholders)	(39,299)	(132,024)
(of which with a remaining term of <1 year)	(77,768)	(92,720)
(of which with a remaining term > 1 year)	(0)	(39,304)
(of which with a remaining term > 5 years)	(0)	(0)
Other liabilities	2,531	2,618
(of which with a remaining term of <1 year)	(2,388)	(2,392)
(of which with a remaining term > 1 year)	(143)	(226)
(of which with a remaining term > 5 years)	(0)	(0)
(of which from taxes)	(1,809)	(2,235)
(of which in the context of social security)	(215)	(282)
	80,298	148.303

LIABILITIES, with the exception of a discounted liability to the pension insurance association, are stated at their settlement amount.

LIABILITIES TO AFFILIATED COMPANIES essentially contain a loan received from the shareholder and liabilities from services.

With regard to the offsetting of liabilities to affiliated companies, reference is made to the statements on receivables from affiliated companies.

ACCRUED INCOME

PREPAID AND ACCRUED INCOME mainly income from customers for maintenance and other service contracts.

CONTINGENT LIABILITIES

CONTINGENT LIABILITIES did not exist on the balance sheet date.

OTHER FINANCIAL OBLIGATIONS

As of the balance sheet date, OTHER FINANCIAL OBLIGATIONS from long-term rental and leasing contracts amounted to € 11,952 thousand (previous year: € 13,642 thousand). This includes obligations to affiliated companies in the amount of € 9,569 thousand (previous year: € 10,528 thousand).

EXPLANATIONS TO THE INDIVIDUAL ITEMS OF THE PROFIT AND LOSS ACCOUNT**SALES REVENUE**

SALES REVENUE break down as follows:

in thousands of €	2018	2017
Domestic sales	438,467	452,067
Export sales	70,044	114,493
TOTAL SALES	508,511	566,560

DOMESTIC SALES mainly, EXPORT SALES exclusively, include sales with affiliated companies and mainly relate to services.

OTHER COMPANY INCOME

OTHER OPERATING INCOME essentially includes income from the reversal of provisions and income from currency translation. The income from currency conversion amounted to € 556 thousand (previous year: € 970 thousand).

The income unrelated to the accounting period, mainly from the reversal of provisions, totaled € 458 thousand (previous year: € 2,393 thousand).

MATERIAL CONSUMPTION

The item MATERIAL EXPENSES includes expenses for purchased services in the amount of € 216,746 thousand (previous year: € 239,403 thousand), which relate to services provided by affiliated companies and purchased from third parties for customer-related services.

PERSONNEL EXPENSES

in thousands of €	2018	2017
Wages and salaries	90,872	97,489
Social security and pension and support expenses	27,198	23,725
(of that for pensions)	(14,883)	(9,420)
	118,070	121,214

The SOCIAL CHARGES AND EXPENSES FOR PENSION PENSIONS AND SUPPORT include, in addition to the mandatory statutory contributions, additions to pension provisions.

OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES primarily include communication expenses, rental and building costs, travel expenses, disposals from property, plant and equipment, expenses for company vehicles and other overheads. This includes expenses unrelated to the accounting period of € 1,378 thousand (previous year: € 3,876 thousand) for disposals from property, plant and equipment as well as expenses of € 906 thousand (previous year: € 383 thousand) from currency translation.

INVESTMENT RESULT

The investment result of € 605 thousand (previous year: € 720 thousand) includes the profit transfer from IBM Business Services Asset GmbH, Ehningen.

INTEREST INCOME

in thousands of €	2018	2017
Other interest and similar income	-1,232	-1,948
(of which from affiliated companies)	(-1,311)	(-2,018)
Interest and similar expenses	-7,913	-7,502
(of which to affiliated companies)	(-881)	(-895)
(of which expenses from compounding)	(-6,549)	(-6,968)
	-9,145	-9,450

INTEREST AND SIMILAR INCOME in this financial year include expenses of € 1,311 thousand (previous year: € 2,018 thousand) for negative interest on credit balances.

INTEREST AND SIMILAR EXPENSES essentially include the compounding of accruals. Income from the plan assets to be offset in the amount of € 180 thousand in accordance with Section 246 (2) sentence 2 half-sentence 2 of the German Commercial Code (HGB) with the expenses from the compounding of the pension provision in the amount of € 6,549 thousand and expenses from the valuation of the plan assets to be offset were included Net value of € 661 thousand.

PROFIT TRANSFERRED ON THE BASIS OF A PROFIT AND LOSS TRANSFER AGREEMENT

This item includes expenses from profit transfer in the amount of € 47,002 thousand (previous year: € 92,720 thousand) based on the control and profit and loss transfer agreement with IBM Deutschland GmbH, Ehningen.

SUBSEQUENT EVENTS

There were no special events after the balance sheet date.

OTHER INFORMATION**MANAGEMENT REPORT**

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

TOTAL AUDITOR'S FEE

The total fee of the auditor in the financial year is € 25 thousand (previous year: € 25 thousand) for auditing services.

NUMBER OF EMPLOYEES

In the 2018 financial year, an average of 1,004 employees (previous year: 1,120 employees) were employed, of which 886 employees (previous year: 1,013 employees) were full-time employees.

SUPREME PARENT AND AFFILIATED COMPANIES,**CONSOLIDATED FINANCIAL STATEMENTS**

The group of affiliated companies of IBM D B&TS includes the ultimate parent company, IBM Corporation, Armonk, New York / USA, (IBM Corporation) and all subsidiaries of this parent company. Since the company and its subsidiary are included in the consolidated financial statements of the IBM Corporation, which prepares the consolidated financial statements for the largest and smallest group of companies, IBM D B&TS has decided not to prepare subgroup financial statements.

The consolidated financial statements of IBM Corporation are prepared and audited in accordance with Generally Accepted Accounting Principles (US GAAP). Differences between US-GAAP and the German commercial law accounting regulations arise mainly from the accounting and valuation of fixed assets, the recognition and valuation of provisions and deferred taxes as well as the point in time when profits are realized.

The consolidated financial statements of IBM Corporation are available in Armonk, New York / USA, or from IBM Deutschland GmbH, Ehningen, and are published in German in the electronic Federal Gazette under IBM Central Holding GmbH, Ehningen.

SHAREHOLDINGS IBM D B&TS G MBH, E HNINGEN

Direct participation of society

Name, seat	Shareholding	Equity	Result
Affiliates			
IBM Business Services Asset GmbH, Ehningen (1)	99.6%	1,483 T €	-

(1) A control and profit and loss transfer agreement exists with this company.

(2)

MANAGEMENT OF IBM DEUTSCHLAND BUSINESS & TECHNOLOGY SERVICES GMBH, EHNINGEN

Dr. Thomas Wolter

Global Technology Services Delivery Leader DACH

Sven Schooß

PMS Leader DACH Market

Ehningen, April 26, 2019

The Board

Dr. Thomas Wolter

Sven Schooß

INDEPENDENT AUDITOR'S REPORT

To IBM Germany Business & Technology Services GmbH, Ehningen

Examination Opinions

We have prepared the annual financial statements of IBM Deutschland Business & Technology Services GmbH, Ehningen, - consisting of the balance sheet as of December 31, 2018 and the income statement for the financial year from January 1 to December 31, 2018 as well as the notes, including the Presentation of accounting and valuation methods - checked. In addition, we have audited the management report of IBM Deutschland Business & Technology Services GmbH for the fiscal year from January 1 to December 31, 2018.

In our opinion, based on the knowledge gained during the audit

- the attached annual financial statements comply in all material respects with the provisions of German commercial law and, in compliance with German generally accepted accounting principles, give a true and fair view of the company's assets and financial position as of December 31, 2018, as well as its earnings position for the financial year from January 1 to as of 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, Paragraph 3, Clause 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. We believe

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 with the German commercial law in all essential respects, and for ensuring that the annual financial statements give a true and fair view of the assets, financial and earnings position of the in compliance with the German principles of proper bookkeeping Society mediates. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles in order to enable the preparation of annual financial statements that are free from material - intended or unintentional - misstatements.

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 and is consistent with the annual financial statements in all material respects, complies with German legal requirements and appropriately presents the opportunities and risks of future development . Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have considered necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the management report can.

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 - misstatements 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 in line 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 misstatement. 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 examination, 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 detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, falsifications, intentional incompleteness, misleading representations or the overriding of internal controls.
- 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 Systems of 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 the related information.
- we draw conclusions about the appropriateness of the going concern accounting principle 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 as a going concern 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, in compliance with German generally accepted accounting principles, provide a true and fair view of the asset, financial and the company's earnings.
- 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 future-oriented information is based by the legal representatives 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 considerable unavoidable risk that future events will differ materially from the forward-looking statements.

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.

Stuttgart, April 26, 2019

PricewaterhouseCoopers GmbH
auditing company

Reiner Kunz, auditor

ppa. Jens Rosenberger, auditor

The annual financial statements as of December 31, 2018 were adopted on September 2, 2019.
