SoftwareONE Holding AG

GROUP CONSOLIDATED FINANCIAL STATEMENTS 2017

Consolidated income statement

For the year ended 31 December in CHF 1,000	Notes	2017 [1]	2016
Revenue from sale of software		3,195,454	2,941,419
Revenue from solutions and services		99,642	82,302
Other revenue		15,140	17,584
Total revenue	29	**3,310,236**	**3,041,305**
Cost of software purchased		–2,938,473	–2,701,576
Third-party service delivery costs		–27,829	–22,363
Personnel expenses	6	–215,118	–211,495
Other operating expenses	7	–55,623	–52,715
Other operating income		4,863	1,268
Earnings before net financial items, taxes, depreciation and amortization		**78,058**	**54,423**
Depreciation and amortization	14, 15	–12,597	–11,561
Earnings before net financial items and taxes		**65,461**	**42,864**
Finance income	8	7,688	2,512
Finance costs	8	–6,045	–7,065
Foreign exchange differences, net	8	–6,114	–10,399
Earnings before income tax		**60,989**	**27,911**
Income tax expense	9	–20,611	–10,062
Profit for the year		**40,378**	**17,849**
Profit attributable to:			
– Owners of the parent		41,096	17,519
– Non-controlling interest		–718	330
Earnings per share in CHF			
– Basic	30	3.11	1.33
– Diluted	30	3.10	1.33

1) Refer to note 2.1 for information on the re-issuance of the consolidated financial statements 2017

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December in CHF 1,000	Notes	2017	2016
Profit for the year		**40,378**	**17,849**
Other comprehensive income: **Items that will not be reclassified to profit or loss in subsequent periods**			
Re-measurements of post-employment benefit obligations	19	1,694	1,934
Taxes		–268	–284
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation adjustment		1,599	378
Cash flow hedges	13	–4,045	3,006
Taxes		690	–507
Total other comprehensive income for the year		**–330**	**4,527**
Total comprehensive income for the year		**40,048**	**22,376**
Total comprehensive income attributable to:			
– Owners of the parent		39,963	21,381
– Non-controlling interest		85	995

The notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December in CHF 1,000	Notes	2017	2016
Assets			
Cash and cash equivalents	10	114,952	84,031
Trade receivables	11	692,806	644,732
Income tax receivables	9	3,080	3,937
Other receivables	12	58,759	47,746
Derivative financial instruments	13	2,613	5,540
Prepayments and accrued income	12	58,354	47,856
Current assets		**930,564**	**833,842**
Tangible assets	14	8,805	11,935
Intangible assets	15	93,372	82,295
Other receivables		25,133	20,787
Long-term loans		638	348
Derivative financial instruments	13	568	1,825
Deferred tax assets	9	12,747	14,327
Non-current assets		**141,262**	**131,517**
TOTAL ASSETS		**1,071,827**	**965,359**

The notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

in CHF 1,000	Notes	2017	2016
Liabilities and shareholders' equity			
Trade payables	16	442,814	393,215
Other payables	16	76,510	60,898
Accrued expenses and deferred revenue	16	235,237	240,476
Derivative financial instruments	13	3,188	2,792
Income tax liabilities	9	5,847	4,516
Bank overdrafts	18	9,190	6,984
Other financial liabilities	18	19,099	15,366
Provisions	17	66	68
Current liabilities		**791,951**	**724,315**
Derivative financial instruments	13	977	489
Financial liabilities	18	42,516	39,680
Provisions	17	3,856	4,376
Deferred tax liabilities	9	10,265	11,528
Other long-term liabilities	19	12,641	12,185
Non-current liabilities		**70,256**	**68,258**
TOTAL LIABILITIES		**862,208**	**792,573**
Share capital	20	1,354	1,354
Share premium		74,551	80,356
Treasury shares	20	–230	–416
Retained earnings		93,961	72,639
Profit for the year		41,096	17,519
Hedging reserve		–856	2,499
Currency translation adjustment		–260	–1,056
Equity attributable to owners of the parent		**209,616**	**172,895**
Non-controlling interest		1	–109
Total equity		**209,617**	**172,786**
TOTAL LIABILITIES AND EQUITY		**1,071,827**	**965,359**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December in CHF 1,000	Notes	2017	2016
Profit for the year		**40,378**	**17,849**
Adjustments for:			
– Depreciation and amortization	14, 15	12,597	11,560
– Total finance result, net	8	4,472	14,952
– Other non-cash items		15,487	–11,205
Cash flow before changes in net working capital		**72,934**	**33,156**
– Change in trade receivables		–32,765	–65,003
– Change in other receivables, prepayments and accrued income		–20,158	–4,644
– Change in trade and other payables		55,400	33,296
– Change in accrued expenses and deferred revenue		–7,893	57,599
– FX impact on changes in working capital		626	2,980
Total changes in working capital		**–4,790**	**24,227**
Income taxes paid		–14,089	–9,158
Net cash generated from/(used in) operating activities (A)		**54,055**	**48,225**
Purchases of tangible and intangible assets (B)		–10,860	–10,674
Proceeds from sale of tangible and intangible assets (B)		225	124
Loans granted (B)		–2,192	–1,198
Loan repayments received (B)		2,286	87
Interest received (B)		624	1,434
Acquisition of business (net of cash)	2.3	–4,359	–500
Net cash used in investing activities		**–14,276**	**–10,727**
Proceeds from financial liabilities	18	1,117,177	964,081
Repayments of financial liabilities	18	–1,114,945	–970,469
Payment of contingent consideration liability	18	–4,293	–5,644
Proceeds from sale of treasury shares		80	4,757
Interest paid		–2,661	–3,797
Dividends paid to owners of the parent	21	–6,000	–8,500
Proceeds from capital increase by NCI		1,321	–
Net cash from/(used in) financing activities		**–9,321**	**–19,572**
Net (decrease)/increase in cash and cash equivalents		**30,458**	**17,926**
Cash and cash equivalents at beginning of year		**84,031**	**65,327**
Net foreign exchange difference on cash and cash equivalents		463	778
Cash and cash equivalents at end of year		**114,952**	**84,031**
Free cashflow (A + B)		**44,138**	**37,998**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of SoftwareONE Holding AG								
For the year ended 31 December in CHF 1,000	Share capital	Share premium	Treasury shares	Retained earnings	Hedging reserve	Currency translation adjust-ments	Equity attribut-able to owner of SoftwareONE Holding AG	Non-controlling interest	Total equity
Balance as at 1 January 2016	**1,354**	**86,400**	**–2,634**	**72,111**	**–**	**–1,433**	**155,810**	**–283**	**155,527**
Profit for the year				17,519			17,519	330	17,849
Re-measurements of post-employment benefit plans				1,934			1,934		1,934
Taxes on re-measurements of post-employment benefit plans				–284			–284		–284
Other comprehensive income for the year					2,499	–287	2,212	665	2,877
Total comprehensive income for the year	**–**	**–**	**–**	**19,169**	**2,499**	**–287**	**21,381**	**995**	**22,376**
Transactions in treasury shares		2,456	2,216				4,672		4,672
Dividends paid		–8,500					–8,500		–8,500
Transactions in NCI				–1,444		664	–781	–822	–1,603
Share-based payment			2	322			324		324
Balance as at 31 December 2016	**1,354**	**80,356**	**–416**	**90,158**	**2,499**	**–1,056**	**172,895**	**–109**	**172,786**
Profit for the year				**41,096**			**41,096**	**–718**	**40,378**
Re-measurements of post-employment benefit plans				1,694			1,694		1,694
Taxes on re-measurements of post-employment benefit plans				–268			–268		–268
Other comprehensive income for the year					–3,355	796	–2,560	803	–1,756
Total comprehensive income for the year				**42,522**	**–3,355**	**796**	**39,963**	**85**	**40,048**
Capital increase	–						–	1,321	1,321
Transactions in treasury shares		165	186				351		351
Dividends paid		–6,000					–6,000		–6,000
Transactions with NCI				1,911			1,911	–1,296	614
Share-based payment		18		479			497		497
Reclassification		13		–13			–		–
Balance as at 31 December 2017	**1,354**	**74,551**	**–230**	**135,057**	**–856**	**–260**	**209,616**	**1**	**209,617**

2 Notes to the consolidated financial statements

2.1 General information

SoftwareONE Holding AG ('the Company') and its wholly-owned subsidiaries (together 'the Group') is a fast-growing, premier software and services provider and is an authorized large account reseller and enterprise software advisor mainly focused on software licensing and related services.

The Company is a limited liability company incorporated and domiciled in Stans, Switzerland. The address of its registered office is Riedenmatt 4, 6370 Stans.

Re-issuance of the consolidated financial statements
The consolidated financial statements were originally authorized for issue by the Board of Directors on 27 April 2018 and subsequently approved by the annual general meeting of shareholders on 5 June 2018.

In accordance with IFRS, the Group was not required and had not voluntarily presented information on operating segments and earnings per share.

In May 2019, the Board of Directors of SWO Holding decided to prepare for an initial public offering at Swiss Stock Exchange (SIX) with a view to listing in the fourth quarter of 2019. To comply with requirements stipulated by SIX Exchange Regulation, the Group has amended the 2017 consolidated financial statements to add disclosures on its operating segments (note 29) and earnings per share (note 30).

The Group has also decided to change the description of some of the line items and subtotals presented in the consolidated income statement and cash flow statement, in particular removing references to "EBITDA" and "EBIT".

Lastly, the Group has amended note 26 Subsequent events to include information up to the date of re-issuance of the financial statements.

The Board of Directors authorized these amended consolidated financial statements 2017 for re-issuance on 11 September 2019.

2.2 Summaries of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of presentation
New standards and interpretations not yet adopted
The Group has applied all IFRS standards and interpretations effective as at 31 December 2017 for both periods presented.

IAS 7 has been amended to require disclosures of changes in liabilities arising from financial activities (see note 18).

The IASB has issued a number of potentially relevant changes to IFRS that will be effective in future accounting periods. The estimated impact and the effective date of the most relevant changes for the Group are described below:

- IFRS 9 1 January 2018
- IFRS 15 1 January 2018
- IFRIC 22 1 January 2018
- IFRS 16 1 January 2019
- IFRIC 23 1 January 2019

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces IAS 39. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The new standard will not materially impact the Group financial statements.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the said goods or services. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

A review of the effects of the first-time adoption of IFRS 15 showed that the accounting practice will remain unchanged regarding timing of revenue recognition. However, in the field of our software license trading, the question whether SWO conducts its activity as principal or agent can have significant effects on the amount of revenue presented.

If SWO is a principal, the revenue must be recognized in the gross amount it is entitled to. However, if SWO is only an agent, the net amount that SWO is entitled to for its agency activity would have to be posted.

For the evaluation, the information in IFRS 15, Appendix B, B 34 ff. provides indications. A company is a principal if it exercises the control over the specified goods or services prior to the transfer to the customer. Nevertheless, due to the immateriality and the form of transfer, the interpretation of the criteria is difficult to apply in connection with the evaluation of whether a company exercises the control over software licenses within the scope of a commercial transaction.

Against this backdrop, it is therefore somewhat uncertain when SWO acts as the principal within the scope of a commercial transaction with software licenses. Based on discussions with major international value-added resellers from the industry, it can be assumed that SWO is the principal with respect to software licenses if extensive consulting services are performed in connection with the sale of the software licenses, which could be regarded as an integral part of the performance obligation towards the customer. In such cases, the software licenses would only deliver benefits together with the extensive consulting services and could not be isolated from the services in the contractual context.

Thus, various consulting services would constitute a bundled service obligation in conjunction with the actual transfer of the software license. By contrast, if SWO does not have control over the traded software license and does not perform any consulting services for the customer, it would qualify as an agent. The question of qualification as principal or agent also arises for other services that are performed after the delivery of the software license and that could represent an independent performance obligation. Due to these uncertainties, these issues are currently also being examined by regulators around the globe.

SWO performs numerous software license transactions with various software vendors. In the fiscal year 2017, the revenue with software licenses amounted to more than MCHF 3,100. In view of the remaining uncertainties with respect to the question of when SWO actually qualifies as the principal, it cannot yet be reliably estimated to what extent commercial transactions with software licenses will henceforth be reflected in the revenue.

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases and related interpretations. The new standard will require lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The Group is in the process of evaluating the impact IFRS 16 may have on its consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-Company transactions, balances and unrealized gains on transactions between Group companies are eliminated in full.

(b) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of a business combination is equal to the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by SoftwareONE Group, in exchange for control over the acquired company. Any difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities, and contingent liabilities so recognized is treated as goodwill. Goodwill is not amortized, but is assessed for impairment annually. Acquisition-related costs are expensed. For each business combination, the Group recognizes the non-controlling interests in the acquiree at the non-controlling interests proportionate share in the recognized amounts of the acquiree's identifiable net assets.

If a business combination is achieved in stages (control obtained over an associate), the previously held equity interest in an associate is remeasured to its acquisition-date fair value and any resulting gain or loss is recognized in "financial income/expenses" in profit or loss.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swiss francs (CHF), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities of Group companies which are denominated in foreign currencies are translated using year-end exchange rates. Exchange differences are recorded as an income or expense. Non-monetary assets and liabilities are translated at historical exchange rates. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in other comprehensive income in equity.

(c) Foreign currency translation

When translating foreign currency financial statements into Swiss francs, year-end exchange rates are applied to assets and liabilities, while average annual rates are applied to income statement accounts.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The resulting exchange differences are recognized in other comprehensive income.

Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

They are classified as current if payment is due within one year or less. If not, they are presented as non-current receivables.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Derivative financial instruments and hedge accounting
The Group reviews the currency exposure regularly and covers its risks in two ways:

- The Group hedges the net exposure from foreign currency balance sheet positions with forward contracts. Such contracts are not designated as cash flow hedges and therefore not accounted for using hedge accounting.
- Highly probable future transactions are hedged with forward contracts. These contracts are designated as cash flow hedges. At the inception of a hedge relationship, the Group designates and documents the hedge relationship to apply hedge accounting. The hedge relationship includes the hedging instrument and the hedged item and the nature of the risk being hedged. The hedges are expected to be highly effective.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value through profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedged item affects profit or loss. The ineffective portion is recognized immediately in the profit or loss statement.

In case of a positive value, the derivative is recognized as an asset and in case of a negative value as a liability (classified as non-current when the remaining hedge item is more than 12 months, and as current when the remaining maturity of the hedge item is less than 12 months).

Cash and cash equivalents
The position includes cash on hand, bank accounts and short-term bank deposits with original maturities of three months or less.

Trade receivables
Trade receivables are recorded at original invoice amount less provisions made for doubtful accounts.

Provisions for bad debts are made on the basis of objective evidence that the Group will not be able to collect all amounts due according to the original terms of the invoice. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows.

The Group derecognizes receivables in case of sale and factoring when: The Group has transferred its rights to receive cash flows from the receivables; and either (a) the Group has transferred substantially all of the risks and rewards of the ownership of the receivables, or (b) the Group has neither transferred nor retained substantially all of the risks and rewards, but has transferred control of the assets.

However, in case the Group neither transfers nor retains substantially all the risks and rewards of ownership of the receivables nor transfers control of the receivables, the receivable is recognized to the extent of the Group's continuing involvement in the assets. In which case, the Group also recognizes an associated liability. The transferred receivable and associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Tangible assets
Tangible assets are stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Repair and maintenance costs are recognized in the income statement in the period in which they are incurred.

Depreciation is calculated using the straight-line method over the expected useful life as follows:

– Furniture, fittings and equipment	max. 5 years
– Leasehold improvements	max. 10 years or duration rent contract
– Vehicles	max. 5 years
– IT equipment	max. 3 years
– Assets under construction	no depreciation

Intangible assets
Purchased intangible assets such as software and customer relationships are measured at cost less accumulated amortization (applying the straight-line method) and any impairment. The useful life is as follows:

– Software	3–6 years
– Acquired customer relationships	max. 10 years
– Other intangible assets	3–10 years

Internally generated intangible assets are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. In addition to the internal costs (incl. all attributable direct costs), total costs also include externally contracted development work. Such capitalized intangibles are recognized at cost less accumulated amortization over a useful life of three to ten years. In-process capitalized development costs are tested annually for impairment.

Financial liabilities
Derivatives and the contingent consideration liability are recognized initially at fair value. They are subsequently carried at fair value through profit or loss, except for the effective portion of cash flow hedges that is initially recognized in other comprehensive income.

All other financial liabilities are initially recognized at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method.

Trade payables and financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits
The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) Defined contribution plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset.

(b) Defined benefit plans
A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains or losses are recognized in other comprehensive income.

Share-based payments
Certain management and senior employees participate in equity compensation plans. The fair value of all equity-settled compensation awards granted to employees is determined at the grant date and recorded as an expense over the vesting period. The expense for equity compensation awards is part of personnel expense and a corresponding increase in equity is recorded.

Provisions
Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

Share capital
Ordinary shares are classified as equity. Dividends on ordinary shares are recorded in equity in the period in which they are approved by the parent Company's shareholders.

Where the Group purchases shares of the parent Company, the consideration paid (incl. any attributable transaction costs) is deducted from equity as treasury shares. Any consideration received from the sale of own shares is recognized in equity.

Revenue recognition
Revenue comprises sales of software and solutions and services. Revenue is measured at fair value of the consideration received or receivable less discounts and rebates. It is recognized when it is probable that transactions will generate future economic benefits. Revenues are presented net of VAT and discounts.

Revenue from the sale of software and solutions and services is recognized when the seller has transferred the significant risks and rewards of the product to the buyer and, thus, the seller does not retain control over the product anymore. In addition, both the sales price as well as the cost can be measured reliability and the cash collection is only dependent on the credit risk. In case of the possibility for the customer to change his channel partner during a multi-year contract the revenue is recognized over the contract period.

The Group invoices the customer and receives payment from the customer, while the software vendor invoices and receives payment from the Group. The Group has latitude in establishing prices and the credit risk with the customer, whilst having a financial commitment to the supplier. The gross amount billed to the customer is therefore recognized as revenue in the financial statements and the purchase from the supplier is presented as cost of software purchased.

Revenue from solutions and services is recognized if the stage of completion of the transaction and the amount of revenue can be measured reliably. In addition, the cost incurred for the transaction and the remaining costs to complete the transaction can be measured reliably.

Starting in 2017, service revenue is presented gross and related third-party costs are disclosed separately as third-party costs for services rendered. 2016 was adjusted accordingly.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.3 Change in the scope of consolidation

Acquisitions in 2017 (provisional)
On 22 September 2017, the company acquired 100% of the shares of UC Point AG, Switzerland, a global provider of global Unified Communications & Collaboration (UC&C) services with subsidiaries in Germany, the US and Mexico. With UC Point, SoftwareONE will extend and enhance its Skype for Business and Microsoft Teams integrated offerings, as well as strengthen its Unified Communications as a Service (UCaaS) solutions.

in CHF 1,000	2017
Cash and cash equivalents	141
Trade receivables	691
Other short-term assets	201
Inventory	205
Tangible assets (note 14)	139
Intangible assets (note 15)	2,858
Goodwill (note 15)	7,944
Trade payables	–187
Other short-term liabilities	–1,861
Non-current liabilities	–744
Deferred tax liabilities	–387
Net assets acquired	**9,000**

The goodwill is mainly attributable to the workforce and will not be tax deductible.

Details of the purchase consideration are as follows:

in CHF 1,000	2017
Cash paid	4,500
Contingent consideration liability	4,500
Total purchase consideration	**9,000**

As part of the purchase agreement with the previous owner of UC Point, a contingent consideration was agreed. The fair value of the contingent consideration liability was calculated considering UC Point Group adjusted EBITDA 2017 and will be paid out in first half year 2018 in SWO Holding AG shares.

The acquired business contributed revenue of TCHF 2,067 and net profit of TCHF 251 since the acquisition.

There were no significant transaction costs related to this acquisition.

As at 31 December 2017, there are no indications for an impairment needed.

Acquisitions in 2016
On 3 March 2016, the company acquired the assets of House of Lync, an information technology service provider focused on consulting, designing and servicing Microsoft's communications solution, Skype for Business. The transaction is aimed at expanding and supporting client demand for Microsoft's Skype for Business throughout SoftwareONE's North American client base.

In addition, the company acquired Ping, a Microsoft-focused cloud services integrator in Bolivia.

The assets and liabilities recognized as a result of these the acquisitions are as follows:

in CHF 1,000	2016
Trade receivables	48
Tangible assets (note 14)	74
Intangible assets (note 15)	679
Goodwill (note 15)	864
Net assets acquired	**1,665**

The goodwill is attributable to the workforce and will be tax deductible.

Detail of the purchase consideration is as follows:

in CHF 1,000	2016
Cash paid	500
Contingent consideration liability	1,167
Total purchase consideration	**1,665**

There were no significant transaction costs related to this acquisition.

The acquired businesses contributed revenue of TCHF 1,401 and net profit of TCHF –604 since the acquisition.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The financial derivatives are measured with the aid of standardized mathematical models. The counterparty risk related to those derivatives is considered to be immaterial for the Group.

Risk management is carried out by Group Treasury under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk
(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Group Treasury has set up a policy to manage its foreign exchange risk. The Group hedges its foreign exchange risk exposure of future cash-flows, future commercial transactions and recognized assets and liabilities by derivative contracts.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk which, per Group policy, is not hedged. These differences are recognized in other comprehensive income and accumulated in equity. Translation risk is not considered in the below analysis.

The following table details the Group's sensitivity in the major currencies with all the other variables held constant. Due to small changes in the hedging process, we only show the impact from different major currencies instead of currency pairs.

A part of the below sensitivity impacts on profit and loss are related to a minor time lag between end of December and starting date of the hedging contracts in the following year.

Impact on profit or loss/OCI 2017	Sensitivity	2017	2017
		P&L	**OCI**
CHF	+/– 5%	+/– 803	+/– 566
CZK	+/– 5%	+/– 151	+/– 33
EUR	+/– 5%	+/– 472	+/– 2,005
GBP	+/– 5%	+/– 171	+/– 28
NOK	+/– 5%	+/– 131	+/– 297
SGD	+/– 5%	+/– 105	+/– 120
USD	+/– 5%	+/– 233	+/– 2,291

Impact on profit or loss/OCI 2016	Sensitivity	2016	2016
		P&L	**OCI**
USD/CHF	+/– 5%	+/– 859	+/– 9
GBP/EUR	+/– 5%	+/– 7	+/– 368
EUR/USD	+/– 5%	+/– 217	+/– 607
USD/GBP	+/– 5%	+/– 308	+/– 29
NOK/EUR	+/– 5%	+/– 2	+/– 434
AED/USD	+/– 10%	+/– 351	+/– 0
EUR/INR	+/– 10%	+/– 843	+/– 243

(ii) Interest rate risk
The Group's interest bearing instruments with variable interest are cash and bank overdrafts. There is no material exposure to interest rate risk.

Credit risk
Group Treasury is responsible for managing and analyzing the credit risk for all new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. No collateral is required. Individual risk limits are set based on internal or external ratings in accordance with guidelines set by the board. The utilization of credit limits is regularly monitored.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers which are internationally diversified. 35% of trade receivables are covered through credit insurance (prior year: 37%). 47% (prior year: 40%) of trade receivables are from customers with a top rating and 18% (prior year: 21%) are considered to be risk free. 2% (prior year 2%) of the receivables are too small to be insured.

Liquidity risk
Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities (for details see further below) at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets (see also 3.2 capital risk management) and, if applicable external regulatory or legal requirements.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

		Cash outflows				
in CHF 1,000	Carrying amounts	Total	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
As at 31 December 2017						
Trade payables	442,814	442,814	440,757	2,057	–	–
Other payables	18,279	18,279	13,342	4,937	–	–
Accrued expenses and deferred revenue	220,905	220,905	203,912	16,993	–	–
Financial liabilities	70,805	66,218	15,202	4,349	39,227	7,440
Total	**752,803**	**748,216**	**673,213**	**28,336**	**39,227**	**7,440**
As at 31 December 2016						
Trade payables	393,215	393,215	392,742	473	–	–
Other payables	13,457	13,457	8,155	5,302	–	–
Accrued expenses and deferred revenue	218,343	218,343	207,157	11,186	–	–
Financial liabilities	62,030	62,069	10,336	6,330	29,751	15,652
Total	**687,045**	**687,084**	**618,390**	**23,291**	**29,751**	**15,652**

This information is based on contractually agreed cash outflows, i.e. undiscounted interest and principal payments. The carrying amount of financial liabilities includes liabilities of TCHF 4,192 (2016: TCHF 5,684) related to NCI put and contingent purchase price UC Point of TCHF 4,500 which will not result in a cash outflow.

As at 31 December 2017, the Group had uncommitted credit lines (including factoring) of TCHF 295,430 (prior year: TCHF 273,628) available, of which 3.3% (prior year: 4.7%) drawn.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Surplus cash held by the operating entities over and above working capital requirements are transferred to Group Treasury whenever the legal environment permits. Group Treasury invests surplus cash in interest bearing current accounts or short-term time deposits to provide sufficient headroom as determined by the above-mentioned forecasts.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Capital is measured based on the Group's consolidated financial statements and monitored closely on an ongoing basis. The target of the management for the period under review was to strengthen the capital basis to sustain and support further development of the business. This goal was achieved by the positive operating results of the Group and the increase in equity.

The equity ratio for the year ended 31 December 2017 and the prior year were as follows:

in CHF 1,000	2017	2016
Total equity	209,617	172,786
Total assets	1,071,827	965,359
Equity ratio	**19.6%**	**17.9%**

The equity ratio for 2017 further increased mainly due to the Group's positive operating results 2017.

3.3 Fair value estimation

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables with a remaining term of up to twelve months, as well as other current financial assets and liabilities represent a reasonable approximation of their fair values, due to the short-term maturities of these instruments.

The fair value of derivatives is determined on the basis of input factors observed directly or indirectly on the market. The fair value of foreign exchange forward contracts is based on forward exchange rates. Currency options are valued based on option pricing models using observable input data.

The contingent consideration liabilities relates to the acquisition of the customer base of CompuCom, House of Lync and UC Point. As the purchase price is dependent on future cash flows of the acquired customer base and future EBITDA figures, contingent consideration liabilities were recognized. The fair values of the contingent consideration liabilities are determined by discounting future cash flows.

Financial instruments carried at fair value are analyzed by valuation method. The fair value hierarchy has been defined as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices for identical assets or liabilities at the balance sheet date.

Level 2: The fair value measurements are those derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models. For example, the fair value of interest rate and currency swaps is determined by discounting estimated future cash flows, and the fair value of forward foreign exchange contracts is determined using the forward exchange market at the end of the reporting period.

Level 3: The fair value measurements are those derived from valuation techniques using significant inputs for the asset or liability that are not based on observable market data.

There have been no transfers between the different hierarchy levels in 2017 and 2016.

3.4 Categories of financial instruments

The following table discloses the fair values of all financial instruments for each category:

As at 31 December 2017 in CHF 1,000	IAS 39 category	Carrying amount (by measurement basis) Amortized cost	Level 1	Level 2	Level 3	Total carrying amount*
FINANCIAL ASSETS						
Cash and cash equivalents	Loans and receivables at amortized cost	114,952				114,952
Trade receivables	Loans and receivables at amortized cost	692,806				692,806
Other receivables	Loans and receivables at amortized cost	78,527				78,527
Loans and other financial receivables	Loans and receivables at amortized cost	26,412				26,412
Derivative financial assets instruments	Fair value through profit or loss			3,181		3,182
Total financial assets		**912,697**	**–**	**3,181**	**–**	**915,878**
FINANCIAL LIABILITIES						
Trade payables	Financial liabilities at amortized cost	–442,814				–442,814
Other payables	Financial liabilities at amortized cost	–18,279				–18,279
Accrued expenses and deferred revenue	Financial liabilities at amortized cost	–220,905				–220,905
Contingent consideration liabilities	Fair value through profit or loss				–34,108	–34,108
Other financial liabilities	Financial liabilities at amortized cost	–36,694				–36,694
Derivative financial instruments	Fair value through profit or loss			–4,165		–4,165
Total financial liabilities		**–718,692**	**–**	**–4,165**	**–34,108**	**–756,965**

* The carrying amount is a reasonable approximation for fair value.

As at 31 December 2016 in CHF 1,000	IAS 39 Category	Carrying amount (by measurement basis) Amortized cost	Level 1	Level 2	Level 3	Total carrying amount*
FINANCIAL ASSETS						
Cash and cash equivalents	Loans and receivables at amortized cost	84,031				84,031
Trade receivables	Loans and receivables at amortized cost	644,732				644,732
Other receivables	Loans and receivables at amortized cost	54,884				54,884
Loans and other financial receivables	Loans and receivables at amortized cost	19,889				19,889
Derivative financial assets instruments	Fair value through profit or loss			7,365		7,365
Total financial assets		**803,536**	**–**	**7,365**	**–**	**810,901**
FINANCIAL LIABILITIES						
Trade payables	Financial liabilities at amortized cost	–393,215				–393,215
Other payables	Financial liabilities at amortized cost	–13,457				–13,457
Accrued expenses and deferred revenue	Financial liabilities at amortized cost	–218,343				–218,343
Contingent consideration liabilities	Fair value through profit or loss				–39,870	–39,870
Other financial liabilities	Financial liabilities at amortized cost	–22,158				–22,158
Derivative financial instruments	Fair value through profit or loss			–3,281		–3,281
Total financial liabilities		**–647,173**	**–**	**–3,281**	**–39,870**	**–690,324**

* The carrying amount is a reasonable approximation for fair value.

The change in carrying values associated with ‘Level 3’ financial instruments during the year ended 31 December 2017 are set forth below:

in CHF 1,000	2017	2016
Balance 1 January	**39,870**	**41,355**
Additions	4,500	1,167
(Disposals)/settlements	–4,293	–5,644
Fair value adjustment	–4,787	2,296
Currency translation adjustments	–1,182	696
Balance 31 December	**34,108**	**39,870**

The most significant unobservable input used to determine the fair value of the contingent consideration is the cash flow forecast, which is mainly based on future gross profit. The development of the future gross profit and the contingent consideration is linear. Thus, a change of +/– 10% in gross profit development leads to a change of cash outflow by +/– 10%. The fair value of the UC Point consideration liability is dependent on final adjusted EBITDA UC Point 31 December 2017.

3.5 Transfer of financial assets

The Group enters into transactions in which it transfers trade receivables under factoring agreements and as a result may either be eligible to derecognize the transferred receivables in their entirety or must continue to recognize the transferred receivables to the extent of any continuing involvement, depending on certain criteria. These criteria are discussed in the "Significant Accounting Policies".

The amount of the receivables sold as at 31 December 2017 is TCHF 15,317 (prior year TCHF 21,289). This amount is fully derecognized from the balance sheet.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Significant estimates
a) Income taxes (note 9)
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes.

Major assessments are required to measure the deferred tax assets and liabilities of the Group. In particular, the deferred tax assets on unused tax losses require estimates of the amount and dates of future taxable income as well as the future tax planning strategies. If there is doubt that it will be possible to realize the unused tax losses, these are not recognized or impaired.

b) Acquired customer relationships and contingent consideration
(note 15 intangible assets and note 18 financial liabilities)
Acquired customer relationships are capitalized. The Group considers an amortization period of 10 years. The customer relationships are assessed for impairment if events or changes in circumstances indicate that its value may be impaired. Main estimates on which the valuation is performed contain future cash flows and the discount rate.

Contingent consideration liabilities reflect potential future payments following the acquisition of customer relationships and businesses. The calculation of the future payments is based on future cash flows. These future cash flows were estimated at initial recognition. These assumptions are reviewed annually, and changes will impact profit and loss. To determine the appropriate discount rate, the Group considers the interest rate specific to the company using the same estimated maturity of the contingent consideration liabilities.

c) Pension benefits
The present value of the pension obligations depends on actuarial assumptions including the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in note 19.

Significant judgments

a) Consolidation of Latam Holding SL and its subsidiaries

Management considers that the Group controls Latam Holding SL, Madrid, and its subsidiaries even though it has only 50% of the voting rights. The operations of the Latam Group are fully managed by the Group. Further, the Group has a currently exercisable call option to acquire all remaining shares from the other shareholder (note 18).

b) Put option of non-controlling interests

The Group has a call option to acquire outstanding shares from the major non-controlling interests. Further, all non-controlling interests have a put option to sell and convert their shares into shares of the Company. These put options on non-controlling interests are considered to be a financial liability as defined in IAS 32. The liability is measured at the redemption amount as if the put option had been exercised at the balance sheet date. This valuation requires various estimates and mainly depends on the EBITDA-development of the Group. Subsequent re-measurements and changes of the put option liability are recorded in equity (note 18).

5 Exchange rates

		2017	31.12.17	2016	31.12.16
Currency (1 CHF =)	Abbr.	Ø-rate	closing rate	Ø-rate	closing rate
Brazilian real	BRL	3.24	3.38	3.51	3.20
Chinese yuan renminbi	CNY	6.86	6.67	6.75	6.82
Euro	EUR	0.90	0.85	0.92	0.93
British pound	GBP	0.80	0.76	0.75	0.80
Indian rupee	INR	66.09	65.45	68.19	66.71
Malaysian ringgit	MYR	4.36	4.15	4.21	4.41
Singapore dollar	SGD	1.40	1.36	1.40	1.42
US dollar	USD	1.01	1.02	1.01	0.98

6 Personnel expenses

in CHF 1,000	2017	2016
Salaries fixed	–133,347	–129,977
Salaries variable	–44,696	–43,086
Social security costs	–23,391	–22,340
Pension costs – defined benefit plans (note 19)	–3,123	–3,050
Pension costs – defined contribution plans	–3,517	–3,922
Other personnel expenses	–7,044	–9,120
Total personnel expenses	**–215,118**	**–211,495**
Average head count (FTE)	**2,784**	**2,827**

7 Other operating expenses

in CHF 1,000	2017	2016
Travel and car expenses	–18,681	–17,376
Administrative expenses	–13,607	–12,431
Rent and office maintenance	–10,639	–10,374
Information technology expenses	–6,161	–6,157
Telecommunication expenses	–2,553	–2,837
Marketing expenses	–578	–1,622
Other operating expenses	–3,404	–1,918
Total other operating expenses	**–55,623**	**–52,715**

8 Finance result

in CHF 1,000	2017	2016
Interest income	766	1,443
Other finance income	6,922	1,069
Finance income	**7,688**	**2,512**
Interest expense	–3,242	–4,235
Other finance expenses	–2,803	–2,830
Finance expenses	**–6,045**	**–7,065**
Currency translation, net	**–6,114**	**–10,399**
Total finance result	**–4,472**	**–14,952**

Other finance income includes in 2017 TCHF 5,775 (gross amount excluding interest expense of TCHF 988) revaluation gains of contingent consideration liabilities (see section 3.4).

The currency translation net result 2017 excludes unrealized losses on derivatives in the amount of TCHF 4,045 (prior year: TCHF 3,006 unrealized gains) recognized in OCI and to be recycled in future periods. In 2017 TCHF 1,675 gains (prior year: TCHF 0) have been recycled into profit and loss (see also note 13).

9 Income taxes

Tax expenses comprise the following positions:

in CHF 1,000	2017	2016
Current income taxes	–20,462	–14,405
Change in deferred taxes	–149	4,343
Total tax expense	**–20,611**	**–10,062**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

in CHF 1,000	2017	2016
Earnings before income tax (EBT)	**60,989**	**27,911**
Expected average group tax rate	25.5%	29.8%
Tax at expected average rate	**–15,566**	**–8,328**
+/– Effect of		
Expenses not deductible for tax purposes	–2,531	–2,104
Income not subject to tax	1,302	1,448
Utilization of previously unrecognized tax losses	204	120
Impairment of previously recognized tax losses	–676	–1,188
Capitalization of tax losses previously not recognized	637	1,695
Unrecognized tax losses	–481	–1,576
Current income tax charges/credits related to prior periods	285	–156
Impact from tax rate changes	–647	17
Other effects	–3,140	24
Total tax expense	**–20,611**	**–10,062**
Effective tax rate	**33.8%**	**36.0%**

The Group's expected average tax rate is the aggregate obtained by applying the expected tax rate for each individual jurisdiction to its respective result before taxes. The weighted average expected tax rate was 25.5% (2016: 29.8%).

The increase of other effects in 2017 is mainly related to impairments of withholding taxes (TCHF 2,016) and effects from a tax audit in Austria (TCHF 444).

In 2017, TCHF 0 taxes related to transactions in treasury shares are recognized directly in equity (prior year TCHF 210).

Deferred income tax

Deferred tax income of TCHF 422 (prior year deferred tax expense TCHF –791) are recorded in other comprehensive income on actuarial losses on post-employment benefit obligations (note 19) and on hedge accounting (note 13).

Deferred tax assets and liabilities are based on the temporary differences between Group valuation and tax valuation:

in CHF 1,000	2017		2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	1,389	1,760	2,064	2,959
Other current assets	677	1,219	221	1,491
Tangible and intangible assets	2,711	7,802	3,492	8,342
Other non-current assets	549	2,583	237	1,181
Accrued expenses and prepaid income	1,803	19	2,840	957
Other current liabilities	1,571	14	1,318	–
Retirement benefit obligations	1,996	–	1,804	–
Other non-current liabilities	1,955	970	938	–
Deferred taxes from losses carried forward	4,198	–	4,813	–
Total	**16,849**	**14,367**	**17,729**	**14,930**
Offsetting of balances	–4,102	–4,102	–3,402	–3,402
Total	**12,747**	**10,265**	**14,327**	**11,528**

For some Group companies, dividend payments are subject to a withholding tax which cannot be fully recovered in Switzerland. The Company has not recognized deferred tax liabilities associated with investments in subsidiaries where the Group can control the reversal of the temporary differences and where it is not probable that the temporary differences will reverse in the foreseeable future.

The aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized amounts to TCHF 26,934 (prior year TCHF 22,933).

The movement of available tax loss carry-forwards is as following:

in CHF 1,000	2017	2016
Available tax loss carry-forwards at 1 January	39,730	36,077
Tax losses arising in current year	4,501	8,891
Tax losses utilized against current year profits	–3,990	–4,126
Expired tax losses during the period	–454	–331
Other movements	–2,216	–470
Currency translation adjustments	1,167	–311
Available tax loss carry-forwards at 31 December	**38,738**	**39,730**

Deferred tax assets of TCHF 4,198 (prior year: TCHF 4,813) were recorded in respect of available tax loss carry-forwards of TCHF 15,019 (prior year: TCHF 17,485). A deferred tax asset from tax loss carry-forwards may only be capitalized if taxable profits are probable.

Tax losses, for which no deferred tax asset was recognized will expire as follows:

in CHF 1,000	2017	2016
Expiry within 12 months	435	224
Expiry in 2–3 years	4,258	4,113
Expiry in 4–5 years	2,949	2,776
Expiry in more than 5 years	10,221	10,456
No expiry date	5,856	4,677
Total	**23,719**	**22,246**

The Group did not recognize deferred tax assets of TCHF 481 (prior year: TCHF 1,576) in respect of losses of the year amounting to TCHF 2,488 (prior year: TCHF 5,458).

10 Cash and cash equivalents

in CHF 1,000	2017	2016
Cash at bank	114,694	75,643
Short-term bank deposits	258	8,388
Total	**114,952**	**84,031**

11 Trade receivables

in CHF 1,000	2017	2016
Trade receivables	699,055	652,496
Less provision for impairment of trade receivables	–6,249	–7,764
Trade receivables, net	**692,806**	**644,732**

The Group reviews its receivables periodically to determine an adequate impairment provision. Impairment provisions are recorded for accounts where collection is uncertain. The ageing of these receivables is as follows:

in CHF 1,000	2017		2016	
	Trade receivables aging	thereof impaired	Trade receivables aging	thereof impaired
Not past due	571,742	–92	537,612	–48
Past due since 1–90 days	100,402	–233	95,763	–22
Past due since 91–180 days	9,658	–567	10,425	–1,141
Past due since 181–360 days	5,745	–1,276	3,828	–1,803
Past due since more than 360 days	11,508	–4,081	4,866	–4,750
Total trade receivables, gross	**699,055**	**–6,249**	**652,496**	**–7,764**

Movements on the Group provision for impairment of trade receivables are as follows:

in CHF 1,000	2017	2016
At 1 January	**–7,764**	**–8,599**
Allowance recognized	–1,873	–3,967
Receivables written off during the year as uncollectible	1,014	119
Unused amounts reversed	2,373	4,701
Currency translation adjustments	1	–17
At 31 December	**–6,249**	**–7,764**

The creation and release of the allowance for doubtful accounts have been included in cost of software purchased in the income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group does not hold any collateral as security.

12 Other receivables and prepayments and accrued income

in CHF 1,000	2017	2016
Other receivables	58,759	47,746
Prepaid expenses and accrued income	58,354	47,856
Current portion other receivables and prepaid expenses	**117,113**	**95,602**

Other receivables mainly include VAT and other sales tax receivables. Prepaid expenses and accrued income mainly include accrued software sales.

13 Derivative financial instruments

in CHF 1,000	2017	2016	2017		2016	
	Notional amount	Notional amount	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Current						
Forward foreign exchange contracts	372,570	424,427	2,613	3,188	5,540	2,792
– cash flow hedges recognized in OCI	66,815	58,067	1,030	1,664	2,399	722
– not designated as hedging instruments	305,755	366,360	1,583	1,524	3,141	2,070
Non-current						
Forward foreign exchange contracts	34,979	51,724	568	977	1,825	489
– cash flow hedges recognized in OCI	34,719	50,768	555	977	1,805	481
– not designated as hedging instruments	261	956	13	–	20	8
Total derivatives	**407,549**	**476,151**	**3,181**	**4,165**	**7,365**	**3,281**

Derivatives not designated for hedge accounting
Foreign exchange forward contracts used to hedge the exposure from existing foreign currency balance sheet positions are not designated as cash flow hedge and therefore not accounted for using hedge accounting. Gains and losses from the re-valuation at fair market value are recognized through profit and loss.

Cash flow hedges
Foreign exchange forward contracts for highly probable future transactions (sales and purchase) are designated as cash flow hedges. Those transactions are expected to affect profit and loss within the next 24 months. At the inception of a hedge relationship, the Group designates and documents the hedge relation to apply hedge accounting. The hedge relation includes the hedging instrument and the hedged item and the nature of the risk being hedged. The hedges are expected to be highly effective.

Fair value of the effective portion of cash flow hedges is recognized in OCI and later reclassified to profit or loss when the hedged item affects profit or loss. The ineffective portion is recognized immediately in profit or loss.

14 Tangible assets

in CHF 1,000	IT equipment	Leasehold improvement	Furniture/ fixtures	Vehicles	Other equipment	Total
At 1 January 2017	**12,681**	**4,242**	**3,421**	**6,212**	**315**	**26,871**
Business acquisitions	–	–	–	–	139	139
Additions	1,034	172	313	228	66	1,813
Disposals	–280	–200	–64	–1,541	–24	–2,109
Reclassification	25	–	–25	–	–	–
Currency translation adjustments	84	7	57	417	32	597
As at 31 December 2017	**13,544**	**4,221**	**3,702**	**5,316**	**528**	**27,310**
Accumulated depreciation						
At 1 January 2017	**–8,323**	**–1,547**	**–1,332**	**–3,438**	**–296**	**–14,936**
Additions	–2,764	–702	–531	–945	–92	–5,034
Disposals	252	177	58	1,306	23	1,817
Reclassification	10	–	–10	–	–	–
Currency translation adjustments	–78	1	–23	–224	–28	–352
As at 31 December 2017	**–10,903**	**–2,071**	**–1,838**	**–3,301**	**–393**	**–18,505**
Net book value 31 December 2017	**2,641**	**2,149**	**1,864**	**2,016**	**135**	**8,805**

As at 31 December 2017, there were no contractual commitments for the purchase of tangible assets and no impairment was required.

in CHF 1,000	IT equipment	Leasehold improvement	Furniture/ fixtures	Vehicles	Other equipment	Total
At 1 January 2016	**10,136**	**3,241**	**2,339**	**6,254**	**294**	**22,266**
Business acquisitions	74	–	–	–	–	74
Additions	2,546	1,072	1,116	898	97	5,729
Disposals	–196	–116	–104	–869	–21	–1,305
Reclassification	59	–	–	–	–59	–
Currency translation adjustments	61	45	69	–71	4	108
As at 31 December 2016	**12,681**	**4,242**	**3,421**	**6,212**	**315**	**26,871**
Accumulated depreciation						
At 1 January 2016	**–5,459**	**–927**	**–966**	**–3,008**	**–230**	**–10,590**
Additions	–3,001	–675	–461	–1,157	–92	–5,386
Disposals	207	82	92	693	5	1,080
Reclassification	–42	–	23	–	19	–
Currency translation adjustments	–29	–27	–19	34	2	–40
As at 31 December 2016	**–8,323**	**–1,547**	**–1,332**	**–3,438**	**–296**	**–14,936**
Net book value 31 December 2016	**4,358**	**2,695**	**2,089**	**2,774**	**19**	**11,935**

As at 31 December 2016, there were no contractual commitments for the purchase of tangible assets and no impairment was required.

15 Intangible assets

in CHF 1,000	Goodwill	Acquired technology & customer relationships	Brand name	Internally generated intangibles	Total
At 1 January 2017	**892**	**54,217**	**31,277**	**7,458**	**93,844**
Business acquisitions	7,944	2,858	–	–	10,802
Additions	–	176	–	8,871	9,047
Disposals	–	–4	–	–	–4
Currency translation adjustments	–34	–1,422	–	–	–1,456
As at 31 December 2017	**8,803**	**55,825**	**31,277**	**16,329**	**112,233**
Accumulated amortization					
At 1 January 2017	**–**	**–10,293**	**–**	**–1,256**	**–11,549**
Amortization	–	–5,592	–	–1,971	–7,563
Currency translation adjustments	–	251	–	–	251
As at 31 December 2017	**–**	**–15,634**	**–**	**–3,227**	**–18,867**
Net book value 31 December 2017	**8,803**	**40,190**	**31,277**	**13,097**	**93,372**

Goodwill acquired in 2017 through business combinations (see note 2.3) is fully allocated to the acquisition of UC Point (see note 2.3).

Internally generated intangible assets mainly relate to PyraCloud, a platform helping organizations manage the entire lifecycle of on-premises software and providing insights into the best options and consumption as workloads shift to the cloud.

In 2015, the customer base (software license business) of CompuCom was acquired. The purchase price is fully based on variable payments depending on future revenues generated from those customers over a period of 10 years. At acquisition date, the purchase price has been determined based on the net present value of estimated total payments to be made. These customer relationships are amortized over a period of 10 years. The remaining amortization period is 7.5 years with a carrying amount of TCHF 28,920 (2016: TCHF 39,920).

The brand, SoftwareONE, was acquired in a business combination and is the only brand capitalized. It has been determined to have an indefinite useful life as there is no intention to abandon the brand name. It has existed for many years and the Group has the ability to maintain the brand value for an indefinite period of time. Thus, the brand name is not amortized, but is assessed for impairment annually. In 2016 and 2017, no new calculation of the recoverable amount was carried out and the existing calculation for 2015 was carried forward as the recoverable amount significantly exceeded the carrying amount and management estimates that no changes have occurred that would result in an impairment. Main assumptions at 1 January 2015 were a potential royalty fee (5%) and the weighted average cost of capital (8.65%).

in CHF 1,000	Goodwill	Acquired technology & customer relationships	Brand name	Internally generated intangibles	Total
At 1 January 2016	**–**	**52,025**	**31,277**	**2,126**	**85,428**
Business acquisitions	864	679	–	–	1,543
Additions	–	682	–	5,332	6,014
Disposals	–	–3	–	–	–3
Currency translation adjustments	28	833	–	–	861
As at 31 December 2016	**892**	**54,217**	**31,277**	**7,458**	**93,844**
Accumulated amortization					
At 1 January 2016	**–**	**–4,645**	**–**	**–528**	**–5,173**
Amortization	–	–5,446	–	–728	–6,174
Disposals	–	3	–	–	3
Currency translation adjustments	–	–204	–	–	–204
As at 31 December 2016	**–**	**–10,293**	**–**	**–1,256**	**–11,549**
Net book value 31 December 2016	**892**	**43,924**	**31,277**	**6,202**	**82,295**

Goodwill acquired in 2016 through business combinations (see note 2.3) is allocated to the HOL (House of Lync) CGU for impairment testing. The Group performs its annual impairment test in December 2017. The recoverable amount of the HOL CGU is based on a value in use calculation using cash flow projections from financial budget approved by senior management covering a three-year period. The pre-tax discount rate applied to the cash flow projections is 10.43% (prior year: 8.8%) and cash flows beyond the three-year period are extrapolated using a 2.0% (prior year 2.0%) growth rate.

16 Trade and other payables

in CHF 1,000	2017	2016
Trade payables	442,814	393,215
Accrued expenses and deferred revenue	235,237	240,476
Other payables	76,510	60,898
Total current portion trade and other payables	**754,561**	**694,589**

Accrued expenses and deferred revenue mainly include sales and employee related accruals. Other payables mainly include VAT and other sales tax-related liabilities.

17 Provisions

in CHF 1,000	Employment-related	Other	Total
Current provisions	–	66	66
Non-current provisions	3,856	–	3,856
Total provisions	**3,856**	**66**	**3,922**
Statement of changes			
At 1 January 2017	**4,376**	**68**	**4,444**
Increase	–	1	1
(Unused amounts released)	–300	–	–300
Currency translation adjustments	–220	–3	–223
As at 31 December 2017	**3,856**	**66**	**3,922**

18 Financial liabilities

in CHF 1,000	2017	2016
Current		
Bank overdrafts	9,190	6,984
Contingent consideration liabilities	9,009	5,283
Redemption amount of put options	8,593	8,702
Other current financial liabilities	1,497	1,381
Total current financial liabilities	**28,289**	**22,350**
Non-current		
Contingent consideration liabilities	25,099	34,587
Long-term supplier liabilities	16,520	5,011
Other non-current financial liabilities	897	82
Total non-current financial liabilities	**42,516**	**39,680**
Total financial liabilities	**70,806**	**62,030**

a) Bank overdrafts
The Group has various unsecured bank overdrafts. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

b) Contingent consideration liabilities
In 2016, assets of House of Lync were acquired (business combination). Part of the purchase price is a contingent consideration liability based on future EBITDA amounts, to be settled in cash in the first quarter 2019.

The fair value of the contingent consideration liability has been calculated considering HOL expected average EBITDA 2016–2018 and is limited to MUSD 5.5.

In 2017, the contingent consideration liability was fully released and recognized as other finance income (MCHF 1.2).

In 2015, the customer base (software license business) of CompuCom was acquired. The purchase price is fully based on variable payments depending on future revenues generated from those customers over a period of 10 years. The contingent consideration liability reflects the net present value of the expected payments. These estimations are reviewed at each balance sheet date and adjusted as necessary. Adjustments are booked through the profit and loss statement. Payments are made monthly. In 2017, the contingent consideration liability was partially released and recognized as other finance income (MCHF 4.6).

In 2017, UC Point Group was acquired (business combination). Part of the purchase price (MCHF 4.5) is a contingent consideration liability based on adjusted EBITDA 31 December 2017, to be settled in SWO holding shares in the first half year 2019.

c) Redemption amount of put-options
Major non-controlling interests have a put option to sell their shares to the Group. The carrying amount is TCHF 4,234 (prior year: TCHF 5,684). Changes in the liability amount are recognized in equity. The liability is measured at the redemption amount as if the put option had been exercised at the balance sheet date.

A minority shareholder has a put option on his SoftwareONE Holding AG shares. The carrying amount is TCHF 4,359 (prior year: TCHF 3,018). Changes in the liability amount of TCHF 1,341 are recognized in finance expenses (prior year TCHF 25 finance expense).

d) Long-term supplier liabilities
Supplier liabilities for upfront recognized revenue (multi-year contracts).

Changes in liabilities arising from financing activities

		Changes in financial liabilities				
in CHF 1,000 As at 1 January 2017	1 January 2017	Cash flows	Foreign exchange movement	Change in fair value	Other	31 December 2017
Bank overdrafts	6,984	1,300	906	–	–	9,190
Contingent consideration liabilities	39,870	–4,293	–1,180	–4,787	4,500	34,111
Redemption amount put options	8,702	–	–	377	–486	8,593
Other current financial liabilities	1,381	117	–	–	–	1,498
Long-term supplier liabilities	5,011	–	747	–	10,762	16,520
Other non-current financial liabilities	82	812	–	–	–	894
Total financial liabilities	**62,030**	**–2,064**	**473**	**–4,410**	**14,776**	**70,806**

In the statement of cash flows the change in financial liabilities is presented on a gross basis. The settlement of the redemption amount put options and the position other from the contingent liability (TCHF 4,500) will be settled in SWO shares. The long-term supplier liabilities will be reclassified to trade payables before payment and be treated as operating cash flow.

19 Other long-term liabilities

Other long-term liabilities only include liabilities due to defined benefit plans.

Defined benefit plans
The Group's retirement plans include defined benefit pension plans in Switzerland, India, Mexico, Ecuador, France, Italy and Indonesia. These plans are, except the plan in Switzerland, unfunded and all determined by local regulations using independent actuarial valuations according to IAS 19. The Group's major defined benefit plan in Switzerland accounts for TCHF 11,246 or 89.0% (2016: 11,294 or 92.7%) of the Group's defined benefit obligation.

Pension plans in Switzerland
The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan of SoftwareONE's Swiss Company is administered by a separate legal foundation, which is funded by regular employer and employee contributions defined in the pension fund rules. The Swiss pension plan contains a cash balance benefit which is in essence contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan under IFRS. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of an asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing future benefits.

As at 31 December 2017, 182 employees (previous year 196 employees) and 1 retiree (previous year 1 retiree) are insured under the Swiss plan. The defined benefit obligation has a duration of 21.5 years (2016: 21.6 years).

Amounts recognized in the balance sheet:

in CHF 1,000	2017	2016
Present value of funded obligations Switzerland	–36,061	–33,800
Fair value of plan assets Switzerland	24,815	22,647
Present value of unfunded obligations	–1,395	–1,032
Liability in the balance sheet	**–12,641**	**–12,185**

Reconciliation of the present value of the defined benefit obligation (DBO):

in CHF 1,000	2017	2016
At 1 January	**34,832**	**33,644**
Service costs	3,123	2,933
Employee contribution	1,312	1,126
Interest cost	272	366
Actuarial losses/(gains)	–752	–1,773
Benefits paid/transferred	–1,433	–1,451
Currency translation adjustments	102	–13
As at 31 December	**37,456**	**34,832**

Reconciliation of fair value of plan assets:

in CHF 1,000	2017	2016
At 1 January 2017	**22,647**	**21,179**
Interest income	177	235
Return on plan assets (excluding interest income)	942	–161
Employer contributions	1,312	1,126
Employee contributions	1,312	1,126
Benefits paid/transferred	–1,575	–858
As at 31 December 2017	**24,815**	**22,647**

Pension costs:

in CHF 1,000	2017	2016
Current service cost	3,123	2,933
Interest cost on defined benefit obligation	272	366
Interest on plan assets	–177	–235
Total defined benefit cost recognized in income statement	**3,218**	**3,050**
Thereof finance expense	95	131
Thereof personnel expense	3,123	2,920
Actuarial (gain)/loss arising from demographic assumptions	–	–3,251
Actuarial (gain)/loss arising from changes in economic assumptions	–	1,330
Actuarial (gain)/loss arising from experience	–752	148
Return on plan assets excluding interest income	–942	–161
Total remeasurements cost recognized in OCI	**–1,694**	**–1,934**
Total defined benefit cost	**1,429**	**1,117**

As a result of applying the new BVG 2016 actuarial tables in Switzerland, an actuarial gain of TCHF 3,251 was recognized in OCI in 2016.

Split of plan assets in %:

	2017	2016
Cash and cash equivalents	1.0%	2.0%
Equity instruments	28.0%	31.0%
Debt instruments	48.0%	44.0%
Real estate	19.0%	19.0%
Other	4.0%	4.0%
Total	**100.0%**	**100.0%**

The actual return on plans assets amounted to TCHF 1,122 (2016: TCHF 74).

Significant actuarial assumptions:

	2017	2016
Discount rate	0.75%	0.75%
Salary growth rate	1.0%	1.0%

Pension liability – Sensitivity analysis:

	Change in assumption	Change in DBO
Discount rate	+/– 0.25 bps	–/+ 5.1%
Salary growth rate	+/– 0.25 bps	+/– 1.3%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected employer contributions to post-employment benefit plans for the year ending 31 December 2017 amount to TCHF 1,457.

The Group also operates defined contribution plans for its employees under which the relevant contributions are expensed as they occur. The aggregate cost of these plans in 2017 amounted to TCHF 3,517 (2016: TCHF 3,922).

20 Share capital

	Number of shares (thousands)	in CHF 1,000
At 1 January 2016	**13,542**	**1,354**
Increase	–	–
At 31 December 2016	**13,542**	**1,354**
Increase/(decrease)	–	–
At 31 December 2017	**13,542**	**1,354**

The nominal value of the Company's shares amount to CHF 0.10. All shares issued by the Company are fully paid.

Treasury shares

	Number of shares	in CHF 1,000
At 1 January 2016	**471,811**	**2,634**
Shares sold and allocated under employee share plan	–153,074	–2,218
At 31 December 2016	**318,737**	**416**
Shares sold and allocated under employee share plan	–13,863	–186
At 31 December 2017	**304,874**	**230**

21 Dividends

The dividends paid in 2017 were TCHF 6,000 or CHF 0.45 per share (prior year TCHF 8,500 or CHF 0.65 per share). A dividend in respect of the year ended 31 December 2017 of CHF 1.03 per share (excluding treasury shares), amounting to a total dividend of TCHF 13,600, is to be proposed at the annual general meeting on 5 June 2018. These financial statements do not reflect this proposed dividend. Dividends are paid out of the capital contribution reserve.

22 Employee share plan and share-based payment

Employee Share Plan:
SoftwareONE employees were given the opportunity in 2013 and 2016 to participate in the Group's employee share plan (ESP2 and ESP3) and purchase shares in the Company at terms considered to represent market terms. All shares under the plan are subject to transfer restrictions and can only be sold in case an exit is offered by the Company. The Company and major shareholder have a call option to purchase the shares from the participant in case of a triggering event, such as termination of employment or death (applying same valuation principles as for purchase by employees).

The shares sold under the ESP to the Group's employees fall under IFRS 2, as the transfer of shares is restricted up to the planned exit event and in the case that participants leave the Company early, leavers conditions will apply (= service condition). As to date the Company did not make use of its call option and an IPO or a trade sale is considered the most likely event, the transaction is deemed an equity-settled share-based compensation. The value paid by the employees is considered fair market value by management. Consequently, no share-based payment expense has been recorded for this plan.

Share-based payment:
In 2015, SoftwareONE Group started to grant SoftwareONE Holding AG treasury shares to selected employees free of charge if the vesting condition (still be employed with SoftwareONE at a defined point in time) is fulfilled. The shares issued under this agreement fall under IFRS 2 (equity settled plan). The fair value of those shares at grant date is recognized in personal expenses over the vesting period (1 to 50 months) and was calculated using a market approach model.

In 2017, 5,340 shares have been granted at a weighted average price per share of CHF 24.50 (2016 58,483 shares at CHF 24.2 per share). In 2017, personnel expenses include TCHF 477 for share-based payment transactions (2016: TCHF 324).

Management Incentive Plan (MIP):
Since 2017 selected senior SWO employees participate in the Management Incentive Plan (MIP), a plan set up/sponsored by shareholders of the Company. Participants will receive a cash payment in case of a triggering event (IPO of SWO or trade sale or similar) provided such proceeds exceed a certain return on investment/hurdle. SoftwareONE is not a party to this arrangement but it receives employee service from the MIP plan participants.

While SWO has no obligation to settle the entitlements of MIP participants, management has determined that the MIP represents a share-based payment arrangement under IFRS. The fair value of the award granted in 2017 amounts to TCHF 163. The MIP contains features typical of share-based payment schemes such as being required to remain employed with SWO at the time of the triggering event, otherwise any entitlements will be forfeited.

In 2017, expenses in the amount of TCHF 20 have been recognized in P&L and equity (2016: TCHF 0).

23 Contingencies

SoftwareONE Group as an internationally operating Group is exposed to contingencies in respect of legal and tax claims in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

In 2016, the Federal Revenue Office in São José dos Campos ("DRF/SJC") issued an Infraction Notice against SoftwareONE Brazil for the fiscal year 2012, levying alleged debts related to sales tax contributions ("PIS/COFINS"), charging the difference between the non-cumulative system (9.25%) and the cumulative system (3.65%). As expected, in July 2017, the administrative appeal against this Infraction Notice was rejected. Nevertheless, SoftwareONE Brazil and SoftwareONE Group are still of the opinion that the cumulative system was and still is correctly applied, in line with industry standard and is defending its position with the support of third-party lawyers. Thus, SoftwareONE Brazil has filed a further appeal before the Administrative Tax Appeal Court ("CARF"). Neither the amount under dispute nor the probability of the outcome of the dispute can be reliably predicted at this stage.

24 Commitments

a) Non-cancellable operating lease commitments – Group Company as lessee
The Group leases various offices, cars and IT under non-cancellable operating lease agreements. The lease terms are between 3 months and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. Most leases relate to office rental agreements. The lease expenditure for rent charged to the income statement during the year amounted to TCHF 9,076 (2016: TCHF 8,558).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

in CHF 1,000	2017	2016
No later than 1 year	8,108	7,410
Later than 1 year and no later than 5 years	17,116	18,062
Later than 5 years	1,628	3,107
Total	**26,852**	**28,579**

25 Related party transactions

The following transactions were carried out with related parties:

in CHF 1,000	2017	2016
Services rendered	–114	–90
Finance expenses	–	–150

Finance expenses in 2016 relate to interest payments on shareholder loans from related parties (note 18). Financial liabilities to related parties were unsecured and interest bearing shareholder loans (note 18). The loan was repaid on 30 June 2016.

Key management includes members of the Board of Directors and members of the Executive Management Team (EMT). The compensation paid or payable to key management for employee services is shown below:

in CHF 1,000	2017	2016
Salaries and other short-term employee benefits	–3,888	–2,952
Post-employment benefits	–91	–63
Share-based payments	–203	–124
Total	**–4,182**	**–3,139**

26 Subsequent events

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 11 September 2019 for re-issuance (refer to note 2.1), the following significant events occurred that require disclosure.

Acquisitions:
As of 31 January 2019, SoftwareONE Holding AG acquired 100% of Comparex AG, Germany ('Comparex').

As a global IT company with thirty years of experience, Comparex Group is one of the world's leading IT service providers in the EMEA markets. Comparex develops innovative services that support management and leverage software products, leading to an overall improvement of workforce productivity. Comparex serves corporate customers spanning from small businesses to large international corporations as well as public institutions – supporting every customer during their digital journey towards productivity optimization.

The transaction resulted in a net cash inflow in the amount of TCHF 56,502. The provisional purchase price in the amount of TCHF 353,672 consists of a cash payment (TCHF 54,463), a contingent consideration of TCHF 34,209 and 2,315,289 newly issued Company shares with a fair value in the amount of TCHF 265,000 (capital increase in SoftwareONE Holding AG).

As of 29 August 2019, SoftwareONE Switzerland AG acquired 40% of IG Services S.A.S. located in Columbia with subsidiaries in Mexico, Panama, Dominican Republic, Ecuador and Peru. The purchase price in the amount of TCHF 7,295 was fully paid in cash. This investment will be accounted as at equity.

As of 29 August 2019, SoftwareONE Switzerland AG acquired the remaining 50% minority interest of SoftwareONE Latam Holding S.L. located in Spain with subsidiaries in Mexico, Columbia, Dominican Republic, Ecuador and Peru. The purchase price in the amount of TCHF 7,967 was fully paid in cash (refer to note 18).

27 Summarized financial information on subsidiaries with material non-controlling interests

Set out below is the summarized financial information (before intercompany elimination) for Latam Holding SL, which has non-controlling interests that are material to the Group. The Group holds 50% of the voting rights in Latam Holding SL, Madrid and its subsidiaries, which operate in the Latin American region.

Summarized balance sheet

	2017	2016
Current assets	40,514	55,573
Non-current assets	13,940	12,902
TOTAL ASSETS	**54,454**	**68,475**
Current liabilities	27,434	41,265
Non-current liabilities	17,291	18,394
TOTAL LIABILITIES	**44,725**	**59,659**
NET ASSETS	**9,729**	**8,816**

Summarized income statement

	2017	2016
Revenue	108,704	121,032
Loss/profit before income tax	–124	2,162
Income tax expense	–1,312	–1,822
Loss/profit for the year	**–1,436**	**340**
Total comprehensive income allocated to non-controlling interests	**170**	**1,990**

Summarized cash-flows

	2017	2016
Net cash generated from operating activities	–258	974
Net cash used in investing activities	–393	–3,555
Net cash used in financing activities	1,602	3,415
Cash and cash equivalents at end of year	7,134	6,290

28 List of Group companies

Company	Registered country	Voting & capital right in % 2017	Voting & capital right in % 2016
Western Europe			
SWO Holding AG	Stans, CH	n/a	n/a
SWO Switzerland AG	Stans, CH	100.0	100.0
SWO Germany	Munich, DE	100.0	100.0
SWO Germany Services GmbH	Heilbronn, DE	100.0	100.0
SWO UK Ltd.	Wimbledon, GB	100.0	100.0
SWO Italia S.r.l.	Milan, IT	100.0	100.0
SWO Netherland	Amsterdam, NL	100.0	100.0
SWO France SAS	Paris, FR	100.0	100.0
SWO Austria	Vienna, AT	100.0	100.0
SWO Spain S.L.	Madrid, ES	100.0	100.0
SWO Finland	Espoo, FI	100.0	100.0
SWO Sweden	Kista, SE	100.0	100.0
SWO Norway AS	Oslo, NO	100.0	100.0
SWO Denmark	Copenhagen, DK	100.0	100.0
SWO LATAM Holding S.L.	Madrid, ES	50.0	50.0
SWO Belgium S.p.r.l.	Brussels, BE	100.0	100.0
SWO Ireland	Cork, IE	100.0	100.0
UC Point AG	Lucerne, CH	100.0	–
UC Point GmbH	Cologne, DE	100.0	–
UC Point Mexico	Mexico City, MX	100.0	–
Eastern Europe			
SWO Czech Republic s.r.o.	Prague, CZ	100.0	100.0
SWO Slovakia s.r.o.	Bratislava, SK	100.0	100.0
SWO Russia	Moscow, RU	100.0	100.0
SWO Hungary Ltd.	Budapest, HU	100.0	100.0
SWO Poland	Warsaw, PL	100.0	100.0
SWO Romania	Bucharest, RO	100.0	100.0
SWO South Africa	Johannesburg, ZA	100.0	100.0
SWO Mauritius	Port Louis, MU	100.0	100.0
SWO Dubai FZ – LLC[1)]	Dubai, AE	100.0	100.0
SWO Serbia	Belgrade, RS	100.0	100.0
SWO Turkey	Istanbul, TR	100.0	100.0

1) in liquidation

North America (NORAM)			
SWO United States	New Berlin, USA	100.0	100.0
UC Point Inc.	Irvine, US	100.0	–
SWO Canada Inc.	Toronto, CA	100.0	100.0
Latin America (LATAM)			
SWO Brazil	São Paolo, BR	100.0	100.0
SWO Chile SpA	Santiago, CL	100.0	100.0
SWO Argentina S.R.L.	Buenos Aires, AR	100.0	100.0
SWO Puerto Rico Inc.	San Juan, PR	100.0	60.0
SWO Bolivia	La Paz, BO	100.0	100.0
SWO Colombia S.A.S.	Bogota, CO	50.0	50.0
SWO Ecuador Soluciones S.A.	Quito, EC	50.0	50.0
SWO Dominican Republic Srl.	Santo Domingo, DO	50.0	50.0
Software Pipeline Mexico S.A. de C.V.	Mexico City, MX	50.0	50.0
SWO Mexico	Mexico City, MX	50.0	50.0
Offshore Development Services S.A. de C.V.	Mexico City, MX	50.0	50.0
SWO Guatemala S.A.	Guatemala City, GT	100.0	100.0
SWO Uruguay SpA	Montevideo, UY	100.0	100.0
SWO Panamá S.A.	Panama City, PA	100.0	100.0
SWO Peru S.A.C	Lima, PE	50.0	50.0
SWO El Salvador S.A. de C.V.	San Salvador, SV	100.0	100.0
SWO Honduras S.A.	Tegucigalpa, HN	100.0	100.0
SWO Nicaragua S.A.	Managua, NI	100.0	100.0
SWO St. Lucia	Gros Islet, LC	100.0	100.0
SWO Jamaica Inc. Ltd.	Jamaica, JM	100.0	100.0
SWO Trinidad and Tobago Ltd.	Port of Spain, TT	100.0	100.0
SWO St. Vincent S.A.	St. Vincent, VC	100.0	100.0
UC Point Mexico	Mexico City, MX	100.0	–
SWO Costa Rica	San José, CR	100.0	100.0
Asia Pacific (APAC)			
SWO Singapore Ptd. Ltd.	Singapore, SG	100.0	100.0
SWO Malaysia	Kuala Lumpur, MY	100.0	100.0
SWO China	Shanghai, CN	100.0	100.0
SWO Experts (Shanghai) Co., Ltd.	Shanghai, CN	100.0	100.0
SWO India Private Ltd.	New Delhi, IN	100.0	100.0
SWO Japan K.K.	Tokyo, JP	99.92	99.4
SWO Australia Pty. Ltd.	Sydney, AU	100.0	100.0
SWO Philippines	Makati City, PH	100.0	100.0
SWO Thailand Co. Ltd.	Bangkok, TH	100.0	100.0
Software Thailand Pipeline Co. Ltd.	Bangkok, TH	100.0	100.0
SoftwareONE Hong Kong Ltd.	Hong Kong, CN	100.0	100.0
PT SoftwareONE Indonesia	Jakarta Pusat, ID	100.0	100.0
SoftwareONE Taiwan Ltd.	Taipei, TW	100.0	100.0
SoftwareONE Vietnam Co. Ltd.	Hanoi, VN	100.0	100.0
SoftwareONE Korea Ltd.	Seoul, KR	100.0	100.0
SoftwareONE New Zealand Ltd.	Auckland, NZ	100.0	100.0

29 Segment reporting

For management purposes, SoftwareONE is organized by geographical areas. The following regional clusters are the Group's operating segments:

– **EMEA** (Europe and South Africa)
– **NORAM** (USA, Canada)
– **LATAM** (Latin America)
– **APAC** (Asia Pacific, including India and Dubai)

No operating segments have been aggregated to reportable segments.

The Executive Board (CEO, CFO, COO and President) is the Chief Operating Decision Maker (CODM) and assesses each of the reported segments separately for the purpose of evaluating performance and allocating resources. Gross profit and EBITDA2) are the key performance indicators used for internal management and monitoring purposes at SoftwareONE and are reported as segment results. SoftwareONE allocates revenue and expenses to regions based on its customers' headquarter domicile since this region is responsible for the global client relationship with a particular customer. There are no intersegment revenues. Different average exchange rates are used in management reporting than for Group consolidation purposes.

The Group's financing (including finance income and finance costs) and income taxes are managed on a Group basis and are not allocated to the operating segments.

The segment totals are reconciled to the figures reported in the consolidated income statement (Total Group) as follows:

The column "Corporate" includes the Group cost centers such as management and Shared Services costs. The column "FX" eliminates the effect of using differing average foreign exchange rates in the segment reporting and the column "Other" includes other reconciling items that are not allocated to the segments and corporate in internal reporting.

Segment disclosure 2017

	EMEA	NORAM	LATAM	APAC	Total segments	Corporate	FX	Other	Total Group
Total revenue (external)	**1,681,715**	**691,158**	**264,635**	**628,412**	**3,265,920**	**16**	**44,300**	**–**	**3,310,236**
Cost of service purchased and third-party delivery costs	–1,508,892	–614,601	–221,207	–575,249	–2,919,949	–110	–43,696	–2,547	–2,966,302
Gross profit[1)]	**172,823**	**76,556**	**43,428**	**53,163**	**345,970**	**–94**	**604**	**–2,547**	**343,934**
Operating expenses	–100,308	–53,910	–31,822	–36,589	–222,629	–37,927	–779	–4,540	–265,875
EBITDA[2)]	**72,515**	**22,646**	**11,606**	**16,574**	**123,341**	**–38,021**	**–175**	**–7,090**	**78,058**

1) Total revenue net of software purchase and third-party service delivery costs
2) EBITDA from segment reporting reconciled to earnings before net financial items, taxes, depreciation and amortization

Segment disclosure 2016

	EMEA	NORAM	LATAM	APAC	Total segments	Corporate	FX	Other	Total Group
Total revenue (external)	**1,452,058**	**754,934**	**272,180**	**544,010**	**3,023,182**	**390**	**17,733**	**–**	**3,041,305**
Cost of service purchased and third-party delivery costs	–1,299,084	–681,388	–227,056	–498,688	–2,706,217	–461	–17,260	–	–2,723,939
Gross profit1)	**152,974**	**73,546**	**45,124**	**45,321**	**316,965**	**–72**	**473**	**–**	**317,366**
Operating expenses	–99,174	–59,017	–29,262	–34,288	–221,741	–39,898	122	–1,425	–262,943
EBITDA2)	**53,800**	**14,529**	**15,862**	**11,033**	**95,224**	**–39,970**	**595**	**–1,425**	**54,423**

1) Total revenue net of software purchase and third-party service delivery costs
2) EBITDA from segment reporting reconciled to earnings before net financial items, taxes, depreciation and amortization

In 2017, the most relevant reconciliation item in the column “Other” were expenses for mergers and acquisitions of approximately CHF 2.5 million presented in OPEX (PY: CHF 0 million). All other reconciliation items are minor.

Switzerland, the US, Germany and the Netherlands are the main geographical markets for SoftwareONE and represent approximately 50% of total revenue:

Additional geographical information 2017

	Switzerland	US	Germany	Netherlands	Other countries	Total
Revenue (external)	393,762	905,886	302,615	137,607	1,570,367	3,310,236
Non-current assets	58,786	32,699	2,154	147	8,391	102,177

Additional geographical information 2016

	Switzerland	US	Germany	Netherlands	Other countries	Total
Revenue (external)	335,000	878,734	241,444	91,701	1,494,426	3,041,305
Non-current assets	41,828	39,482	2,729	250	9,941	94,230

Revenue (external) is reported based on customers’ headquarter domicile.

No transactions with one single external customer exceed 10% of consolidated revenue of the Group.

Non-current assets for this purpose consist of tangible and intangible assets and are allocated based on the location of the Group company.

Information about products and services – revenue from external customers

	2017	2016
Revenue from sale of software		
– Microsoft products	2,093,498	1,948,748
– Multivendor products	1,101,956	992,671
Revenue from solution and services	99,642	82,302
Other revenue	15,140	17,584
Total revenue	**3,310,236**	**3,041,305**

For products, SoftwareONE splits its revenue between Microsoft, Multivendor, solutions and services and other revenue such as hardware sales. Multivendor represents all license transactions excluding Microsoft.

30 Earnings per share

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

in CHF 1,000	2017	2016
Profit for the year attributable to owners of the parent	41,096	17,519
in 1,000 shares		
Weighted average number of ordinary shares	13,226	13,147
Adjustment for share-based payment plans	40	9
Weighted average number of shares used to calculate diluted earnings per share	13,266	13,156
Basic earnings per share in CHF	**3.11**	**1.33**
Diluted earnings per share in CHF	**3.10**	**1.33**

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To the Board of Directors of

SoftwareONE Holding AG, Stans

Zurich, 11 September 2019

Independent auditor's report on the audit of the consolidated financial statements

Opinion

In accordance with the terms of our engagement, we have audited the consolidated financial statements of SoftwareONE Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 2 to 46) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 2.1 to the financial statements which describes the re-issuance of the consolidated financial statements. Our opinion is not qualified in respect of this matter.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Ernst & Young Ltd

Kaspar Streiff
Licensed audit expert
(Auditor in charge)

Max Lienhard
Licensed audit expert