SoftwareONE Holding AG

GROUP CONSOLIDATED FINANCIAL STATEMENTS 2018

Consolidated income statement

For the year ended 31 December in CHF 1,000	Notes	2018 [1]	2017
Revenue from sale of software		3,600,187	3,195,454
Revenue from solutions and services		124,357	99,642
Other revenue		16,050	15,140
Total revenue	29	**3,740,594**	**3,310,236**
Cost of software purchased		–3,293,579	–2,938,473
Third-party service delivery costs		–37,601	–27,829
Personnel expenses	6	–224,263	–215,118
Other operating expenses	7	–57,429	–55,623
Other operating income		2,108	4,863
Earnings before net financial items, taxes, depreciation and amortization		**129,830**	**78,058**
Depreciation and amortization	14, 15	–17,015	–12,597
Earnings before net financial items and taxes		**112,815**	**65,461**
Finance income	8	6,254	7,688
Finance costs	8	–6,945	–6,045
Foreign exchange differences, net	8	–3,514	–6,114
Earnings before income tax		**108,610**	**60,989**
Income tax expense	9	–30,454	–20,611
Profit for the year		**78,156**	**40,378**
Profit attributable to:			
– Owners of the parent		78,484	41,096
– Non-controlling interest		–328	–718
Earnings per share in CHF			
– Basic	30	5.91	3.11
– Diluted	30	5.89	3.10

1) Refer to note 2.1 for information on the re-issuance of the consolidated financial statements 2018

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	2018	2017
Profit for the year		**78,156**	**40,378**
Other comprehensive income: **Items that will not be reclassified to profit or loss in subsequent periods**			
Re-measurements of post-employment benefit obligations	19	2,093	1,694
Taxes		–336	–268
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation adjustment		–3,178	1,599
Cash flow hedges	13	1,340	–4,045
Taxes		–273	690
Total other comprehensive income for the year		**–354**	**–330**
Total comprehensive income for the year		**77,802**	**40,048**
Total comprehensive income attributable to:			
– Owners of the parent		78,570	39,963
– Non-controlling interest		–768	85

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

Consolidated balance sheet

As at 31 December in CHF 1,000	Notes	2018[1]	2017
Assets			
Cash and cash equivalents	10	154,142	114,952
Trade receivables	11	750,774	692,806
Income tax receivables	9	2,287	3,080
Other receivables	12	61,761	58,759
Derivative financial instruments	13	2,554	2,613
Prepayments, accrued income and contract assets	12	96,977	58,354
Short-term financial assets	3.4	12,668	–
Current assets		**1,081,163**	**930,564**
Tangible assets	14	7,294	8,805
Intangible assets	15	90,564	93,372
Other receivables		21,609	25,133
Long-term loans		2,569	638
Derivative financial instruments	13	440	568
Deferred tax assets	9	11,030	12,747
Non-current assets		**133,506**	**141,263**
TOTAL ASSETS		**1,214,669**	**1,071,827**

1) Refer to note 2.1 for information on the re-issuance of the consolidated financial statements 2018

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

Consolidated balance sheet

As at 31 December in CHF 1,000	Notes	2018	2017
Liabilities and shareholder's equity			
Trade payables	16	483,934	442,814
Other payables	16	76,353	76,510
Accrued expenses, deferred revenue and contract liabilities	16	287,140	235,237
Derivative financial instruments	13	2,100	3,188
Income tax liabilities	9	11,877	5,847
Bank overdrafts	18	5,097	9,190
Other financial liabilities	18	20,162	19,099
Provisions	17	–	66
Current liabilities		**886,662**	**791,951**
Derivative financial instruments	13	120	977
Financial liabilities	18	39,061	42,516
Provisions	17	2,495	3,860
Deferred tax liabilities	9	11,430	10,265
Other long-term liabilities	19	11,973	12,641
Non-current liabilities		**65,079**	**70,259**
TOTAL LIABILITIES		**951,741**	**862,210**
Share capital	20	1,354	1,354
Share premium		65,148	74,551
Treasury shares	20	–9,943	–230
Retained earnings		131,438	93,961
Profit for the year		78,156	41,096
Hedging reserve		212	–856
Currency translation adjustment		–3,438	–260
Equity attributable to owners of the parent		**262,927**	**209,616**
Non-controlling interest		1	1
Total equity		**262,928**	**209,617**
TOTAL LIABILITIES AND EQUITY		**1,214,669**	**1,071,827**

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	2018	2017
Profit for the year		**78,156**	**40,378**
Adjustments for:			
– Depreciation and amortization	14, 15	17,015	12,597
– Total financial result, net	8	4,205	4,472
– Tax expense		30,454	20,611
– Other non-cash items		2,153	–5,124
Cash flow before changes in net working capital		**131,983**	**72,934**
– Change in trade receivables		–84,352	–32,765
– Change in other receivables, prepayments and accrued income/contract assets		–46,137	–20,158
– Change in trade and other payables		63,879	55,400
– Change in accrued expenses and deferred revenue/contract liabilities		57,066	–7,893
– FX impact on changes in working capital		–5,057	626
Total changes in working capital		**–14,601**	**–4,790**
Income taxes paid		–18,310	–14,089
Net cash generated from/(used in) operating activities (A)		**99,071**	**54,055**
Purchases of tangible and intangible assets		–12,707	–10,860
Proceeds from sale of tangible and intangible assets		147	225
Purchases of financial Assets (C)		–13,000	–
Loans granted		–7,058	–2,192
Loan repayments received		4,483	2,286
Interest received		1,668	624
Acquisition of business (net of cash) (C)	2.3	25	–4,359
Net cash from/(used) in investing activities (B)		**–26,442**	**–14,276**
Proceeds from financial liabilities	18	171,405	1,117,177
Repayments of financial liabilities	18	–171,632	–1,114,945
Payment of contingent consideration liability	18	–3,706	–4,293
Proceeds from sale of treasury shares		–	80
Purchase of treasury shares		–10,219	–
Interest paid		–3,635	–2,661
Dividends paid to owners of the parent	21	–13,600	–6,000
Proceeds from capital increase by NCI		–	1,321
Net cash from/(used in) financing activities		**–31,387**	**–9,321**
Net (decrease)/increase in cash and cash equivalents		**41,244**	**30,458**
Cash and cash equivalents at beginning of year		**114,952**	**84,031**
Net foreign exchange difference on cash and cash equivalents		–2,054	463
Cash and cash equivalents at end of year		**154,142**	**114,952**
Free cashflow (A + B – C)		**85,604**	**44,138**

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 2017	**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 (net of tax)				1,426			1,426		1,426
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 in 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**
Effect of adoption of IFRS 9 (net of tax)				–1,395			–1,395	–	–1,395
Balance as at 1 January 2018	**1,354**	**74,551**	**–230**	**133,662**	**–856**	**–260**	**208,221**	**1**	**208,222**
Profit for the year				**78,484**			**78,484**	**–328**	**78,156**
Re-measurements of post-employment benefit plans (net of tax)				1,757			1,757	–	1,757
Other comprehensive income for the year					1,068	–2,738	–1,670	–440	–2,110
Total comprehensive income for the year				**80,242**	**1,068**	**–2,738**	**78,572**	**–768**	**77,804**
Settlement of contingent consideration liability		3,612	506				4,118	–	4,118
Purchases of treasury shares			–10,219				–10,219	–	–10,219
Dividends paid		–13,600					–13,600	–	–13,600
Transactions with NCI				–4,481		–440	–4,921	769	–4,152
Share-based payment				757			757	–	757
Reclassification		586		–586			–	–	–
Balance as at 31 December 2018	**1,354**	**65,149**	**–9,943**	**209,594**	**212**	**–3,438**	**262,927**	**1**	**262,928**

2 Notes to the consolidated financial statements

2.1 General information

SoftwareONE Holding AG ('the Company' or 'SWO Holding') and its wholly-owned subsidiaries (together 'the Group' or 'SWO') 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 incorporated and domiciled in Stans, Switzerland. The address of its registered office is Riedenmatt 4, 6370 Stans.

Re-issuance of the consolidated financial statements 2018
The consolidated financial statements were originally authorized for issue by the Board of Directors on 11 April 2019, and subsequently approved by the annual general meeting of shareholders on 6 June 2019.

In accordance with International Financial Reporting Standards (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 the SIX Swiss Stock Exchange 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 2018 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".

In view of the re-issuance of the consolidated financial statements in connection with the planned listing and considering the information needs of potential investors, the Board of Directors decided to correct an error related to the understatement of accrued income for Microsoft fees recognized at 31 December 2018, which was previously deemed not to be individually material.

This correction had an impact on the line items "Revenue from sale of software" and "Prepayments, accrued income and contract assets" (increased by TCHF 3,100), "Income tax expense", and "Deferred tax liabilities" (decreased by TCHF 858) as well as on the corresponding notes and totals presented in the consolidated financial statements as at 31 December 2018. As a result of the correction, "profit for the year" increased by TCHF 2,242.

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 2018 for re-issuance on 11 September 2019.

2.2 Summary of significant accounting policies

SWO Holding's consolidated financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). 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 2018. IFRS 9 and 15 were adopted on 1 January 2018 without restating comparative information.

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 16 1 January 2019
- IFRIC 23 1 January 2019

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. SWO plans to adopt IFRS 16 by applying the modified retrospective approach. The expected impact of IFRS 16 on the Group's consolidated financial statements is as follow:

- Increase assets and liabilities: MCHF 18.0
- Increase depreciations: MCHF 6.0
- Increase interest expense: MCHF 0.4
- Increase of earnings before net financial items, taxes, depreciation and amortization: MCHF 6.4

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.

New and amended standards and interpretations
SWO applied IFRS 15, 'Revenue from contracts with customers', and IFRS 9, 'Financial instruments' for the first time as from 1 January 2018.

IFRS 9 'Financial instruments'
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. 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 Group'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 did not have a significant impact on the classification and measurement of financial instruments. In accordance with the transition provision in IFRS 9, SWO did not make any adjustments to comparative numbers.

IFRS 9 changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach under IAS 39 with a forward-looking expected credit loss approach. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income.

Upon adoption of IFRS 9, SWO recognized additional impairment allowances on Trade receivables (TCHF 1,594).

IFRS 15 'Revenue from contracts with customers'
SWO applied IFRS 15 beginning from 1 January 2018 using the modified retrospective approach. IFRS 15 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.

The adoption of IFRS 15 did not have an impact on the pattern and timing of revenue recognition but leads to more disclosures. SWO reassessed its conclusion whether it acts as principal or agent in software license reselling arrangements. As a result of this assessment, SWO concluded that it acts as a principal with respect to the sale of software licenses in arrangements where consulting services are performed in connection with the sale of the software licenses. Refer to 'Revenue Recognition' accounting policy below for further explanations.

IFRIC 22 'Foreign Currency Transactions and Advance Considerations'
IFRIC 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any impact on the Group's consolidated financial statements.

Consolidation
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.

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.

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 interest's 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.

The Company granted an option to non-controlling interests to convert their shares into shares of the Company. This option represents a contractual obligation to purchase non-controlling interests and gives rise to a financial liability. SWO accounts for changes in the carrying amount of this financial liability as an equity transaction. For further details see note 4.

Foreign currency translation
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.

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.

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. The resulting exchange differences are recognized in other comprehensive income.

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
Initial recognition and measurement
The Group classifies its financial assets, at initial recognition, in the following categories: subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is performed at an instrument level.

SWO's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement
For purposes of subsequent measurement, SWO has financial assets at amortized cost (debt instruments), financial assets at fair value through profit or loss and derivatives.

SWO measures financial assets at amortized cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost comprise trade and other receivables, loans and cash and cash equivalents in the balance sheet.

The Group has listed equity instruments presented as short-term financial assets which are subsequently measured at fair value through profit or loss as it had not irrevocably elected to classify those at fair value through OCI. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognized in the income statement. Dividends on listed equity investments are also recognized as other income in the income statement when the right to payment has been established.

Derecognition
The Group derecognizes financial assets when:

– The rights to receive cash flows from the asset have expired

Or

– The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Receivables subject to factoring arrangements may be derecognized on sale and these assets are not held to collect contractual cash flows and would be measured at fair value through profit or loss. However, due to their short-term nature the difference between invoice value and fair value is not considered to be material. Where the factored receivables continue to be recognized in the balance sheet they are treated as held to collect contractual cash flows and measured at amortized cost.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience and SWO's business knowledge, adjusted for forward-looking factors specific to the debtors and the economic environment.

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, however, are 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.

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 initially recorded at transaction price determined in accordance with IFRS 15 less impairments.

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 shorter 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
Initial recognition and measurement
SWO classifies financial liabilities, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities subsequently measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of instruments not subsequently measured at fair value through profit or loss, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accrued expenses, contingent consideration liabilities and other financial liabilities, including bank overdrafts and derivative financial instruments.

Subsequent measurement
Contingent consideration liabilities are subsequently measured at fair value through profit or loss.

Derivatives are subsequently measured at fair value with fair value changes in 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 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.

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.

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 from contracts with customers comprises revenue from sale of software and solutions and services. Revenue from contracts with customers is recognized either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the promised good or service is transferred to the customer, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of software
SWO enters into contracts with customers to sell software products of several third-party software providers. Revenue from sale of software is recognized at the point in time control of the license is transferred to the customer, generally on delivery of the product key. The normal credit term is 30 to 90 days upon delivery.

SWO distinguishes two types of software selling arrangements:

- Direct business: As an approved channel partner, SWO sells software products provided by third parties to end customers in several areas worldwide. The Group's obligation in these arrangements is only to arrange for another entity to provide the software license to the end customer. Hence, SWO is acting as an agent and recognizes revenue at the net amount that it retains from its agency services.
- Indirect business: SWO acts as a value-added software reseller and provides consulting services in connection with the sale of the software licenses to its customers. These services include aspects of strategic and operational software procurement, complex technology advice or customized solutions. They are bundled with the sale of the software products and are regarded as an integral part of the performance obligation to the customer. The software licenses only deliver benefits together with the extensive consulting services that are not distinct from the services in the contractual context and constitute a bundled performance obligation. As the Group is primarily responsible for fulfilling this promise, SWO concluded that it acts as a principal in these arrangements. For further details on the principal vs. agent assessment, please refer to section "Significant judgments". Therefore, SWO recognizes revenue from such contracts gross in the consolidated financial statements. The purchase from the supplier is presented as cost of software purchased.

The Group also enters into non-cancellable multi-year licensing contracts with customers. In such contracts, SWO transfers control of the software license at the beginning of the contract and collects the consideration over the contract duration. As the customer pays in arrears, SWO is effectively providing financing to the customer. Hence, there are two components in such arrangements: a revenue component (for the notional cash sales price); and a loan component (for the effect of the deferred payment terms). Interest income on the loan component is calculated based on the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception and is separately presented under finance income. SWO uses the practical expedient in IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Revenue from solutions and services
SWO also provides a wide range of technology consulting services. Revenue from solutions and services is recognized over time, using a time-based input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by SWO. The Group determined that the input method based on labor hours incurred in relation to total expected hours is the best method in measuring progress of the consulting services because there is a direct relationship between SWO's effort and the transfer of service to the customer. Payment is due 30 days after the solutions and services have been performed.

Contract balances
- *Contract assets*
  A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.
- *Trade receivables*
  A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to 2.2 Summary of significant accounting policies 'Financial assets'.
- *Contract liabilities*
  A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Disaggregated revenue information
When selecting a category to disaggregate revenue, SWO considered how revenue information is used internally by management to evaluate financial performance or make resource allocation decisions. Therefore, SWO presents revenue information disaggregated by type of good or service and geography (refer to note 29).

Transaction price of unsatisfied performance obligations
SWO uses the practical expedient in IFRS 15.121 and does not disclose information about the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied when the original expected duration of the underlying contract is one year or less. After applying this practical expedient, the remaining performance obligations to be disclosed 31 December 2018 are not material.

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 2018 (provisional)
On 3 October 2018, the Company acquired 100% of the shares of ISI Expert SAS (‘ISI Expert’), a managed services and infrastructure provider based in France. ISI Expert provides service offerings across cloud, on-premises and hybrid environments. The company is a key Microsoft 365 and Azure partner in France, focusing on transformations, migrations and managed services. ISI Expert works closely with customers to execute cloud, virtualization and digital strategies.

in CHF 1,000	2018
Cash and cash equivalents	25
Trade receivables	150
Other short-term assets	434
Tangible assets (note 14)	67
Intangibles (note 15)	132
Goodwill (note 15)	589
Other long-term assets	12
Trade payables	–480
Other short-term liabilities	–929
Net assets acquired	**–**

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

As part of the purchase agreement with the previous owner of ISI Expert, the purchase price paid was 1 EUR and a contingent consideration has been agreed. The fair value of the contingent consideration liability has been calculated considering ISI Experts’ future EBITDA less some debt positions at the day of the acquisition and is expected to be zero.

The acquired business contributed revenue of TCHF 375 and net loss of TCHF 307 since the acquisition until 31 December 2018.

There were no significant transaction costs related to this acquisition.

Acquisitions in 2017
On 22 September 2017, the Company acquired 100% of the shares of UC Point AG, Switzerland ('UC Point'), a global provider of global Unified Communications & Collaboration (UC&C) services with subsidiaries in Germany, the US and Mexico. With UC Point, SWO Holding 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
Intangibles (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's adjusted EBITDA 2017 and was settled in first half year 2018 in SWO Holding AG shares. See note 3.4 and note 20.

The acquired business contributed revenue of TCHF 2,067 and net profit of TCHF 251 since the acquisition until 31 December 2017.

There were no significant transaction costs related to this 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

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 pre-tax profit or loss/equity 2018	Sensitivity	2018	2018
		P&L	**Equity**
CHF	+/– 5%	+/– 191	+/– 89
CZK	+/– 5%	+/– 768	+/– 1,547
EUR	+/– 5%	+/– 517	+/– 268
GBP	+/– 5%	+/– 234	+/– 0
NOK	+/– 5%	+/– 633	+/– 0
SGD	+/– 5%	+/– 162	+/– 17
USD	+/– 5%	+/– 1,113	+/– 1,043

Impact on pre-tax profit or loss/equity 2017	Sensitivity	2017	2017
		P&L	**Equity**
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

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. 37% of trade receivables are covered through credit insurance (prior year: 35%).

The remaining part is not insured either as:

- From customers with top rating (based on internal and credit insurance assessment): 38% (prior year: 47%)
- Too small to be insured: 1% (prior year 2%)
- No insurance available: 24% (prior year: 18%)

Refer to note 11. Trade receivables for information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix.

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 and 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 2018						
Trade payables	483,934	483,934	478,471	5,463	–	–
Other payables	25,513	25,513	10,288	15,225	–	–
Accrued expenses	272,147	272,147	261,022	11,124	–	–
Financial liabilities (including bank overdrafts)	64,320	56,380	13,059	4,904	38,418	–
Derivatives (net)	2,220	2,220	2,100	–	120	–
Total	**848,134**	**840,193**	**764,940**	**36,715**	**38,538**	**–**
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	220,905	220,905	203,912	16,993	–	–
Financial liabilities (including bank overdrafts)	70,805	66,218	15,202	4,349	39,227	7,440
Derivatives (net)	4,165	4,165	3,188	–	977	–
Total	**756,968**	**752,381**	**676,401**	**28,336**	**40,204**	**7,440**

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 8,003 (2017: TCHF 4,234) related to NCI put and in 2017 the contingent purchase price UC Point of TCHF 4,500 which do not result in a cash outflow.

At 31 December 2018 the Group had uncommitted credit lines (including factoring) of TCHF 280,204 (prior year: TCHF 295,430) available, of which 12.7% (prior year: 3.3%) 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 2018 and the prior year were as follows:

in CHF 1,000	2018	2017
Total equity	262,928	209,617
Total assets	1,214,669	1,071,827
Equity ratio	**21.7%**	**19.6%**

The equity ratio for 2018 slightly increased due to the Group's positive operating results 2018 but was partially offset by the increased total assets.

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 relate 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 2018 and 2017.

3.4 Categories of financial instruments

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

As at 31 December 2018 in CHF 1,000	IFRS 9 category	Total carrying amount	Fair value	Fair value level
FINANCIAL ASSETS				
Cash and cash equivalents	Amortized cost	154,142	n/a*	
Trade receivables	Amortized cost	750,774	n/a*	
Other receivables and accruals	Amortized cost	104,857	n/a*	
Loans and other financial receivables	Amortized cost	36,886	n/a*	
Derivative financial assets instruments	Derivative financial instruments (note 13)	2,994		Level 2
Short-term financial assets	Fair value through profit or loss	12,668		Level 1
Total financial assets		**1,062,321**		
FINANCIAL LIABILITIES				
Trade payables	Financial liabilities at amortized cost	–483,934	n/a*	
Other payables	Financial liabilities at amortized cost	–25,513	n/a*	
Accrued expenses and deferred revenue	Financial liabilities at amortized cost	–272,147	n/a*	
Contingent consideration liabilities	Fair value through profit or loss	–23,515		Level 3
Other financial liabilities	Financial liabilities at amortized cost	–40,805	n/a*	
Derivative financial instruments	Derivative financial instruments (note 13)	–2,220		Level 2
Total financial liabilities		**–848,134**		

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

Short-term financial assets consist of an investment in listed equity instruments.

As at 31 December 2017 in CHF 1,000	IAS 39 Category	Amortized cost	Fair value (by measurement basis) 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 and accruals	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**	**–**	**915,879**
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	–36,697				–36,697
Derivative financial instruments	Fair value through profit or loss			–4,165		–4,165
Total financial liabilities		**–718,695**	**–**	**–4,165**	**–34,108**	**–756,968**

*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 2018 are set forth below:

in CHF 1,000	2018	2017
Balance 1 January	**34,108**	**39,870**
Additions	–	4,500
Settlement in cash	–3,706	–4,293
Settlement in equity (non-cash)	–4,118	–
Fair value adjustment	–2,681	–4,787
Currency translation adjustments	–88	–1,182
Balance 31 December	**23,515**	**34,108**

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 was dependent on final adjusted EBITDA UC Point at 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 2018 is TCHF 22,853 (prior year TCHF 15,317). 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
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.

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.

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

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. To be noted is that the Group has a currently exercisable call option to acquire all remaining shares from the other shareholder (note 18).

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).

Revenue recognition – principal versus agent assessment in indirect business

For software license reselling arrangements bundled with consulting services (indirect business), the assessment whether the Group acts a principal or an agent is judgmental and requires a finely nuanced weighting of the individual factors in reaching a conclusion. Management concluded that SWO is the principal with respect to such arrangements. Based on the assessment in accordance with IFRS 15, the specified service provided to the customer is the consulting service to which the software product is an input and, therefore, is not distinct within the context of the contract. Management concluded that SWO controls the specified service before it is transferred to the customer. This is evidenced by the fact that SWO is primarily responsible for fulfilling the promise to the customer as it ensures compatibility of software and customer requirements. Furthermore, the Group has discretion in establishing the price for the specified software license. To support this conclusion and ensure consistent reporting, management verified that the conclusion is in line with the Group's peers in the software reseller sector. By contrast, in arrangements where SWO does not have control over the traded software license and does not perform any consulting services for the customer (i.e. direct business), it qualifies as an agent.

5 Exchange rates

		2018	31.12.18	2017	31.12.17
Currency (1 CHF =)	Abbr.	Ø-rate	closing rate	Ø-rate	closing rate
Brazilian real	BRL	3.74	3.97	3.24	3.38
Chinese yuan renminbi	CNY	6.76	7.02	6.86	6.67
Euro	EUR	0.86	0.89	0.90	0.85
British pound	GBP	0.77	0.81	0.80	0.76
Indian rupee	INR	69.90	71.49	66.09	65.45
Malaysian ringgit	MYR	4.12	4.24	4.36	4.15
Singapore dollar	SGD	1.38	1.39	1.40	1.36
US dollar	USD	1.02	1.02	1.01	1.02

6 Personnel expenses

in CHF 1,000	2018	2017
Salaries fixed	–132,751	–133,347
Salaries variable	–51,044	–44,696
Social security costs	–25,041	–23,391
Pension costs – defined benefit plans (note 19)	–3,120	–3,123
Pension costs – defined contribution plans	–3,578	–3,517
Other personnel expenses	–8,729	–7,044
Total personnel expenses	**–224,263**	**–215,118**
Average head count (FTE)	**2,759**	**2,784**

7 Other operating expenses

in CHF 1,000	2018	2017
Travel and car expenses	–16,473	–18,681
Administrative expenses	–18,406	–13,607
Rent and office maintenance	–10,352	–10,639
Information technology expenses	–6,445	–6,161
Telecommunication expenses	–2,522	–2,553
Marketing expenses	–1,526	–578
Other operating expenses	–1,705	–3,404
Total other operating expenses	**–57,429**	**–55,623**

8 Finance result

in CHF 1,000	2018	2017
Interest income	1,748	766
Other finance income	1,825	2,135
Changes in fair value of contingent consideration liability	2,681	4,787
Finance income	**6,254**	**7,688**
Interest expense	–2,305	–3,242
Changes in fair value of short-term financial assets	–332	–
Other finance expenses	–4,308	–2,803
Finance expenses	**–6,945**	**–6,045**
Foreign exchange differences, net	**–3,514**	**–6,114**
Total finance result, net	**–4,205**	**–4,472**

Other finance expenses include TCHF 2,476 (prior year: TCHF 1,341) revaluation loss on a put option to sell Group shares.

The foreign exchange differences, net result 2018 excludes unrealized gains on derivatives designated as instruments to hedge foreign currency risks in the amount of TCHF 212 (prior year: TCHF 856 unrealized losses) recognized in OCI and to be reclassified in future periods. In 2018, TCHF 1,340 (prior year: TCHF 1,675) have been reclassified to profit and loss (see also note 13).

9 Income taxes

Tax expenses comprise the following positions:

in CHF 1,000	2018	2017
Current income taxes	–28,391	–20,462
Change in deferred taxes	–2,063	–149
Total tax expense	**–30,454**	**–20,611**

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	2018	2017
Earnings before income tax (EBT)	**108,610**	**60,989**
Expected average group tax rate	27.7%	25.5%
Tax at expected average rate	**–30,084**	**–15,566**
+/– Effect of		
Expenses not deductible for tax purposes	–2,352	–2,531
Income not subject to tax	1,142	1,302
Utilization of previously unrecognized tax losses	1,486	204
Impairment of previously recognized tax losses	–	–676
Capitalization of tax losses previously not recognized	640	637
Unrecognized current year's tax losses	–390	–481
Current income tax charges/credits related to prior periods	–450	285
Impact from tax rate changes	–148	–647
Other effects	–298	–3,140
Total tax expense	**–30,454**	**–20,611**
Effective tax rate	**28.0%**	**33.8%**

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 27.7% (2017: 25.5%).

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

Deferred income tax
Deferred tax expense of TCHF 609 (prior year deferred tax income TCHF 422) 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	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	2,637	1,840	1,389	1,760
Other current assets	726	2,908	677	1,219
Tangible and intangible assets	4,359	7,682	2,711	7,802
Other non-current assets	–	2,081	549	2,583
Accrued expenses and prepaid income	1,203	2,018	1,803	19
Other current liabilities	1,931	–	1,571	14
Retirement benefit obligations	1,932	–	1,996	–
Other non-current liabilities	2,914	2,316	1,955	970
Deferred taxes from losses carried forward	2,742	–	4,198	–
Total	**18,445**	**18,838**	**16,849**	**14,367**
Offsetting of balances	–7,415	–7,415	–4,102	–4,102
Total	**11,030**	**11,430**	**12,747**	**10,265**

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 26,519 (prior year TCHF 26,934).

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

in CHF 1,000	2018	2017
Available tax loss carry forwards at 1 January	38,738	39,730
Tax losses arising in current year	3,363	4,501
Tax losses utilized against current year profits	–11,270	–3,990
Expired tax losses during the period	–522	–454
Increase in scope	830	–
Other movements	256	–2,216
Currency translation adjustments	–1,784	1,167
Available tax loss carry-forwards at 31 December	**29,611**	**38,738**

Deferred tax assets of TCHF 2,742 (prior year: TCHF 4,198) were recorded in respect of available tax loss carry-forwards of TCHF 9,493 (prior year: TCHF 15,019). 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	2018	2017
Expiry within 12 months	827	435
Expiry in 2–3 years	4,282	4,258
Expiry in 4–5 years	3,971	2,949
Expiry in more than 5 years	5,620	10,221
No expiry date	5,418	5,856
Total	**20,118**	**23,719**

The Group did not recognize deferred tax assets of TCHF 389 (prior year: TCHF 481) in respect of losses of the year amounting to TCHF 1,722 (prior year: TCHF 2,488).

10 Cash and cash equivalents

in CHF 1,000	2018	2017
Cash at bank	151,797	114,694
Short-term bank deposits	2,345	258
Total	**154,142**	**114,952**

11 Trade receivables

in CHF 1,000	2018	2017
Trade receivables	760,565	699,055
Less provision for impairment of trade receivables	–9,790	–6,249
Trade receivables, net	**750,774**	**692,806**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region and customer rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

In 2017, the Group applied the incurred loss model under IAS 39 and reviewed its receivables periodically to determine an adequate impairment provision. Impairment provisions are recorded for accounts where collection is uncertain. The ageing of the receivables for the year 2018 and 2017 are as follows:

in CHF 1,000			2018
	Expected credit loss rate	Estimated total gross carrying amount at default	Expected credit loss
Not past due	–0.1%	617,631	–912
Past due since 1–90 days	–0.6%	110,345	–703
Past due since 91–180 days	–7.7%	12,801	–991
Past due since 181–360 days	–20.0%	11,954	–2,394
Past due since more than 360 days	–61.1%	7,834	–4,790
Total trade receivables, gross	**–1.3%**	**760,565**	**–9,790**

in CHF 1,000		2017
	Trade receivables aging	thereof impaired
Not past due	571,742	–92
Past due since 1–90 days	100,402	–233
Past due since 91–180 days	9,658	–567
Past due since 181–360 days	5,745	–1,276
Past due since more than 360 days	11,508	–4,081
Total trade receivables, gross	**699,055**	**–6,249**

Refer to note 3. 'Credit Risk' for information about the movement in the allowance for expected credit losses.

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

in CHF 1,000	2018	2017
At 1 January	**–6,249**	**–7,764**
Impact of adoption of IFRS 9	–1,594	
Allowance recognized	–3,154	–1,873
Receivables written off during the year as uncollectible	235	1,014
Unused amounts reversed	550	2,373
Currency translation adjustments	422	1
At 31 December	**–9,790**	**–6,249**

12 Other receivables and prepayments and contract assets

in CHF 1,000	2018	2017
Other receivables	61,761	58,759
Prepaid expenses (and accrued income in 2017)	11,504	58,354
Contract assets	85,472	N/A
Other receivables and prepayments and contract assets	**159,737**	**117,113**

The opening balance of contract assets as at 1 January 2018 was TCHF 57,546. Contract assets are initially recognized for revenue earned from multi-year contracts for which control of the software license was transferred upon commencement of the contract but payment is not due and for services as receipt of consideration is conditional on successful completion of the service. Upon completion of the service and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables.

Other receivables mainly include VAT and other sales tax receivables.

13 Derivative financial instruments

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 revaluation at fair value are recognized through profit and loss.

Cash flow hedges
Foreign exchange forward contracts for highly probable forecast 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.

in CHF 1,000	2018 Notional amount	2017 Notional amount	2018 Derivative financial assets	2018 Derivative financial liabilities	2017 Derivative financial assets	2017 Derivative financial liabilities
Current						
Forward foreign exchange contracts	401,989	372,570	2,554	2,100	2,613	3,188
– cash flow hedges recognized in OCI	94,945	66,815	1,169	1,226	1,030	1,664
– not designated as hedging instruments	307,044	305,755	1,385	874	1,583	1,524
Non-current						
Forward foreign exchange contracts	20,287	34,979	440	120	568	977
– cash flow hedges recognized in OCI	20,265	34,719	440	120	555	977
– not designated as hedging instruments	–	261	–	–	13	–
Total derivatives	**422,254**	**407,549**	**2,994**	**2,220**	**3,181**	**4,165**

In 2018 and 2017 no ineffectiveness was recognized in profit and loss statement.

14 Tangible assets

in CHF 1,000	IT equipment	Leasehold improvement	Furniture/ fixtures	Vehicles	Other equipment	Total
At 1 January 2018	**13,544**	**4,221**	**3,702**	**5,316**	**528**	**27,310**
Business acquisitions	–	–	–	–	67	67
Additions	2,554	137	332	54	–	3,078
Disposals	–947	–61	–300	–1,454	–123	–2,885
Reclassification	–	8	–	–	–8	–
Currency translation adjustments	–411	–193	–190	–162	–18	–975
As at 31 December 2018	**14,739**	**4,111**	**3,544**	**3,754**	**447**	**26,594**
Accumulated depreciation						
At 1 January 2018	**–10,903**	**–2,071**	**–1,838**	**–3,301**	**–393**	**–18,505**
Additions	–1,959	–820	–552	–735	–74	–4,140
Disposals	997	123	270	1,212	70	2,671
Reclassification	–	–3	–	–	3	–
Currency translation adjustments	314	140	100	105	15	674
As at 31 December 2018	**–11,551**	**–2,632**	**–2,019**	**–2,719**	**–380**	**–19,301**
Net book value 31 December 2018	**3,188**	**1,479**	**1,524**	**1,035**	**67**	**7,294**

As at 31 December 2018, 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 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.

15 Intangible assets

in CHF 1,000	Goodwill	Acquired technology & customer relationships	Brand name	Internally generated intangibles	Total
At 1 January 2018	**8,803**	**55,825**	**31,277**	**16,329**	**112,233**
Business acquisitions	589	132	–	–	721
Additions	–	114	–	9,515	9,629
Disposals	–	–347	–	–	–347
Currency translation adjustments	–20	–445	–	–	–465
As at 31 December 2018	**9,372**	**55,279**	**31,277**	**25,844**	**121,772**
Accumulated amortization					
At 1 January 2018	**–**	**–15,634**	**–**	**–3,227**	**–18,867**
Amortization	–	–6,198	–	–6,672	–12,870
Disposals	–	344	–	–	344
Currency translation adjustments	–	179	–	–	179
As at 31 December 2018	**–**	**–21,309**	**–**	**–9,899**	**–31,208**
Net book value 31 December 2018	**9,372**	**33,970**	**31,277**	**15,945**	**90,564**

Internally generated intangible assets mainly relate to PyraCloud, a platform helping organizations manage the entire lifecycle of on-premise 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 6.5 years with a carrying amount of TCHF 29,039 (2017: TCHF 34,108).

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 2018, 2017 and 2016, 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%).

Goodwill acquired in 2018 through business combinations is fully attributable to EMEA CGU and results from the acquisition of ISI Expert in France (see note 2.3).

The Group performed its annual impairment test for goodwill that has been allocated to the UC Point CGU with a carrying amount of TCHF 7,944 in December 2018 (unchanged to 2017).

The recoverable amount of the UC Point CGU has been determined based on a value in use calculation using cash flow projections from the financial budget 2019 approved by senior management and an estimation based on this budget for 2020 and 2021 covering a 3-year period. The pre-tax discount rate applied to cash flow projections is 9.12% and cash flows beyond the three-year period are extrapolated using a 2.0% growth rate. As a result of this analysis, management did not recognize any impairment charge in 2018.

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).

in CHF 1,000	2018	2017
Trade payables	483,934	442,814
Accrued expenses	279,562	235,237
Contract liabilities	7,578	N/A
Other payables	76,353	76,510
Total current portion trade and other payables at 31 December	**847,427**	**754,561**

16 Trade and other payables

The opening balance of contract liabilities as at 1 January 2018 was TCHF 13,726. Contract liabilities include short-term advances received to deliver software products or to render services. All contract liabilities as at 1 January 2018 were recognized as revenue in 2018.

Accrued expenses 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	–	–	–
Non-current provisions	2,495	–	2,495
Total provisions at 31 December 2018	**2,495**	**–**	**2,495**
Changes			
At 1 January 2018	**3,860**	**66**	**3,926**
Increase	41	–	41
Used provisions	–	–66	–66
(Unused amounts released)	–876	–	–876
Currency translation adjustments	–530	–	–530
As at 31 December 2018	**2,495**	**–**	**2,495**

18 Financial liabilities

in CHF 1,000	2018	2017
Current		
Bank overdrafts	5,097	9,190
Contingent consideration liabilities	4,491	9,009
Redemption amount of put options	14,838	8,593
Other current financial liabilities	833	1,497
Total current financial liabilities at 31 December	**25,259**	**28,289**
Non-current		
Contingent consideration liabilities	19,024	25,099
Long-term supplier liabilities	18,732	16,520
Other non-current financial liabilities	1,305	897
Total non-current financial liabilities	**39,061**	**42,516**
Total financial liabilities	**64,320**	**70,806**

Bank overdrafts
The Group has various unsecured bank overdrafts.

Contingent consideration liabilities
In 2016, assets of House of Lync (HOL) 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 finance income (MCHF 1.2) and was still be considered as zero at 31 December 2018.

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 in finance income or expense as the case may be. Payments are made monthly.

In 2017, UC Point was acquired (business combination). Part of the purchase price (MCHF 4.5) is a contingent consideration liability based on adjusted EBITDA 31 December 2017. The amount was settled in SWO Holding shares for a value of MCHF 4.1 in first half year 2018. MCHF 0.4 was released and recognized as finance income in 2018.

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 8,003 (prior year: TCHF 4,234). 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 (we refer to Note 26 “Subsequent events”).

A minority shareholder has a put option on his SoftwareONE Holding AG shares. The carrying amount is TCHF 6,835 (prior year: TCHF 4,359). Changes in the liability amount of TCHF 2,476 are recognized in finance expenses (prior year TCHF 1,341 finance expense).

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	1 January 2018	Cash flows	Foreign exchange movement	Change in fair value	Other	31 December 2018
Bank overdrafts	9,190	–2,870	–1,395	–	172	5,097
Contingent consideration liabilities	34,108	–3,706	–106	–2,681	–4,100	23,515
Redemption amount put options	8,593	–	–	6,245	–	14,838
Other current financial liabilities	1,498	–665	–	–	–	833
Long-term supplier liabilities	16,520	2,900	–688	–	–	18,732
Other non-current financial liabilities	897	408	–	–	–	1,305
Total financial liabilities	**70,806**	**–3,933**	**–2,216**	**3,588**	**–3,928**	**64,320**

	Changes in financial liabilities					
in CHF 1,000	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	–1,182	–4,787	4,500	34,108
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 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. The contingent consideration from the acquisition of UC Point Group was settled with shares in the amount of TCHF 4,118 in 2018 (see note 18).

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 10,627 or 88.8% (2017: 11,246 or 89.0%) of the Group's net defined benefit liability.

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 2018, 191 employees (previous year 182 employees) and 1 retiree (previous year 1 retiree) are insured under the Swiss plan. The defined benefit obligation has a duration of 20.6 years (2017: 21.5 years).

Amounts recognized in the balance sheet:

in CHF 1,000	2018	2017
Present value of funded obligations Switzerland	–40,365	–36,061
Fair value of plan assets Switzerland	29,737	24,815
Present value of unfunded obligations	–1,346	–1,395
Liability in the balance sheet at 31 December	**–11,973**	**–12,641**

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

in CHF 1,000	2018	2017
At 1 January	**37,456**	**34,832**
Service costs	3,094	3,123
Employee contribution	1,307	1,312
Interest cost	307	272
Actuarial losses/(gains)	–1,361	–752
Benefits paid/transferred	1,224	–1,433
Currency translation adjustments	–317	102
As at 31 December	**41,711**	**37,456**

Reconciliation of fair value of plan assets:

in CHF 1,000	2018	2017
At 1 January	**24,815**	**22,647**
Interest income	192	177
Return on plan assets (excluding interest income)	733	942
Employer contributions	1,307	1,312
Employee contributions	1,307	1,312
Benefits transferred/paid	1,385	–1,575
As at 31 December	**29,737**	**24,815**

Pension costs:

in CHF 1,000	2018	2017
Current service cost	3,094	3,123
Interest cost on defined benefit obligation	307	272
Interest on plan assets	–192	–177
Total defined benefit cost recognized in income statement	**3,209**	**3,218**
Thereof finance expense	89	95
Thereof personnel expense	3,120	3,123
Actuarial (gain)/loss arising from demographic assumptions	–	–
Actuarial (gain)/loss arising from changes in financial assumptions	–1,837	–
Actuarial (gain)/loss arising from experience	477	–752
Return on plan assets excluding interest income	–733	–942
Total remeasurements cost recognized in OCI	**–2,093**	**–1,694**
Total defined benefit cost	**1,115**	**1,429**

Split of plan assets in %:

	2018	2017
Cash and cash equivalents	1.0%	1.0%
Equity instruments	27.0%	28.0%
Debt instruments	47.0%	48.0%
Real estate	19.0%	19.0%
Other	6.0%	4.0%
Total	**100.0%**	**100.0%**

The actual return on plans assets amounted to TCHF 925 (2017: TCHF 1,122).

Significant actuarial assumptions:

	2018	2017
Discount rate	1.0%	0.75%
Salary growth rate	1.0%	1.0%

Pension liability – Sensitivity analysis:

	Change in assumption	Change in DBO
Discount rate	+/– 0.25 bps	–/+ 5.3%
Salary growth rate	+/– 0.25 bps	+/– 1.2%

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 2019 amount to TCHF 1,549.

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 2018 amounted to TCHF 3,578 (2017: TCHF 3,517).

20 Share capital

	Number of shares (thousands)	Carrying amount in CHF 1,000
At 1 January 2017	**13,542**	**1,354**
Increase/(decrease)	–	–
At 31 December 2017	**13,542**	**1,354**
Increase/(decrease)	–	–
At 31 December 2018	**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	Carrying amount in CHF 1,000
At 1 January 2017	**318,737**	**416**
Shares sold and allocated under employee share plan	–13,863	–186
At 1 December 2017	**304,874**	**230**
Shares purchased under employee share plan	193,253	10,219
Shares used for acquisition for settlement of contingent consideration liability from acquisition of UC Point	–100,273	–506
At 31 December 2018	**397,854**	**9,943**

21 Dividends

The dividends paid in 2018 were TCHF 13,600 or CHF 1.02 per share (prior year TCHF 6,000 or CHF 0.45 per share). A dividend in respect of the year ended 31 December 2018 of CHF 1.64 per share (excluding treasury shares), amounting to a total dividend of TCHF 25,300, is to be proposed at the annual general meeting on 4 June 2019. 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, 2016 and 2018 to participate in the Group's employee share plan (ESP2, ESP3 and ESP4) 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 has 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 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 2018, 4,248 shares have been granted at a weighted average price per share of CHF 46.40 per share (2017 5,340 shares at CHF 24.50 per share). In 2018, personnel expenses include TCHF 555 for share-based payment transactions (2017: TCHF 477).

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 2018 amounts to TCHF 611 (prior year: 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 2018, expenses in the amount of TCHF 208 have been recognized in P&L and equity (2017: TCHF 20).

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 8,917 (2017: TCHF 9,076).

The future aggregate minimum lease payments under non-cancellable operating leases at 31 December are as follows:

in CHF 1,000	2018	2017
No later than 1 year	7,731	8,108
Later than 1 year and no later than 5 years	11,113	17,116
Later than 5 years	494	1,628
Total	**19,338**	**26,852**

25 Related party transactions

The following transactions were carried out with related parties:

in CHF 1,000	2018	2017
Services rendered	–473	–114

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	2018	2017
Salaries and other short-term employee benefits	–5,963	–3,888
Post-employment benefits	–99	–91
Share-based payments	–216	–203
Total	**–6,278**	**–4,182**

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 its 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

in CHF 1,000	2018	2017
Current assets	34,015	40,514
Non-current assets	17,904	13,940
TOTAL ASSETS at 31 December	**51,919**	**54,454**
Current liabilities	31,375	27,434
Non-current liabilities	11,514	17,291
TOTAL LIABILITIES at 31 December	**42,889**	**44,725**
NET ASSETS at 31 December	**9,030**	**9,729**

Summarized income statement

in CHF 1,000	2018	2017
Revenue	118,255	108,704
Loss/profit before income tax	1,036	–124
Income tax expense	–1,694	–1,312
Loss/profit for the year	**–658**	**–1,436**
Total comprehensive income allocated to non-controlling interests	**–1,536**	**170**

Summarized cash-flows

in CHF 1,000	2018	2017
Net cash generated from operating activities	7,340	–258
Net cash used in investing activities	–3,835	–393
Net cash used in financing activities	–4,609	1,602
Cash and cash equivalents at end of year	5,845	7,134

28 List of Group companies

Company	Registered country	Voting & capital right in % 2018	Voting & capital right in % 2017
Western Europe (EMEA)			
SoftwareONE Holding AG	Stans, CH	n/a	n/a
SoftwareONE AG	Stans, CH	100.0	100.0
UC Point Switzerland*	Lucerne, CH	0.0	100.0
SoftwareONE Deutschland GmbH	Munich, DE	100.0	100.0
SoftwareONE Germany Services GmbH	Heilbronn, DE	100.0	100.0
UC Point Germany*	Cologne, DE	0.0	100.0
SoftwareONE UK Ltd.	Wimbledon, GB	100.0	100.0
SoftwareONE Italia S.r.l.	Milan, IT	100.0	100.0
SoftwareONE B.V. Netherlands	Amsterdam, NL	100.0	100.0
SoftwareONE France SAS	Paris, FR	100.0	100.0
ISI Expert SAS	Paris, FR	100.0	0
SoftwareONE Österreich GmbH	Vienna, AT	100.0	100.0
SoftwareONE Spain S.L.	Madrid, ES	100.0	100.0
SoftwareONE OY	Espoo, FI	100.0	100.0
SoftwareONE AB Sweden	Kista, SE	100.0	100.0
SoftwareONE Norway AS	Oslo, NO	100.0	100.0
SoftwareONE ApS.	Copenhagen, DK	100.0	100.0
SoftwareONE LATAM Holding S.L.	Madrid, ES	50.0	50.0
SoftwareONE Belgium S.p.r.l.	Brussels, BE	100.0	100.0
Software Pipeline Ireland Ltd	Cork, IE	100.0	100.0
Eastern Europe (EMEA)			
SoftwareONE Czech Republic s.r.o.	Prague, CZ	100.0	100.0
SoftwareONE Slovakia s.r.o.	Bratislava, SK	100.0	100.0
SoftwareONE Ltd Russia	Moscow, RU	100.0	100.0
SoftwareONE Hungary Ltd.	Budapest, HU	100.0	100.0
SoftwareONE Polska Sp. z.o.o	Warsaw, PL	100.0	100.0
SoftwareONE Licensing Experts SRL	Bucharest, RO	100.0	100.0
SoftwareONE Experts South Africa	Johannesburg, ZA	100.0	100.0
SoftwareONE Mauritius	Port Louis, MU	100.0	100.0
SoftwareONE Dubai FZ – LLC[1)]	Dubai, AE	100.0	100.0
SoftwareONE d.o.o. Serbia	Belgrade, RS	100.0	100.0
SoftwareONE Turkey	Istanbul, TR	100.0	100.0

* UC Point entities were merged in 2018
1) in liquidation

North America (NORAM)			
SoftwareONE Inc.	New Berlin, US	100.0	100.0
UC Point USA*	Irvine, US	0.0	100.0
SoftwareONE Canada Inc.	Toronto, CA	100.0	100.0
Latin America (LATAM)			
SoftwareONE Brazil CSI Ltda	São Paolo, BR	100.0	100.0
SoftwareONE Chile SpA	Santiago, CL	100.0	100.0
SoftwareONE Argentina S.R.L.	Buenos Aires, AR	100.0	100.0
SoftwareONE Puerto Rico Inc.	San Juan, PR	100.0	100.0
SoftwareONE Bolivia S.R.L	La Paz, BO	100.0	100.0
SoftwareONE Colombia S.A.S.	Bogota, CO	50.0	50.0
SoftwareONE Ecuador Soluciones S.A.	Quito, EC	50.0	50.0
SoftwareONE 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
Sftwrone S.A. de C.V. Mexico	Mexico City, MX	50.0	50.0
UC Point Mexico	Mexico City, MX	100.0	100.0
Offshore Development Services S.A. de C.V.	Mexico City, MX	50.0	50.0
SoftwareONE Guatemala S.A.	Guatemala City, GT	100.0	100.0
SoftwareONE Uruguay SpA	Montevideo, UY	100.0	100.0
SoftwareONE Panamá S.A.	Panama City, PA	100.0	100.0
SoftwareONE Peru S.A.C	Lima, PE	50.0	50.0
SoftwareONE El Salvador S.A. de C.V.	San Salvador, SV	100.0	100.0
SoftwareONE Honduras S.A.	Tegucigalpa, HN	100.0	100.0
SoftwareONE Nicaragua S.A.	Managua, NI	100.0	100.0
SoftwareONE West Indies S.A.	Gros Islet, LC	100.0	100.0
SoftwareONE Jamaica Inc. Ltd.	Jamaica, JM	100.0	100.0
SoftwareONE Trinidad and Tobago Ltd.	Port of Spain, TT	100.0	100.0
SoftwareONE St. Vincent S.A.	St. Vincent, VC	100.0	100.0
SoftwareONE Costa Rica S.A.	San José, CR	100.0	100.0
Asia Pacific (APAC)			
SoftwareONE Singapore Ptd. Ltd.	Singapore, SG	100.0	100.0
SoftwareONE Experts Sdn. Bhd. Malaysia	Kuala Lumpur, MY	100.0	100.0
SoftwareONE (Shanghai) Trading Co., Ltd.	Shanghai, CN	100.0	100.0
SoftwareONE Experts (Shanghai) Co., Ltd.	Shanghai, CN	100.0	100.0
SoftwareONE India Private Ltd.	New Delhi, IN	100.0	100.0
SoftwareONE Japan K.K.	Tokyo, JP	99.92	99.92
SoftwareONE Australia Pty. Ltd.	Sydney, AU	100.0	100.0
SoftwareONE Philippines Corporation	Makati City, PH	100.0	100.0
SoftwareONE Thailand Co. Ltd.	Bangkok, TH	100.0	100.0
Software 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

* UC Point entities were merged in 2018

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** (US, 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 EBITDA 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 2018

	EMEA	NORAM	LATAM	APAC	Total segments	Corporate	FX	Other	Total Group
Total revenue (external)	**1,964,797**	**721,573**	**285,587**	**731,042**	**3,702,999**	**–**	**38,057**	**–462**	**3,740,594**
Cost of Software purchased and third-party delivery costs	–1,751,518	–629,379	–238,652	–670,545	–3,290,094	–901	–38,860	–1,325	–3,331,180
Gross profit[1)]	**213,279**	**92,194**	**46,935**	**60,497**	**412,905**	**–901**	**–803**	**–1,787**	**409,414**
Operating expenses	–112,378	–54,307	–31,684	–39,935	–238,304	–34,415	2,498	–9,363	–279,584
EBITDA[2)]	**100,901**	**37,887**	**15,251**	**20,562**	**174,601**	**–35,316**	**1,695**	**–11,150**	**129,830**

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 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 software 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 reconciles to earnings before net financial items, taxes, depreciation and amortization

In 2018, the most relevant reconciliation item in the column 'Other' were expenses for mergers and acquisitions of approximately CHF 6 million presented in OPEX (PY: CHF 2.5 million). All other reconciliation items were 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 2018

	Switzerland	US	Germany	Netherlands	Other countries	Total
Revenue (external)	476,960	1,015,021	355,038	123,471	1,770,104	3,740,594
Non-current assets	61,111	28,089	1,428	50	7,180	97,858

Additional geographical information 2017

	Switzerland	US	Germany	Netherlands	Other countries	Total
Revenue (external)	393,762	905,886	302,615	137,607	1,570,366	3,310,236
Non-current assets	58,786	32,699	2,154	147	8,392	102,177

Revenue (external) is reported based on the 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:

	2018	2017
Revenue from sale of software		
– Microsoft products	2,392,191	2,093,498
– Multivendor products	1,207,996	1,101,956
Revenue from solution services	124,357	99,642
Other revenue	16,050	15,140
Total revenue	**3,740,594**	**3,310,236**

For products, SWO Holding 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 (EPS)

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	2018	2017
Profit for the year attributable to owners of the parent	78,484	41,096
in 1,000 shares		
Weighted average number of ordinary shares	13,276	13,226
Adjustment for share-based payment plans	56	40
Weighted average number of shares used to calculate diluted earnings per share	13,332	13,266
Basic earnings per share in CHF	**5.91**	**3.11**
Diluted earnings per share in CHF	**5.89**	**3.10**

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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 2018 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 51) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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