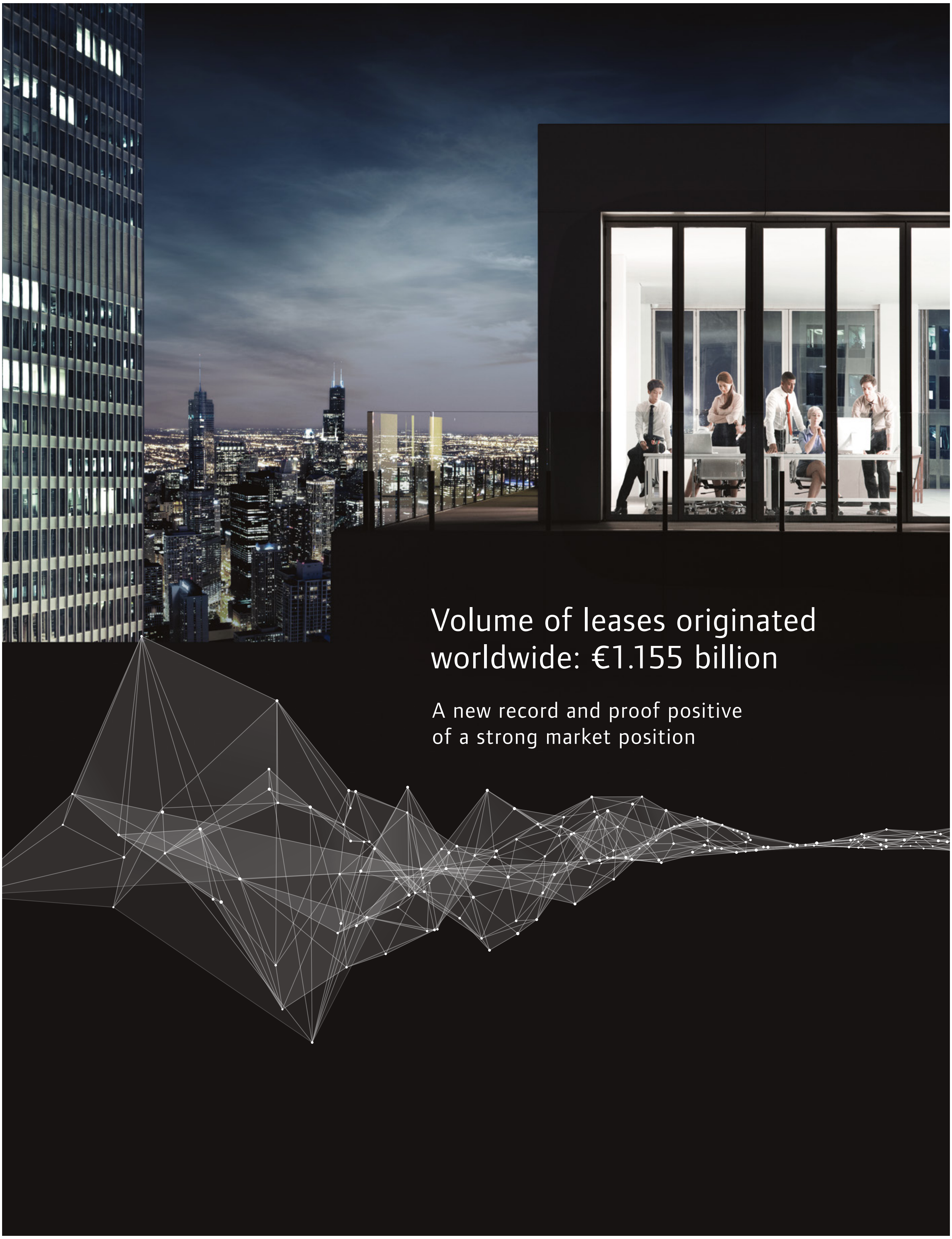
2016 ANNUAL REPORT

CHG-MERIDIAN AG



Volume of leases originated worldwide: €1.155 billion

A new record and proof positive of a strong market position

Efficient Technology Management®

OUR YEAR IN FIGURES

4,700M² FLOOR AREA

in the new building in Weingarten, creating space for a further 250 workplaces, plus two additional sites in Germany. The first quarter of 2017 has been all about greater customer proximity – providing strong foundations for growth.

+3.84% GROSS MARGIN

compared with the previous year, an indication of our strong market position. We generated a gross margin of €190 million in 2016.

1.155 BILLION EUROS

was the volume of leases originated worldwide in 2016. This is a record high volume and represents a year-on-year increase of 9.3 percent.

+34% DATA ERASURE

in accordance with standards certified by TÜV or DEKRA. This means a record number of assets – over 141,000 pieces of IT equipment – underwent eraSURE in 2016.

495,000 IT ASSETS

were remarketed by us in 2016. The remarketing of equipment at the end of its useful economic life is part of our business model that focuses on conserving resources and operating sustainably.

OUR OFFICES AROUND THE WORLD

AMERICAS

Los Angeles (US)
Windsor (CA)
Mexico City (MX)
Guadalajara (MX)
Monterrey (MX)
São Paulo (BR)

EUROPE

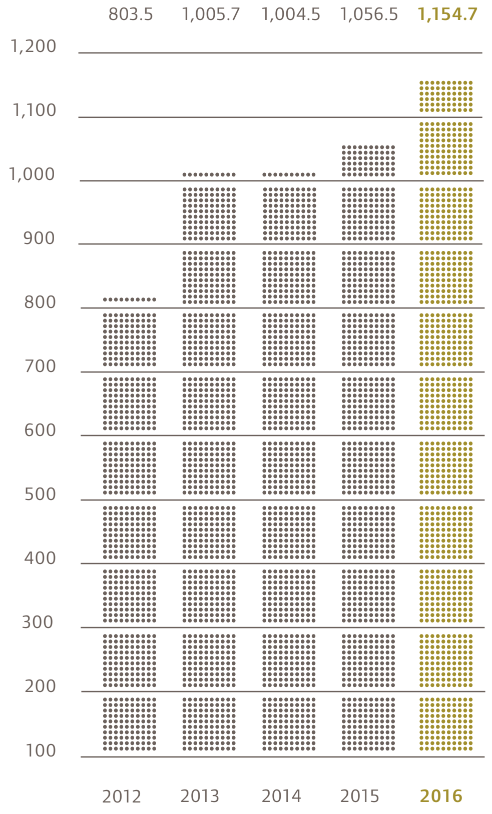
Paris (FR)
Lyon (FR)
Rome (IT)
Vimercate (IT)
Barcelona (ES)
Madrid (ES)
Baden (CH)
Vienna (AT)
Egham (UK)
Grimbergen (BE)
Dublin (IE)
Rotterdam (NL)
Moscow (RU)
Ljubljana (SI)
Prague (CZ)
Warsaw (PL)
Oslo (NO)
Skien (NO)
Stockholm (SE)
Helsinki (FI)
Copenhagen (DK)
Bratislava (SK)

GERMANY

Weingarten, HQ
Munich
Nuremberg
Stuttgart
Bielefeld
Düsseldorf
Gross-Gerau
Hamburg
Berlin

KEY CONSOLIDATED FIGURES

LEASE ORIGINATION
(€ million)



GROSS MARGIN

		2016	2015	2014
Gross margin	€ 000's	190,090	183,059	151,928
Domestic (Germany)	€ 000's	110,134	105,171	92,096
International	€ 000's	79,956	77,888	59,832

KEY QUANTITATIVE INDICATORS

		2016	2015	2014
Employees	Number	855	799	794
Current leases	Number	67,648	70,266	65,369
Active customers	Number	10,442	11,513	10,766
Remarketed equipment (items)	Number	495,015	490,207	456,243
Certified erasure (assets)	Number	141,673	106,071	102,524

CONSISTENT FOCUS ON MORE GROWTH

As experts in technology management we endeavor to set new trends with our extensive services. We bring together commercial and technical expertise to create a unique service offering and are continually expanding our international presence. Our aim is always to be close to our customers and to understand their needs. And our success has proved we are on the right track. Our customers put their trust in our promise: Efficient Technology Management®.

CONTENTS

DR. MATHIAS WAGNER
Chairman of the Board of Management

"STABILITY, RELIABILITY, AND FOCUS ON THE FUTURE ARE PART OF OUR DNA"

Last year saw many political and economic changes as well as developments in the markets and the technological sphere. One thing that did remain constant, however, was the increasing connectedness and complexity of the supply chain. In times such as these, we support our customers by successfully managing their technology investments. We are a stable, reliable, and future-focused partner with both a national and an international perspective – the qualities that are needed in today's world.

STABILITY THANKS TO LONG-TERM PROSPECTS

After 18 years as Chairman of the Board of Management, Jürgen Mossakowski moved to the Supervisory Board, of which he is now Chairman. The required restructuring of the Board of Management, including the introduction of a new IT & Services role, has already been completed. The Board of Management will continue to ensure stability going forward. Our corporate strategy, which we are continuing to pursue, has been defined for the long term and is producing success. There will be further changes to the structures in order to maintain our proximity to customers and extend our existing competitive edge for the future. In short, we remain willing to invest in the future.

RELIABILITY AND STRONG PARTNERSHIPS

In many fields, we are seeing that certain areas of responsibility are increasingly being outsourced to external companies. Firms are handing over tasks and activities to service providers and buying in support services. For our customers, this means greater complexity in the management of processes across different functions. In this situation, CHG-MERIDIAN offers significant added value as an independent provider because it works closely with customers on their technology investments and the management of solutions throughout the entire lifecycle. As a dependable partner, we will continue to focus on investing in long-term relationships so that we can move forward together with our large number of existing customers. Day in, day out, we strive to tackle our customers' challenges and offer them practical solutions that meet their needs. From consumption-based billing systems in a global corporation to the standardization of international purchasing processes, CHG-MERIDIAN is and will remain a reliable, non-captive partner that helps its customers to implement their individual technology investments.

DEPENDABILITY THROUGH PROXIMITY TO CUSTOMERS

CHG-MERIDIAN operates internationally, helping customers to implement their technology investments and draw up reliable plans for their future growth. And we are one of only a few non-captive technology managers worldwide that combine an internationally consistent level of service with local market expertise in order to cater to the needs of companies in Europe, North America, and South America. Self-contained and independent local subsidiaries ensure direct contact with customers and know the importance of listening to them and offering tailor-made solutions. Customers can thus expect stability, a high degree of flexibility, and individually customized solutions – even against a backdrop of changing market conditions.

CHG-MERIDIAN seeks to occupy a clearly defined niche position in the market. This strategy again proved successful in 2016, and the Company is able to report very positive results. We are especially pleased that the international subsidiaries made a bigger contribution to the Group's overall results and that our aim of offering customers all-round, reliable support wherever they are in the world creates significant added value. Our proximity to our customers is a key factor in our and their success. It enables us to listen and understand how we can support our customers today, tomorrow, and beyond.

LOOKING TO THE FUTURE: THE QUEST FOR INNOVATION

Since the Company's foundation in 1979, we have been present in the market and are therefore very familiar with the environment in which we operate. We know what we are talking about and how we can offer our customers the most support. Yet it is not past success that makes CHG-MERIDIAN strong but its willingness to prove itself again and again and to adapt to changes. This requires us to be brave and embrace new ideas. That may be an easy thing to write but it is a daily challenge to create the right added value for our customers and thus unlock opportunities for growth. A constant willingness to change is and remains part of our Company's DNA.

The use of digital technologies in every area is growing worldwide. This is changing how people work and thus our customers' requirements in terms of technologies and services. CHG-MERIDIAN tapped into this trend at an early stage with its Enterprise Mobility Solution (EMS), which it now offers internationally.

We have incorporated key customer requirements into TESMA® R3 and can provide our customers with a state-of-the-art asset management platform that has open interfaces to a variety of systems. We also see opportunities in new technologies such as digital signage, and we now offer our customers a solution in this area.

SUCCESSFUL AS A STRONG TEAM

CHG-MERIDIAN's success story will soon have been going on for 40 years, and 2016 was yet another highly successful year. This success creates more jobs and new employees enrich the Company with their ideas and hard work. It is the growing expertise and great dedication of our employees worldwide that make this success story possible and that will enable us to continue writing it together. I would like to take this opportunity to offer my personal gratitude to them.

We have made a positive start to 2017 and are optimistic that we will continue on our successful course this year. We look forward to continuing this journey with you, and we thank you for the trust you have placed in us.

Dr. Mathias Wagner
Chairman of the Board of Management, CHG-MERIDIAN AG

The outstanding quality of our products and services and the high levels of customer satisfaction that we achieve are the key factors that will enable us to generate strong, sustainable growth now and in the future.

THE BOARD OF MANAGEMENT:

OLIVER SCHORER
Member of the Board of Management, CIO

DR. MATHIAS WAGNER
Chairman of the Board of Management

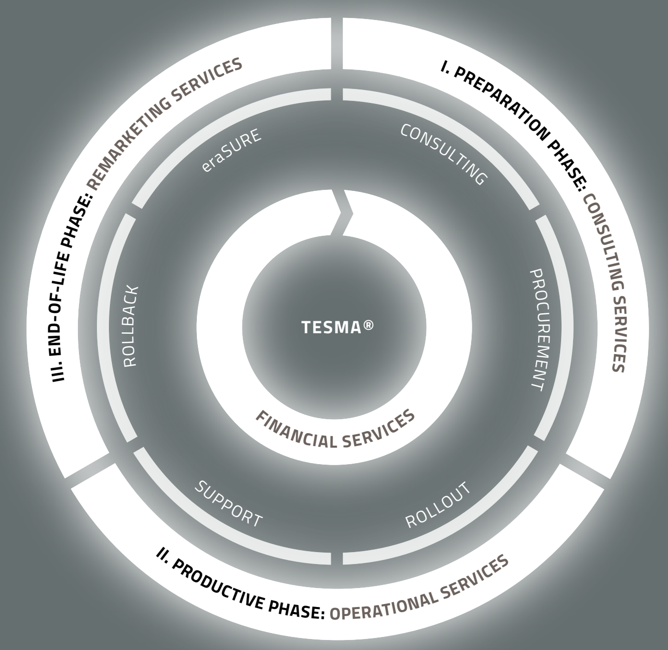
JOACHIM SCHULZ
Member of the Board of Management, CFO

FRANK KOTTMANN
Member of the Board of Management, CSO

GROUP MANAGEMENT REPORT

SECTION 1
GROUP STRUCTURE AND BUSINESS MODEL

OUR SERVICES



CHG-MERIDIAN brings together a wide range of expertise in four service areas: Consulting Services, Operational Services, Financial Services and Remarketing Services. Together, they embody our promise of Efficient Technology Management®.

1.1 LEGAL AND ORGANIZATIONAL STRUCTURE OF THE CHG-MERIDIAN GROUP

CHG-MERIDIAN AG is one of the world's leading non-captive providers of technology management in the fields of IT, industry, and healthcare. The Company was founded in 1979 as a private limited company (GmbH) and became a stock corporation (AG) in 1997. During the years that followed, the CHG-MERIDIAN Group grew to its current size by steadily expanding its volume of lease origination and establishing subsidiaries in various countries in Europe and the Americas.

CHG-MERIDIAN AG maintains an international presence at 37 locations in 23 countries. These include nine German sites, which comprise our headquarters in Weingarten plus branch offices in Munich, Nuremberg, Düsseldorf, Gross-Gerau, Hamburg, and Berlin. In January 2017 a new branch office was opened in Stuttgart, followed in March by one in Bielefeld. Across the rest of Europe, the CHG-MERIDIAN Group has offices in Paris, Lyon, Vimercate, Rome, Barcelona, Madrid, Grimbergen/Brussels, Baden/Zurich, Vienna, Egham, Dublin, Rotterdam, Moscow, Ljubljana, Prague, Warsaw, Bratislava, Oslo, Skien, Stockholm, Copenhagen, and Helsinki. Its offices in the Americas are located in Windsor (Canada), Los Angeles, Mexico City, Guadalajara and Monterrey (Mexico), and São Paulo.

The organizational structure of the operating companies in the CHG-MERIDIAN Group as at December 31, 2016 is shown in an annex to the group management report.

1.2 BUSINESS MODEL OF THE CHG-MERIDIAN GROUP

The business model used by the CHG-MERIDIAN Group is summarized in the following positioning statement:

CHG-MERIDIAN devises customized business concepts and manages efficient investments in technology. We provide our customers with impartial, straightforward, and expert advice and offer efficient technology management for small and medium-sized enterprises, large corporations, and public-sector customers.

Building on our original core competency of information technologies, we have recently broadened our product range to include healthcare technologies and industrial technologies. Structuring, efficient management and organization, and a tailored approach to developing customized business concepts are key to the success of capital investment in all three of these technology segments. The main appeal of the products that we offer is not the financing facilities that they provide but that customers can use them for a limited period. In addition, our customers benefit from transparent cost control and sustainable remarketing as a result of professional equipment reconditioning.

We have grouped our service expertise into four areas: Consulting Services, Operational Services, Financial Services, and Remarketing Services. Together, they embody our promise of Efficient Technology Management®.

CONSULTING SERVICES

We assist our customers in the development of business concepts, weigh up the advantages and disadvantages of competing technologies, and devise customized business concepts for our customers. This enables them to benefit from the technological expertise that we have acquired from working on countless projects and maintaining long-term relationships with customers and employees.

OPERATIONAL SERVICES

The efficient organization and management of technology investments during their operation calls for precise planning and implementation of each individual step. To this end, CHG-MERIDIAN offers solutions that are tailored to customers' requirements. These solutions comprise, above all, the development and management of scalable technology portfolios that ensure the most efficient use of customers' investments in terms of total cost of ownership (TCO). Our presence in different countries worldwide also enables us to fulfill international customer requirements. Customers benefit from increased availability of service and quality, simplified operational processes, and highly efficient technology management with accompanying process management.

FINANCIAL SERVICES

We find the most economical solution for our customers by taking an integrated view of all of the technical and commercial processes. The reduction in process-related and TCO costs enables customers to reap significant productivity gains.

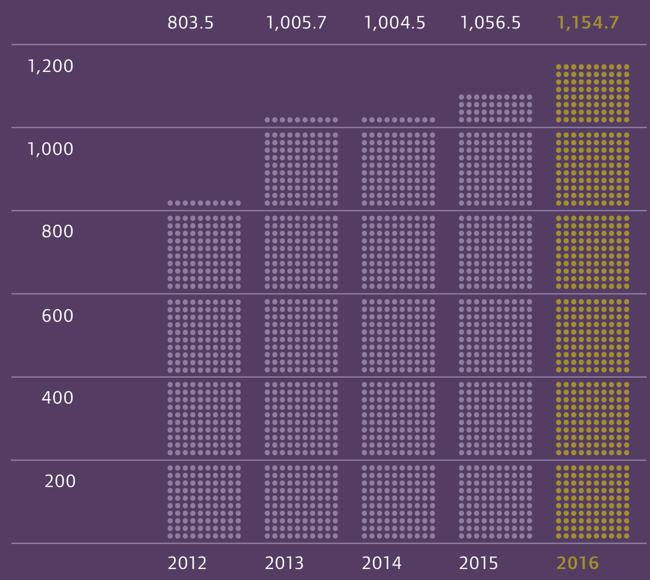
REMARKETING SERVICES

Besides ensuring the resource-efficient deinstallation of infrastructure, our remarketing services include a unique TÜV-certified process that erases the data stored on equipment. The main purpose of our Technology and Service Centers, which are located near Frankfurt am Main, Germany, and in Skien, Norway, is to refurbish and then remarket IT equipment. Between them, the sites have the capacity to recondition almost one million items of equipment per year. The professional reconditioning and downstream remarketing of used equipment is becoming increasingly important owing to the growing global shortage of resources. Used IT equipment is dealt with sustainably and cost-effectively at the end of the product lifecycle, either by successfully remarketing it or by disposing of it in an eco-friendly manner at the Technology and Service Center.

All the services offered by CHG-MERIDIAN are also supported by TESMA©, a proprietary technology and service management system. This online customer platform provides a central database for all key business information, making it available in real time, and integrates the commercial and technological business processes. It therefore creates maximum transparency and allows intelligent financial control, accurate 'causer pays' cost allocation, simple administration, and accurate reporting.

SECTION 2
BUSINESS REPORT

LEASE ORIGINATION
(€ million)



In 2016, the CHG-MERIDIAN Group generated lease origination of €1,154.7 million, a year-on-year increase of €98.2 million. The 105.0 percent target achievement rate makes 2016 another highly successful year.

2.1 MACROECONOMIC CONDITIONS AND SECTOR-SPECIFIC TRENDS

MACROECONOMIC CONDITIONS

According to the International Monetary Fund, the global economy grew in 2016 by around 2.9 percent. As in previous years, China contributed almost a third of this total (31.8 percent). China's growth also supports the growth of other export-driven economies. Low commodity prices, the investment-friendly policies of the central banks, and high employment levels in the major economies were additional growth-promoting factors in 2016.

EUROPE

Economic growth in Europe weakened slightly in 2016, with output rising by 1.8 percent (2015: 2.2 percent).

GERMANY

The German economy grew by 1.9 percent in 2016. Forecasts for 2017 are cautious due to increasing uncertainty in global markets, which could have a negative impact on German exports. Current forecasts suggest growth of around 1.6 percent. Growth areas include the construction sector and related industries. The outlook for the automotive industry and financial sector is more gloomy, particularly because of changes relating to the new administration in the US.

NORTH AMERICA

The moderate economic growth seen in recent years in the US and Canada continued in 2016, with growth of 1.6 percent. Household spending was bolstered by the strength of the labor market and the improved financial position of the population. The change of administration in the US in January 2017 created new opportunities but also new risks for the US economy. The plans to roll back regulation in areas such as finance and the energy sector could lead to a greater willingness to invest on the part of US companies, although foreign-policy tensions and a protectionist economic policy could hamper further economic growth. The forecast for 2017 is 2.3 percent for the US and 1.9 percent for Canada.

The picture for Mexico is mixed. On the one hand, the Mexican government has made deep budget cuts in the past two years and has maintained macroeconomic stability by reducing government debt and inflation. However, the plans of the new US government pose a major threat to the Mexican economy.

BRAZIL

Brazil's economy contracted by 3.2 percent in 2016, due to low commodity prices, rising debt in the private sector, and low productivity. In 2016 the Brazilian government launched a new capital spending program that is intended to attract more foreign direct investment through privatizations and plans to sell off concessions. It is too early to tell exactly what impact this will have on the Brazilian economy, as there is still no detail on regulations and funding structures.

SECTOR-SPECIFIC TRENDS

For CHG-MERIDIAN the information and telecommunications market (ITK) is an important indicator of wider market trends. The European Information Technology Observatory predicts that the global information and communications technology market will grow by 1.8 percent to a total of €3.1 trillion in 2016. The ongoing digitalization of the economy as a whole is leading to increased revenue in software and IT services, while the price pressure for telecommunications devices and services is curbing stronger growth.

The German leasing market grew to around €57 billion (an increase of 8 percent) in 2016. An increase is also expected for the European market as a whole.

The plant and production equipment market saw further growth of 5.5 percent in 2016. This market is increasing in proportion with global production, which is set to rise steadily over the coming years. The plant and production equipment market is also benefiting from the increasing digitalization and new investment in this area.

The healthcare market grew to a total of US$339.5 billion in 2016. The largest region for the healthcare market in 2016 remains the Americas with a market share of 49 percent, followed by western Europe with a market share of 23 percent.

2.2 MARKET SUCCESS

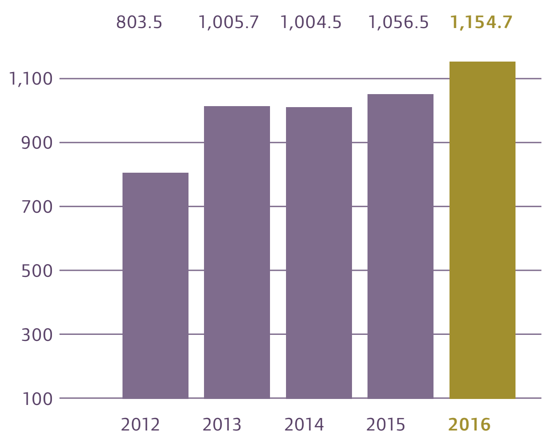
2.2.1 GROSS MARGIN

Gross margin is defined as the present value of all new leases, lease term extensions, and remarketed equipment minus direct funding and acquisition costs. The gross margin must cover all other costs in the Company. The gross margin grew by €7.0 million to €190.1 million in the year under review (2015: €183.1 million), which was largely attributable to the increase in margin at the end of the leasing period through sales and lease extensions. As a result, the target of €175.0 million forecast by the CHG-MERIDIAN Group was once again comfortably exceeded in 2016. The extremely impressive operating performance achieved last year confirms that the CHG-MERIDIAN Group's strategy of creating a leasing portfolio that will remain profitable was the right choice in 2016.

2.2.2 LEASE ORIGINATION

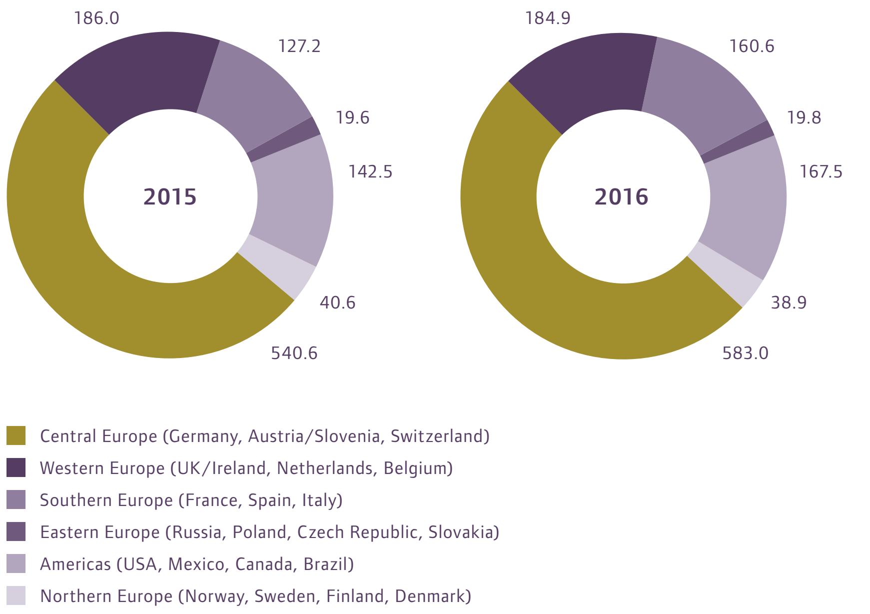
The total volume of leases originated, which is calculated on the basis of purchase invoices received for leased equipment or equipment sold to funding partners, amounted to €1,154.7 million in 2016 according to the management reporting, which was €98.2 million more than the volume in 2015. The target for 2016 of €1,100.0 million was thus comfortably achieved. The 105.0 percent target achievement rate (2015: 88.0 percent) makes 2016 another highly successful year. The following graph shows the changes in the volume of leases originated by the CHG-MERIDIAN Group over the past five years:

VOLUME OF LEASE ORIGINATION (€ million)



The regional breakdown of lease origination was as follows:

VOLUME OF LEASE ORIGINATION PER GEOGRAPHIC REGION (€ million)



In Germany, CHG-MERIDIAN AG managed to exceed the high volume of leases originated in the previous year once again and, in 2016, generated total lease origination worth €522.8 million (2015: €471.9 million). This was well above the value of €503.0 million set in the budget. CHG-MERIDIAN Mobilien GmbH originated €25.7 million in new leases, which was below the volume of €27.8 million generated in 2015. The total volume of lease origination for Germany was €548.5 million (2015: €499.7 million).

Of the CHG-MERIDIAN Group's volume of lease origination in 2016, 52.5 percent (2015: 52.7 percent) was generated by the foreign subsidiaries, thereby maintaining the proportion attributable to foreign subsidiaries at a level consistent with the previous year. This trend shows the great importance of its foreign subsidiaries for the performance of the CHG-MERIDIAN Group.

Outside Germany, the volume of leases originated in 2015 varied from country to country. The foreign subsidiaries in Italy, the USA, Brazil, France, and the Netherlands achieved very strong growth in lease origination. However, the subsidiaries in Belgium, Mexico, Russia and Scandinavia reported declines in the year under review.

The largest growth in absolute terms outside Germany was achieved by the Italian subsidiary, which expanded its lease origination by €24.6 million to €69.5 million (2015: €44.9 million). Further growth was also generated by the subsidiaries in the US (up by €19.4 million), Brazil (up by €11.6 million), France (up by €5.9 million), and the Netherlands (up by €5.0 million). These companies together achieved an aggregate increase of €66.5 million, contributing to the healthy growth in leases originated by the CHG-MERIDIAN Group in 2016.

Declines in lease origination were reported by the subsidiaries in Belgium (down by €9.3 million) and Mexico (down by €4.8 million). The Scandinavian subsidiaries together also reported a slight decrease (down by €1.7 million). However, the potential offered by these countries continues to be seen as significant and a return to growth is expected in 2017.

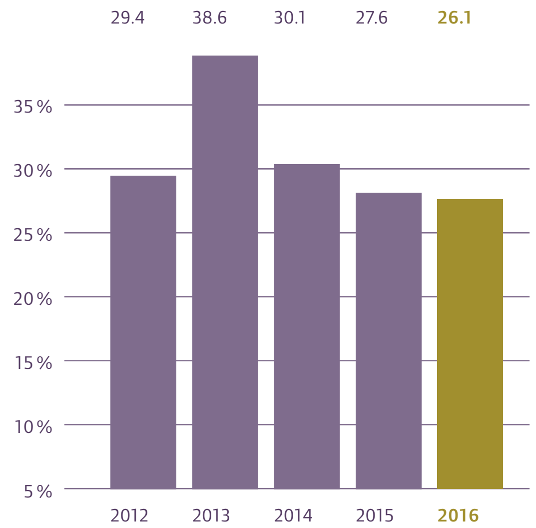
The CHG-MERIDIAN Group generally continued to pursue a policy of rejecting new business if transactions either appeared too risky or the balance between opportunities (earnings potential) and risk (e.g. default risk, funding risk) was not suitable in individual leases.

PROPORTION OF BUSINESS WITH NEW CUSTOMERS

The proportion of leases originated with new customers was 26.1 percent, which was slightly down compared with 2015 (27.6 percent) but still met our target of maintaining the proportion at a stable level. The fall in the proportion of business with new customers is due to the stronger focus on developing relationships with existing customers. Acquiring new customers enables us to continually renew our portfolio and is vital to our long-term success.

The chart below shows the proportion of business with new customers in the period 2012 to 2016:

PROPORTION OF BUSINESS WITH NEW CUSTOMERS (%)



2.3 FUNDING ENVIRONMENT

As in previous years, in 2016 the CHG-MERIDIAN Group's funding base was very comfortable. Across the entire eurozone, there was consistently high liquidity in all maturity bands and the subsidiaries in Europe were able to make good use of these tailwinds. All subsidiaries that funded their new business in US dollar and sterling regions also enjoyed a similarly comfortable position. However, as in 2015, the subsidiary in Russia was strongly affected by the political climate, which led to a further fall in the volume of new business. Although the outcome of the US elections did not have any direct influence on the general funding situation in Mexico, interest rates for the Mexican peso nevertheless rose sharply, and for that reason local funding in the national currency was reined in at the end of the year. CHG-MERIDIAN AG provided the necessary liquidity through IC loans.

For the CHG-MERIDIAN Group as a whole, however, there was a huge excess supply of finance available from funding partners and investors in 2016. Existing funding arrangements were generally extended or significantly increased. This was true in the area of non-recourse funding but also, in particular, for loan-based funding of CHG-MERIDIAN AG in the area of corporate lending.

To optimize the funding structure, individual funding programs were ended and new business relationships or funding solutions were developed that optimize the funding of the CHG-MERIDIAN business model as a whole. Funding at Group level is still based on a broad and well-diversified base of funding partners, some of whom have been working successfully with CHG-MERIDIAN for many years.

2.4 CHANGES TO THE LEGAL STRUCTURE

CHG-MERIDIAN AG and its subsidiaries have a presence in 23 countries (2015: 23).

The former Chairman of the Board of Management, Jürgen Mossakowski, retired from the Board of Management of CHG-MERIDIAN AG in 2016 and in future will serve the Company as Chairman of the Supervisory Board. As part of this reshuffle, the former Chairman of the Supervisory Board, Dr. Alexander Lienau, stepped down from the Supervisory Board at the end of December 2016.

Jürgen Mossakowski was succeeded as Chairman of the Board of Management by Dr. Mathias Wagner, and Oliver Schorer took up a seat on the Board of Management (both changes took effect on January 1, 2017).

A resolution to increase the size of the Supervisory Board to six members also took effect on January 1, 2017.

2.5 REPORT ON THE PERFORMANCE OF THE CHG-MERIDIAN GROUP'S BUSINESS

2.5.1 REPORT ON FINANCIAL PERFORMANCE

The table below shows the key figures from the consolidated profit and loss statement (€ 000's):

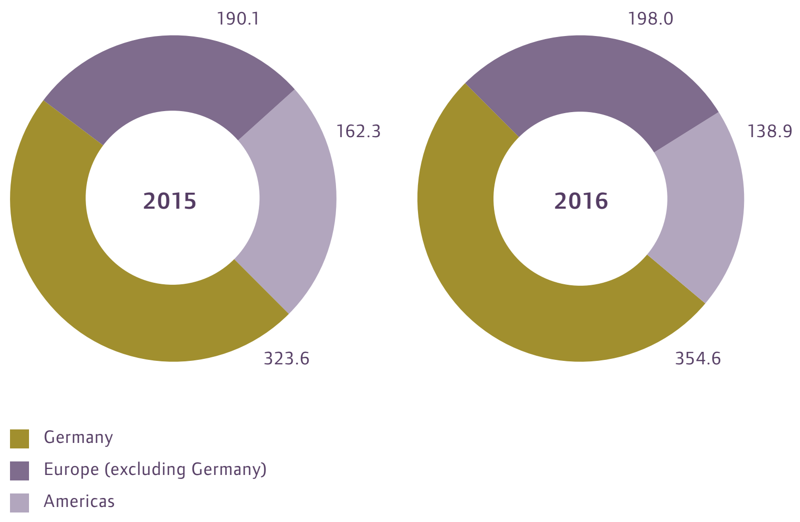
Key figures from income statement	2016	2015	Change (%)
Net interest income	81,545	83,489	–2.3
Net income from operating leases	75,985	73,496	3.4
Net income from remarketing	38,720	28,294	36.8
Net income from services	10,532	14,735	–28.5
Profit from ordinary activities	82,989	78,022	6.4
Net income	58,916	58,104	1.4

INCOME

The CHG-MERIDIAN Group generated a profit of €83.0 million from ordinary activities in 2016 (2015: €78.0 million), which represents a significant year-on-year increase. Calculated by dividing net income by the weighted average number of shares outstanding during the year, (basic) earnings per share amounted to €0.63 in 2016 (2015: €0.64). The stable earnings position is largely attributable to the sharp rise in net income from remarketing.

The following diagram gives a geographical breakdown of income[1] for the past two years:

INCOME BREAKDOWN BY REGION (€ million)



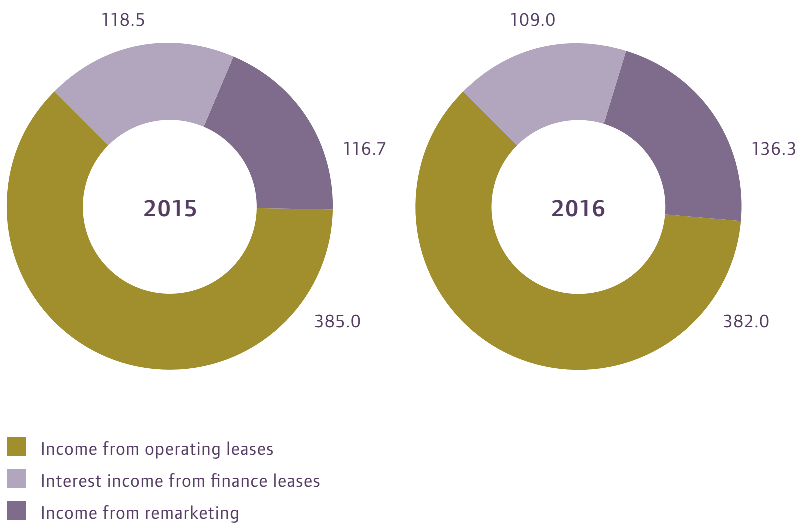
The improvement in earnings is primarily attributable to the earnings growth in the Germany region, where there was a substantial rise of €31.0 million, and Europe (excl. Germany) with an increase of €7.9 million. By contrast, the Americas region suffered a sharp fall (down by €23.4 million).

Within Europe (excl. Germany), the main factors behind the improved earnings were increased income from operating leases and an increase in income from remarketing at the subsidiaries in the Netherlands (up by €2.8 million), Belgium (up by €2.3 million) and Austria (up by €1.8 million). In Germany, CHG-MERIDIAN AG (up by €29.8 million) was the primary driver behind another extremely positive contribution to earnings in the year under review. This resulted from an increase in income from operating leases and the interest income from finance leases. The sharp fall in earnings from the Americas region is primarily attributable to the Mexican subsidiary (down by €29.5 million) as a result of a decrease in income from operating leases.

[1] Defined as the total of interest income from finance leases/other interest income, income from operating leases, income from remarketing, income from services rendered, and other operating income.

The following diagram shows how the total leasing and remarketing income in the past two years (€627.3 million in 2016 and €620.2 million in 2015) was broken down into income from operating leases, interest income from finance leases, and income from remarketing:

INCOME BREAKDOWN BY INCOME TYPE (€ million)



Income from operating leases rose by just €3.0 million year on year to €382.0, held back primarily by the performance of the Mexican subsidiary (down by €25.3 million). Conversely, there were substantial positive effects from the performances of CHG-MERIDIAN AG (up by €22.1 million), the Dutch subsidiary (up by €3.9 million), the Belgian subsidiary (up by €2.7 million) and the Austrian subsidiary (up by €1.3 million),

Income from finance leases fell by €9.4 million year on year to €109.0, which was mainly attributable to the performance of the US subsidiary (down by €5.0) and the Mexican subsidiary (down by €4.6 million).

Income from remarketing increased by €19.6 million compared with 2015 and amounted to €136.3 million. The rise in income was largely attributable to the performances of the UK subsidiary (up by €6.9 million), the US subsidiary (up by €5.8 million), CHG-MERIDIAN AG (up by €2.4 million) and the French subsidiary (up by €1.7 million). CHG-MERIDIAN AG generated total income from remarketing of €48.9 million in 2016 (2015: €46.5 million), of which €39.7 million (2015: €33.8 million) was earned through the Technology and Service Center in Gross-Gerau.

The number of remarketed assets and the amount of revenue per equipment category remained stable in 2016. The market for used IT equipment was still intact and demand for equipment continued to exceed supply.

Some 495 thousand items of equipment (2015: 490 thousand) were sold through the Technology and Service Center in 2016. The Company's strategy is to generate additional income from the reconditioning and remarketing expertise offered by its Technology and Service Center.

The year under review also saw greater demand for the IT-related services provided by CHG-MERIDIAN AG. The number of hard disks from which data was securely erased in a certified process increased significantly from 106,071 in 2015 to 141,673 in 2016.

These figures reflect the rise in demand for secure data erasure certified by TÜV Informationstechnik GmbH and DEKRA Certification GmbH.

EXPENSES

Staff expenses and **other administrative expenses** rose by €6.2 million to €118.5 million in 2016. This increase was mainly driven by higher salary expenses resulting from the increase in staff numbers. Headcount rose to an average of 827 employees in 2016 (2015: 794).

Expenses from operating leases largely resulted from depreciation and amortization of €288.1 million (2015: €268.2 million) and interest expense of €17.9 million (2015: €43.3 million) arising from non-recourse funding. The increase in depreciation and amortization of leased assets under operating leases was largely due to the growth in lease origination over the past three years (see section 2.2.2).

The consolidated tax expense included the tax expense for the current year amounting to €13.0 million (2015: €16.6 million) and a deferred tax expense of €11.1 million (2015: €3.3 million).

Overall, the financial performance of the CHG-MERIDIAN Group operations remained positive.

2.5.2 REPORT ON THE FINANCIAL POSITION

The CHG-MERIDIAN Group funds the majority of its lease origination using external funding partners, although available equity and operating cash flow are also used in specific instances. Wherever possible, foreign subsidiaries obtain their own financing from local funding partners. To optimize the local funding, CHG-MERIDIAN AG also supports the subsidiaries with short-term prefinancing facilities and medium to long-term loans.

The total volume of medium and long-term funding raised by the CHG-MERIDIAN Group in the year under review (€1,024.3 million) represented a new all-time high (2015: € 960.2 million). This equates to 88.7 percent of the lease origination (2015: 90.9 percent), although it should be noted, with regard to the slight relative fall, that there are bonded loans with bullet maturity for a total of €200.0 million.

The total funding volume is broken down as follows: €837.7 million non-recourse funding (2015: €726.2 million), €135.0 million corporate lending (2015: €120.0 million), €18.0 million secured lending (2015: €38.5 million), and €33.6 million of other funding (2015: €75.5 million).

This gives a forfaiting ratio[2] for the CHG-MERIDIAN Group of 72.5 percent, compared with 68.7 percent in 2015. Of the total volume of non-recourse funding, €359.8 million was attributable to CHG-MERIDIAN AG and €477.9 million to the subsidiaries. The parent company's forfaiting ratio of 68.8 percent contrasts with a forfaiting ratio of 75.6 percent for the subsidiaries. Overall, the ratios are consistent with the funding strategy which requires a forfaiting ratio of at least 60 percent as at the reporting date.

The majority of corporate lending, totaling more than €135.0 million, was drawn down by CHG-MERIDIAN AG. €50.0 million was attributable to the fourth bonded loan (arranged by Bayerische Landesbank), €60.0 million to two syndicated loans (arranged by Landesbank Baden-Württemberg and DZ Bank AG) and €10.0 million each to loans from Hamburger Sparkasse and Landesbank Hessen-Thüringen. For the first time, a loan classified as corporate lending was disbursed to the Austrian subsidiary by Raiffeisenlandesbank Vorarlberg (€5 million).

The volume of directly secured loans was significantly reduced as planned to €18.0 million. The loans were extended to the subsidiaries in Mexico and Brazil.

[2] Defined as the volume of non-recourse funding disbursed as a proportion of the total leases originated in the reporting year.

Other funding of €33.6 million can be broken down as follows: €30.0 million was for funding lease restructures and €3.6 million was for money-over-money transactions by the US subsidiary.

In 2016, funding was raised from 66 (2015: 77) different funding partners in 21 (2015: 21) countries. The funding statistics show that the funding base remains broad and diversified. A total of 26.3 percent (2015: 29.7 percent) of the total volume of funding raised was obtained from the three main funding programs. Société Générale Equipment Finance leads the way here, followed by Landesbank Baden-Württemberg and the ING Group.

The CHG-MERIDIAN Group maintained a very good, robust level of financial resources in 2016. In addition to a very strong free cash flow, the CHG-MERIDIAN Group also has substantial undrawn credit lines available. This means it has a solid financial basis for further growth. Please refer to the statement of cash flows for further information. There were no restrictions that could have limited the availability of the Company's capital or liquidity at any time in 2016.

2.5.3 REPORT ON THE NET ASSETS

The CHG-MERIDIAN Group's total assets amounted to €2,138.9 million as at December 31, 2016 (December 31, 2015: €1,970.4 million), which represents a year-on-year increase of €168.5 million or 8.6 percent. The Group's net assets largely consist of receivables from finance leases, leased assets under operating leases, deferred income from forfaiting transactions, and liabilities to banks.

Receivables from finance leases increased by €9.3 million to €785.2 million in 2016, which was largely attributable to the Italian subsidiary (increase of €31.0 million), CHG-MERIDIAN AG (increase of €15.5 million), and the Belgian subsidiary (increase of €9.2 million). However, the US subsidiary reported a fall of €46.2 million.

Leased assets under operating leases grew by €160.9 million to €743.7 in 2016 (2015: €582.8 million), which was predominantly attributable to the strong expansion at CHG-MERIDIAN AG (increase of €90.3 million), the US subsidiary (increase of €22.0 million) and the Brazilian subsidiary (increase of €12.1 million).

Capital expenditure relating to finance leases and operating leases is largely matched on the other side of the statement of financial position by **liabilities to banks** totaling €525.6 million (2015: €496.6 million) and **deferred income from forfaiting transactions** of €703.3 million (2015: €663.9 million). The increase in liabilities to banks is primarily relates to CHG-MERIDIAN AG (up by €35.1 million) and the Brazilian subsidiary (up by €7.9 million) and correlates to the increase in lease origination in the two companies. By contrast, the Mexican subsidiary reported a decline of €10.9 million due to the fall in lease origination. The rise in deferred income from forfaiting transactions essentially relates to CHG-MERIDIAN AG (increase of €15.5 million) and is attributable to the higher forfaiting ratio and the increase in lease origination. The Belgian subsidiary (up by €16.8 million), the Brazilian subsidiary (up by €16.4 million) and the Italian subsidiary (up by €11.8 million) all contributed to the increase, which was driven by the increased volumes of non-recourse funding and, at the Belgian and Italian subsidiaries, by a lower netting ratio. By contrast, there were declines for the US subsidiary (decrease of €38.8 million) and the Mexican subsidiary (decrease of €10.9 million), which can be explained by a smaller volume of leases originated in Mexico and the expiry of a large number of leases financed via non-recourse funding in the US.

The **equity ratio**[3] of the CHG-MERIDIAN Group was 19.6 percent as at the reporting date (December 31, 2015: 19.0 percent However, as is the case for all leasing companies, the equity ratio is of limited use as an indicator.

[3] Defined as the ratio of equity to total assets.

2.5.4 GENERAL COMMENT ON THE CHG-MERIDIAN GROUP'S BUSINESS SITUATION

The CHG-MERIDIAN Group ended the 2016 financial year on an extremely successful note. Its operating performance underscores the success of its business model and its strategy of achieving sustainable growth. The CHG-MERIDIAN Group was able to further expand its market share. Moreover, the Company actually exceeded the target for gross margin in 2016, which also had a positive impact on its net income. At the time that these consolidated annual financial statements were completed, the Company was therefore excellently placed and possessed the capabilities needed to ensure that it continues to thrive in a constantly changing market environment over the coming years.

2.6 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.6.1 FINANCIAL PERFORMANCE INDICATORS

Two of the aims of the CHG-MERIDIAN Group's corporate strategy are to generate sustainable, profitable growth and to steadily increase its enterprise value. The Company uses the following financial KPIs to measure the medium and long-term financial success of this strategy of value-based management:

- lease origination
- gross profit

The volume of leases originated as a financial indicator is defined as the sum total of all purchase invoices received in the financial year for leased equipment or equipment sold to funding institutions. The CHG-MERIDIAN Group aims for long-term growth in lease origination of 5 to 10 percentage points per year. In 2016, the volume of leases originated rose by 9.3 percent year on year, largely confirming the forecast of 13 percent growth made in 2015.

Another important measure is gross margin. As described in section 2.2 'Market success', gross margin is defined as the present value of all new leases, lease term extensions, and remarketed equipment minus direct funding and acquisition costs. The gross margin must cover all other costs in the Company. The target for gross margin, which depends heavily on the volume of leases originated in previous years, has been 15 - 20 percent of the volume of lease origination for many years. In 2016, the gross margin amounted to €190.1 million, giving a ratio of gross margin to lease origination of 16.5 percent (2015: 17.3 percent) and confirming the previous year's forecast of a consistently high gross margin level (€175.0 million).

2.6.2 NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial performance indicators are non-quantifiable indicators. In 2016, these indicators moved in line with management expectations.

EMPLOYEE STRUCTURE

The CHG-MERIDIAN Group employed a total of 855 people as at December 31, 2016 (December 31, 2015: 799), which was a year-on-year increase of 56 people.

The following table gives a breakdown of employees in the CHG-MERIDIAN Group by country and company as at December 31, 2016:

Country	Company	Number of employees Dec. 31, 2016	Number of employees Dec. 31, 2015
Germany	CHG-MERIDIAN AG	452	403
	CHG-MERIDIAN Mobilien GmbH	8	7
France	CHG-MERIDIAN France SAS	36	37
United Kingdom	CHG-MERIDIAN (Holdings) UK Limited	47	43
Belgium	CHG-MERIDIAN Belux NV	31	30
Italy	CHG-MERIDIAN Italia S.p.A.	25	23
Spain	CHG-MERIDIAN Spain S.L.	21	22
Russia	LLC 'CHG-MERIDIAN'	9	10
Austria	CHG-MERIDIAN Austria GmbH	8	7
Poland	CHG-MERIDIAN Polska sp. z o.o.	11	11
Netherlands	CHG-MERIDIAN Nederland BV	18	15
Switzerland	CHG-MERIDIAN Schweiz AG	5	5
Czech Republic	CHG-MERIDIAN Czech Republic s.r.o.	8	7
United States of America	CHG MERIDIAN USA Corp.	44	45
Mexico	CHG-MERIDIAN México S.A.P.I. de C.V.	68	74
Brazil	CHG-MERIDIAN do Brasil Locação de Equipamentos Ltda.	17	17
Norway	CHG-MERIDIAN Norway AS CHG-MERIDIAN Skien AS	25	24
Sweden	CHG-MERIDIAN Sweden AB	9	7
Denmark	CHG-MERIDIAN Denmark A/S	5	6
Finland	CHG-MERIDIAN Finland Oy	8	6
		855	**799**
Parental leave/maternity leave		26	28
DHBW student/trainees		26	25
Total number of employees		**907**	**852**

There were no employees in Slovakia, Slovenia, Ireland, or Canada as at the reporting date.

The code of conduct compiled by CHG-MERIDIAN AG sets out rules of behavior and corporate values that provide guidance for all members of staff in their day-to-day work and embody the Group's corporate philosophy and culture. Through these shared objectives and values, combined with clearly defined policies, the Group aims to ensure that all employees conduct themselves ethically and in compliance with the law, both with regard to each other and to the public. The code of conduct is regularly revised to ensure that these corporate principles are consistent with the Group's constantly changing circumstances and environment.

RECRUITING AND RETAINING STAFF

Recruiting and retaining staff are high priorities for CHG-MERIDIAN. Measures include providing exciting career opportunities, financial incentives, benefits, and family-friendly working hours, finding the right work/life balance, and creating a corporate and managerial culture based on a sense of responsibility and trust. In addition, CHG-MERIDIAN AG has forged a partnership with the Weingarten-based Foundation for the Center for the Disabled in Upper Swabia (KBZO) and now provides workplace childcare facilities. This enables Company employees to return to work after just one year's parental leave by taking advantage of flexible part-time arrangements.

SKILLS TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

Employees are CHG-MERIDIAN's most important resource and its most important 'factor of production'. That is why we provide continuing professional development via our inhouse HR Academy, enabling employees to receive effective training on company-specific processes and more generic skills.

In 2016, eight young employees commenced vocational training courses in IT or industrial business management, or started degree apprenticeships in international business, financial services, applied IT or business informatics at CHG-MERIDIAN AG.

The 'TrailS – Trainees for Sales' program was restarted in 2016 and the selection process for 2017 is currently ongoing. CHG-MERIDIAN AG also offers high-school students and undergraduates an insight into working life in the form of internships. In addition, it has entered into education partnerships with schools and is continually expanding its university marketing.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

CHG-MERIDIAN has always aimed to generate consistent, long-term growth and has done so ever since it was first established. This success has been the result, in no small part, of its strong local roots.

Responsibility and sustainability are key elements of the CHG-MERIDIAN philosophy.

Our contribution to socially and environmentally sustainable development is derived from our business model. This is a model which combines our core values with a long-term corporate strategy and strong relationships with our employees, customers, and society at large.

CORPORATE CITIZENSHIP

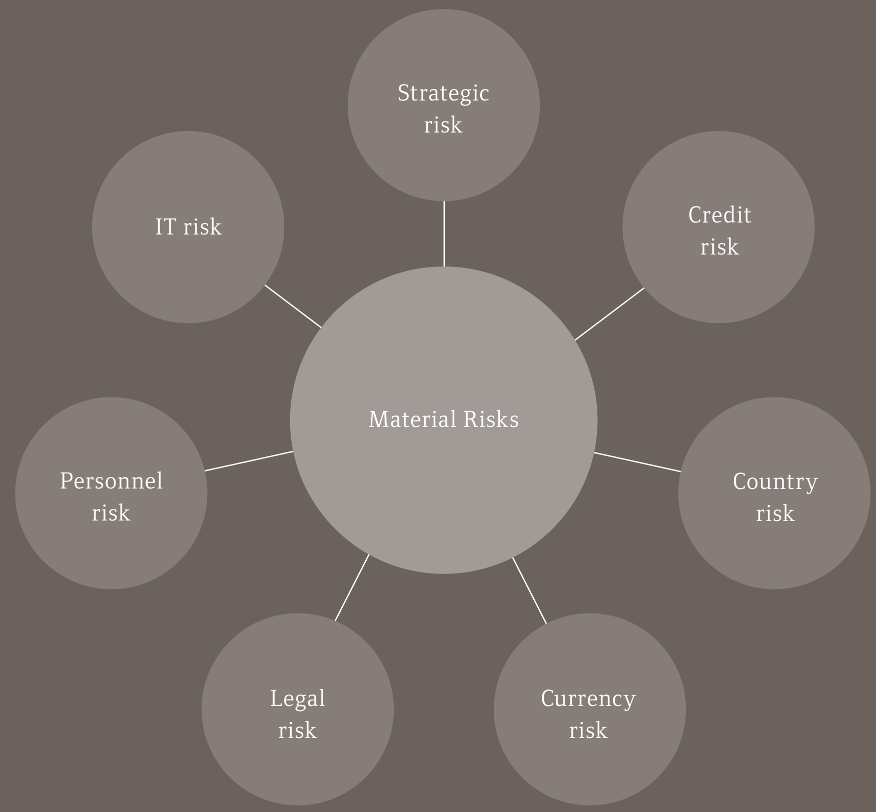
Customers, employees, business partners, and the wider public expect a multinational company and trusted independent partner to act with integrity at all times. This also applies to charitable donations and sponsorships, which form a key part of our responsibilities as a corporate citizen. Donations and sponsorship are subject to the provisions of a policy that applies throughout the CHG-MERIDIAN Group.

In order for our charitable donations and sponsorships to be effective, there needs to be a clear definition of the social causes being supported and the associated objectives. As a technology company, we have a particularly strong focus on technology, media, and the digital revolution. Our aim is to apply this passion to the priority areas of the arts, education, social causes, and sport.

We explicitly pledge our commitment to the communities in which we operate. Our charitable donations and sponsorship activities are concentrated on initiatives, projects, and associations in our local area.

SECTION 3
OPPORTUNITIES AND RISKS REPORT

MATERIAL RISKS



The objective of the risk strategy is to strike the right balance between the risks and opportunities facing the CHG-MERIDIAN Group as a whole. The aim here is to seek to exploit specific opportunities while only taking on risks to a responsible degree.

3.1 OPPORTUNITIES REPORT

Healthy, stable economic conditions are essential for increasing the volume of business with existing customers and with new customers. Global economic output is forecast to grow by 2.7 percent in 2017. For Europe, the forecasts are more modest but, at 1.4 percent, still stable and roughly the same as last year. In the core market of Germany, the forecast of 1.6 percent is slightly below the corresponding figure for 2016. The forecasts for the US are still fraught with uncertainty, but the current expectation is still for growth of 2.3 percent in 2017.

Despite the uncertainty, the opportunities for CHG-MERIDIAN's further growth are good. The Group's international presence provides opportunities for growth in all operating segments, both with existing customers and new ones

3.1.1 OPPORTUNITIES IN THE LEASING MARKET

The healthy economic climate will lead to further need for investment in 2017. New trends have to be identified and their impact correctly assessed. Market conditions change and development cycles are getting shorter and shorter. The combination of intelligent funding solutions and customized service offerings – as an attractive alternative to companies managing their own capital spending – will continue be in demand in 2017.

The crucial factor for our customers will be having an experienced partner that is able to take a holistic view of their company's specific situation and come up with individual and flexible customized business concepts that make life easier for them at every phase of the technology lifecycle.

As a leading innovator in the area of efficient technology management, CHG-MERIDIAN is therefore in a strong position from which it will be able to harness the growth and development potential available in various sectors over the coming years.

3.1.2 OPPORTUNITIES IN INFORMATION TECHNOLOGIES

The increasing importance of software and services creates additional growth potential in the information technologies sector. CHG-MERIDIAN's systematic focus on exploiting this potential is underlined by its diverse service portfolio. The Company sees the expansion of its service portfolio as the key to being able to continue offering flexible and customized solutions that go well beyond pure financing. CHG-MERIDIAN is represented in all relevant markets via its network of subsidiaries and is thus able to offer its solutions and customized business concepts internationally. This means we can support our customers in countries outside Germany too, providing them with individual, flexible, and end-to-end solutions. The close proximity to customers enables us to develop local and region-specific solutions to meet the quality requirements of our customers and thus ensure a high level of customer satisfaction.

CHG-MERIDIAN is always looking ahead. By spotting new trends early, we are able to identify future challenges for our customers and successfully translate them into opportunities for CHG-MERIDIAN. Generating added value for our customers will always play a key role in the development of new services and lead to the emergence of new solution areas.

3.1.3 OPPORTUNITIES IN INDUSTRIAL TECHNOLOGIES

Industrial infrastructure is being constantly expanded, with increasing investment in the automotive, engineering and logistics sectors. However, as the technology behind the 'internet of things' continues to gain ground, the complexity of investment is increasing which is resulting in capital expenditure bottlenecks within companies. The solutions offered by CHG-MERIDIAN are tailored to solve these problems.

CHG-MERIDIAN offers professional and individual coordination of investment projects. The Company's full-service approach ensures the necessary flexibility and takes account of customer-specific parameters such as their current level of orders on hand. This not only reduces complexity, but also improves the cost situation for the customer. With its innovative services and company-specific solutions, CHG-MERIDIAN offers a complete portfolio that meets the increased needs of industry.

The opportunities in the area of industrial technologies arise from the various challenges facing companies in this area and from the general potential in this business sector. For example, the non-captive fleet management service for material handling vehicles helps to reduce operating and investment costs in the long term by correctly interpreting the lifecycle and more efficiently utilizing the capacity of the entire fleet.

Our customers in the industrial technologies sector benefit from the international presence and experience of CHG-MERIDIAN, which means the Company is able to support them not only in their home markets, but also at their international production sites. CHG-MERIDIAN therefore intends to continue strategically expanding its international presence in the area of industrial technologies.

Conditions are expected to remain attractive for CHG-MERIDIAN and its customer-focused business model in 2017. CHG-MERIDIAN brings together its business activities in the industrial technologies sector in its subsidiary CHG-MERIDIAN Mobilien GmbH.

3.1.4 OPPORTUNITIES IN HEALTHCARE TECHNOLOGIES

Products in the area of healthcare technologies are not only highly specialized assets with a high volume of lease origination – they also represent a future growth sector. A functional healthcare system without information technology is no longer conceivable. Links between the sectors will grow and deepen in the future, and healthcare technologies have to be viewed holistically as part of the overall system. Health providers will face particular challenges: not only is the procurement and operation of this equipment associated with high levels of capital expenditure, but the joining of healthcare and information technologies will become increasingly essential.

CHG-MERIDIAN brings years of experience in various areas of technology and is able to offer comprehensive and efficient lifecycle management. Through a fully integrated approach and the systematic expansion of its services, CHG-MERIDIAN can offer solutions tailored to its customers' individual needs. The focus is on comprehensive customized business concepts that enable assets to be managed efficiently. This enables patient care to be improved while reducing overall costs.

Strategic international expansion in the area of healthcare technologies, bringing together IT and healthcare expertise, should create good prospects for the future. For 2017 and beyond, the Company expects an increase in the volume of business.

3.1.5 OVERALL ASSESSMENT OF OPPORTUNITIES

Given the existing and increasing links and interrelationships between the areas of information technologies, industrial technologies, and healthcare technologies, it no longer seems appropriate to view them as entirely separate entities. The combination of the three business segments is what makes CHG-MERIDIAN a leading provider in the management of high-tech investments.

CHG-MERIDIAN's future opportunities stem from the increasing international demand for complexity reduction. Flexible and customized solution concepts based on a fully integrated approach enable customers to stay focused on their own core business. The systematic expansion of the product and service portfolio thus provides the foundation for CHG-MERIDIAN's continuing success. The international network enables the Company to provide big-ticket customers with optimum service and the result is a unique portfolio that meets the increased customer needs.

We expect the systematic positioning to be reflected in a strong business performance. CHG-MERIDIAN therefore expects to generate growth in all three areas of business in 2017. Strategic acquisitions in existing markets may create further growth opportunities for the whole of CHG-MERIDIAN.

3.2 RISK REPORT

3.2.1 RISK STRATEGY

The objective of the risk strategy is to ensure the right balance between opportunities and risks. The risk strategy pursued by the CHG-MERIDIAN Group is derived from its business strategy and forms an integral part of the risk management process. The Board of Management and Supervisory Board of CHG-MERIDIAN AG set out the principles of risk policy, the core message of which incorporates a code of conduct and encourages all staff members to take a sensible attitude toward risk. These principles form the basis for the specific structure of the risk management organization and are intended to promote awareness of risk on the part of all stakeholders. By communicating its corporate principles to all employees in the CHG-MERIDIAN Group, the Company aims to ensure that they are aware of risk, that risks are identified and monitored, and that appropriate action is taken should an imminent threat arise.

The idea behind the risk strategy is also to enable us to exploit competitive advantages and opportunities while avoiding risks that exceed a defined limit. CHG-MERIDIAN adopts a risk-conscious approach to managing and identifying potential risks and opportunities, evaluates them in terms of their risk/reward profile, and decides whether to accept or avoid them based on the Company's capacity to assume the risk involved. The aim here is to seek to exploit specific opportunities while only taking on risks to a responsible degree.

3.2.2 RISK MANAGEMENT AND RISK MONITORING

In order to manage and monitor these risks, the CHG-MERIDIAN Group employs a holistic risk management strategy in conjunction with processes and organizational structures for monitoring and measuring risk that are calibrated to reflect the size, nature, scope, complexity, and risk inherent in each of its transactions. Furthermore, process-integral and cross-process monitoring ensure that the risk management system, and the action taken within it, functions properly, fulfills its requirements, and is effective.

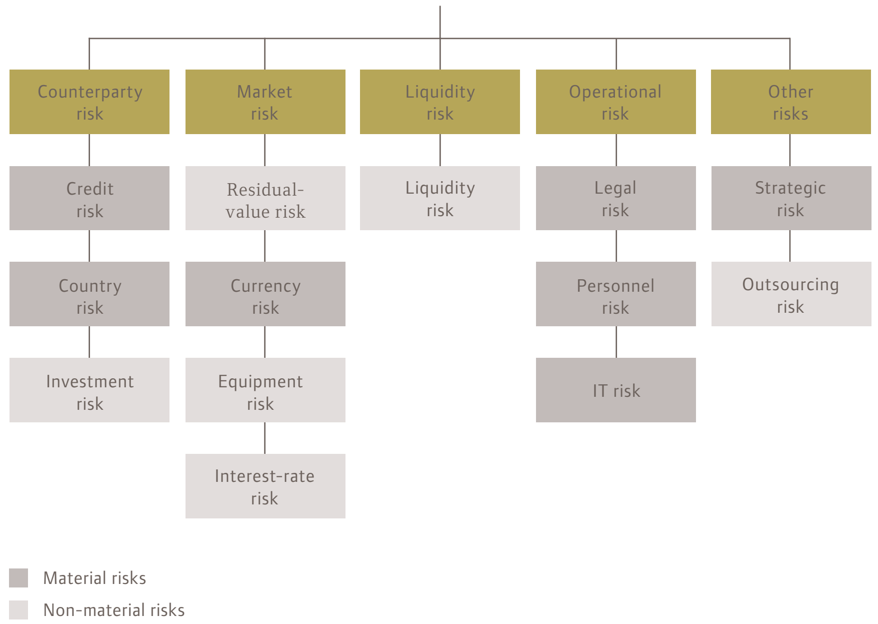
The purpose of the CHG-MERIDIAN Group's risk management system is to identify, analyze, evaluate, and manage specific risks facing the Group. The relevant executive directors and other decision-makers at CHG-MERIDIAN AG regularly analyze, evaluate, and monitor risk and also identify new risks and risk categories. The level of risk that can be assumed by these decision-makers is governed by the net asset value of the subsidiary concerned. The executive directors in the CHG-MERIDIAN Group have set appropriate limits and authorization levels for the specific risks involved, and these have been approved by the relevant supervisory bodies.

The Group also manages and monitors risk at the level of its parent company by preparing a quarterly calculation of the risk-bearing capacity of CHG-MERIDIAN AG that is submitted to the decision-makers responsible at CHG-MERIDIAN AG for analysis and approval. This calculation of risk-bearing capacity involves determining and assessing the proportion of substantial risks identified as a percentage of aggregate risk cover for the respective quarter of the year. If the relevant limits are exceeded (20 percent of the aggregate risk cover at the level of CHG-MERIDIAN AG), the calculation is also submitted to the Supervisory Board for approval.

As a function independent of the risk management process, internal audit – acting on behalf of the Board of Management – examines the integrity and effectiveness of the Company's risk monitoring system in accordance with the statutory Minimum Requirements for Risk Management (MaRisk). Internal audit reports regularly to the Board of Management. In 2016, it identified no findings that fundamentally pose a threat to the integrity of the risk management system.

As a leasing company with a strong focus on products and services, the CHG-MERIDIAN Group is exposed to the following risks when conducting its business:

RISKS IN THE CHG-MERIDIAN GROUP



3.2.3 RISK CATEGORIES

3.2.3.1 COUNTERPARTY RISK

Counterparty risk is defined as the potential loss that can arise as a result of a counterparty's default, either because of its insolvency or because of its unwillingness to meet its contractual obligations.

The CHG-MERIDIAN Group defines credit risk and country risk as material counterparty risks.

CREDIT RISK

Credit risk is determined by three factors: the credit exposure (outstanding lease installments funded by loans or from the CHG-MERIDIAN Group's own resources), the recovery rate (sum total of remarketing proceeds from leases in default and other revenue minus remarketing-related costs in relation to the present value of residual receivables, including a margin), and the expected default frequency (potential default risk).

The CHG-MERIDIAN Group may be exposed to credit risk as a result of the bankruptcy of customers that it has financed at its own risk. Such risk also exists during transactions' prefinancing stages and in cases where purchase participation declarations have been issued.

The Company manages this risk by ensuring that it has risk-adjusted organizational structures in place and by consistently pursuing a policy of risk avoidance. Another way in which the CHG-MERIDIAN Group seeks to mitigate credit risk is by deliberately offloading this risk, which involves funding leases mainly by selling receivables on a non-recourse basis.

In order to prevent an unacceptably high credit exposure risk, the CHG-MERIDIAN Group analyzes the risk arising in connection with funding from its own resources and funding by loans as part of its monthly management reporting process; it analyzes other credit risks on a quarterly basis.

The CHG-MERIDIAN Group continued to use its risk-adjusted operational and organizational structures to manage its credit risk effectively during the reporting period. The proportion of receivables sold on a non-recourse basis amounted to 72.5 percent (2015: 68.7 percent), which meant that a moderate level of credit risk remained with the CHG-MERIDIAN Group.

The Company mitigates the fraudulent-receivables risk not covered by non-recourse financing to the largest possible extent by agreeing standard leases in advance with the banks providing the funding. Adjustments made to these contractual arrangements for individual customers are agreed in detail between the relevant legal departments and the funding bank concerned.

COUNTRY RISK

Country risk arises if political or economic circumstances in a particular country impact the value of a foreign exposure. It comprises transfer risk and other country risks. Transfer risk arises if a debtor who is otherwise solvent and willing to make payments is unable to meet payment obligations because the imposition of governmental or regulatory controls has prevented the debtor from obtaining foreign currency or from transferring assets to parties not domiciled in the country concerned. Other country risk comprises risks that may jeopardize the enforceability of receivables due from counterparties abroad, capital investments, or anticipated profits abroad, independently of the transfer risk. It depends on economic and political risk factors in a country, in particular country-specific liquidity risk, market risk, and correlation risk.

In order to minimize its country risk, the CHG-MERIDIAN Group therefore operates almost exclusively in states that are members of the Organisation for Economic Co-operation and Development (OECD) and in economically and politically stable countries.

If there is an exposure to country risk, investors generally demand a risk premium in return for this exposure. The risk premium is thus calculated by comparing the coupon on sovereign bonds issued by the country concerned with a risk-free sovereign bond in the same currency.

3.2.3.2 MARKET RISK

Market risk arises when the return generated by a transaction depends on future movements in exchange rates, share prices or interest rates, and the transaction is not hedged by a corresponding countervailing transaction. The CHG-MERIDIAN Group has identified residual-value risk, currency risk and interest-rate risk as types of market risk, but currency risk is the only one of them judged to be material for the Group.

CURRENCY RISK

Currency risk constitutes the risk of receivables depreciating and liabilities appreciating in value owing to sharp fluctuations in exchange rates.

The CHG-MERIDIAN Group is exposed to increasing levels of currency risk because of the internationalization of its business and the growing importance of its foreign markets.

The CHG-MERIDIAN Group aims to ensure that funding is obtained in the local currency of the subsidiary concerned from its own funding partners. This policy helps minimize currency risk.

Intra-group funding transactions are hedged using appropriate derivatives to reduce the currency risk. Because the underlying transactions are consolidated, they are not recognized in the consolidated financial statements under hedge accounting, but are measured at fair value through profit or loss. Please refer to sections 5.10, 7.13 and 8 in the notes to the consolidated financial statements for further information.

3.2.3.3 OPERATIONAL RISK

Operational risk constitutes the risk of losses caused by the inappropriateness or failure of internal processes, people or systems or by external events, including legal risks.

Material operational risk, as defined by the CHG-MERIDIAN Group, mainly comprises legal risk and personnel risk. It also includes risk in connection with operating processes, including failure of the IT infrastructure.

The risk itself is quantified at the level of the parent company CHG-MERIDIAN AG. In order to quantify operational risk, CHG-MERIDIAN AG draws on the regulatory requirements specified in article 315 of the Capital Requirements Regulation, which stipulates that quantification of operational risk must be based on 15 percent of the three-year average of the relevant indicator (gross earnings).

LEGAL RISK

Legal risk arises when new types of lease are used, existing types of lease are amended or the contractual framework is altered without the legal risks having been thoroughly assessed in advance.

The CHG-MERIDIAN Group mitigates this risk by severely restricting the cases in which transactions are allowed to deviate from the Company's general terms and conditions and by standardizing the various kinds of quotes and offers that sales staff are allowed to submit to customers. Before a lease is signed, the relevant senior sales executives and contract management staff check to ensure that these standards have been complied with.

Any deviations from these standards and any customized agreements made with individual customers must be approved beforehand by the legal and funding departments and by the responsible member of the Board of Management or individuals responsible for the country concerned. This procedure prevents unmanageable legal risks from arising and safeguards the funding of leases.

PERSONNEL RISK

Personnel risk is defined as the risk arising in connection with staff turnover, although this is generally of minor significance in the CHG-MERIDIAN Group. Furthermore, the HR department is not aware of any legal disputes with employees that have a material impact on the CHG-MERIDIAN Group's net assets or financial performance.

IT RISK

IT risks are risks that could arise from the use of information technology in connection with a company's business activity.

Information processing plays a key role in the Company's business activities, as all essential strategic and operational functions depend heavily on the use of IT. CHG-MERIDIAN AG manages IT risk in a targeted manner with defined IT security guidelines which are designed to ensure that all data and IT systems in all operating units are available at all times and that system downtime is avoided as far as possible.

To achieve the security targets set out in the IT security policy, CHG-MERIDIAN AG has set up an IT security organization. It has also established the function of data protection officer to ensure that data protection requirements are duly met. Security measures to protect data and IT systems include a restrictive access authorization system, the use of anti-virus programs, and comprehensive data backup. A separate IT disaster recovery plan ensures that critical business processes can be maintained even in the event of an IT system failure and that the availability of the failed systems can be restored within an acceptable timeframe.

There are redundant data centers in Frankfurt am Main and Rüsselsheim to further reduce risk. The Company also makes strategic use of standardized and centrally hosted systems and carries out emergency testing in individual areas.

3.2.3.4 OTHER RISKS

The CHG-MERIDIAN Group has identified strategic risk as a further material risk. This refers to the risk of losses arising from incorrect strategic business decisions, business-model risks, and risks to financial performance and profit margins.

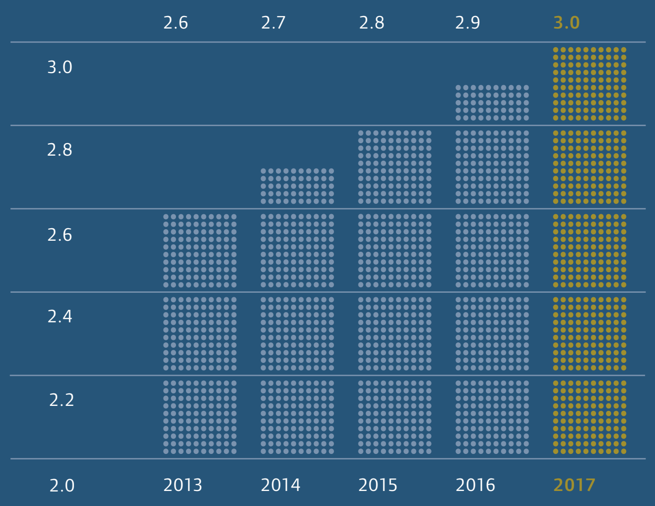
The management of strategic risk is the primary responsibility of the Board of Management. In analyzing and evaluating this risk, which is largely determined as a qualitative factor, the Board of Management is supported by the relevant departments. Strategic risk is therefore identified and evaluated on the basis of ongoing observations of macroeconomic conditions as well as regular analysis of competitive and sectoral trends.

3.2.4 SUMMARY

Against the current backdrop of steadily growing risks and regulatory requirements, the CHG-MERIDIAN Group's conservative corporate strategy has proved to be the right approach for the long term. By pursuing a rigorous risk management policy, the CHG-MERIDIAN Group was kept abreast of the latest developments in its risk exposures. Current economic conditions pose no risks that adversely affect the CHG-MERIDIAN Group; this applies both to the results of business operations that have been completed and to activities that are either in the pipeline or have already been initiated.

SECTION 4
OUTLOOK

PERFORMANCE OF THE GLOBAL ICT MARKET
(€ trillion)



The European Information Technology Observatory predicts growth of 3.0 percent for the global information and communications technology market in 2017.

4.1 MACROECONOMIC OUTLOOK

The World Bank is forecasting global economic growth of 2.7 percent for 2017. It points to rising commodity prices and the stable economic forecasts for the major economic regions as evidence of a more strongly growing economy.

The information and telecommunications market in Germany will continue to be characterized in 2017 by the introduction and use of additional IT assets (such as tablets) in companies, on the one hand, and by a continual decline in prices on the other. Market growth of 1.2 percent is forecast for Germany for 2017. A similar figure is expected for Europe.

Further growth is expected in the plant and production equipment market, with a global increase of 6 percent forecast for 2017. The demand for processed goods is continuing to rise and, with it, the global plant and production equipment market.

Growth of 6 percent is forecast for the global healthcare technologies market in 2017. Technological innovation and new developments in the healthcare sector, and the lease origination resulting from this, will be the biggest drivers of growth in this area.

4.2 OUTLOOK FOR THE CHG-MERIDIAN GROUP

Overall, CHG-MERIDIAN sees growth potential for 2017, firstly from the macroeconomic forecasts and secondly from the Company's positioning in the market. CHG-MERIDIAN will focus on continuing to expand its activities in the healthcare technologies and industrial technologies segments as well as further developing its largest business area, information technologies. The activities of the local subsidiaries will be expanded in all segments, along with the service portfolio. In 2017 and beyond, the corporate strategy of CHG-MERIDIAN is set to continue meeting the expectations and the needs of the market. Our customers will continue to demand individual and fully integrated concepts for the management of technology investments. CHG-MERIDIAN can ease the burden on its customers at every stage of the technology lifecycle. The overall strategic direction therefore remains unchanged.

OUTLOOK IN EUROPE

In recent years both the volume of lease origination and profitability in the European market have grown steadily. Structural adjustments will enable CHG-MERIDIAN to operate more efficiently in 2017 and the years that follow, to make use of synergy effects within the Group, and to consolidate its market position. The interconnectedness of local subsidiaries will further increase and enable CHG-MERIDIAN to offer optimum support to its international customers. This will be underpinned by a further strengthening of the service portfolio.

OUTLOOK IN THE AMERICAS

The highly developed US leasing market has traditionally been an important sales and growth market for CHG-MERIDIAN. Despite the uncertainty surrounding forecasts for the US economy, CHG-MERIDIAN's market position in the United States continues to offer significant growth potential over the coming years. The large number of foreign and, in particular, German companies in Brazil and Mexico present additional opportunities for growth in these countries. Existing relationships with these companies, resulting from activities in other countries, are viewed as an opportunity for mutual growth in 2017 and beyond.

FORECAST

CHG-MERIDIAN achieved record results once again in 2016. The continuing increases in lease origination, gross margin, and profitability are instrumental in strengthening the Company's market position in the long term. This can be regarded as a clear sign that the Group is pursuing the right corporate strategy, that the solutions offered meet the expectations of the market, and that industry – in Germany and across the world – puts its faith in the solutions offered by CHG-MERIDIAN.

Against this background and with the tremendous potential that exists, CHG-MERIDIAN is starting 2017 with a sense of optimism and aims to generate further growth in lease origination volume, taking the total to more than €1.2 billion. We also expect to achieve a gross margin that is on a par with the high level achieved in the last two years.

CHG-MERIDIAN is now in a very strong financial position and will continue to be on the lookout for strategically beneficial acquisitions – either in Germany or abroad – in 2017. Its main focus will be on the further development of existing markets.

Weingarten, March 13, 2017

CHG-MERIDIAN AG

Dr. Mathias Wagner Joachim Schulz Frank Kottmann Oliver Schorer

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position of CHG-MERIDIAN AG, Weingarten, as at December 31, 2016

ASSETS

	Note	Dec. 31, 2016 € 000's	Dec. 31, 2015 € 000's
1. Cash reserve	7.1	21	20
2. Receivables from banks	7.2	267,741	164,494
3. Receivables from finance leases	7.3	785,196	775,882
4. Other receivables from customers	7.4	102,290	108,055
5. Derivatives	7.13	1,422	234
6. Equity investments	7.5	1	312
7. Leased assets under operating leases	7.6	743,703	582,791
8. Intangible assets	7.7	1,874	2,584
9. Property, plant and equipment	7.8	49,737	43,294
10. Income tax assets	7.16	3,047	3,133
11. Deferred tax assets	5.15	11,488	13,617
12. Other assets	7.9	172,413	276,025
Total assets		**2,138,933**	**1,970,441**

LIABILITIES AND EQUITY

	Note		Dec. 31, 2016 € 000's	Dec. 31, 2015 € 000's
1. Liabilities to banks	7.10		525,597	496,597
2. Deferred income from forfaiting transactions	7.11		703,296	663,878
3. Liabilities to customers	7.12		255,399	212,832
4. Derivatives	7.13		2,130	2,802
5. Other provisions	7.14		2,712	2,326
6. Income tax liabilities	7.16		10,210	5,533
7. Deferred tax liabilities	5.15		132,002	123,560
8. Other liabilities	7.15		88,359	89,205
9. Equity	7.17		419,228	373,708
a) Subscribed capital		100,000		100,000
minus notional value of treasury shares		–3,325		–5,866
Issued capital			96,675	
b) Capital reserves			9,577	2,393
c) Retained earnings			257,970	215,641
d) Other reserves			–3,946	3,603
e) Profit for the period attributable to the Group			58,877	58,087
f) Non-controlling interests			75	–150
Total liabilities and equity			**2,138,933**	**1,970,441**

Consolidated Income Statement of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2016

	Note	2016 € 000's	2015 € 000's
1. Interest income from finance leases	5.1	109,027	118,455
2. Other interest income	5.2	1,384	1,019
3. Interest expense	5.3	−28,866	−35,985
4. Income from operating leases	5.4	381,983	384,984
5. Expenses from operating leases	5.5	−305,998	−311,488
6. Income from remarketing	5.6	136,344	116,749
7. Expenses from remarketing	5.6	−97,624	−88,455
8. Write-downs and value adjustments on lease receivables and leased assets	5.7	−6,559	−7,709
9. Income from services rendered	5.8	39,472	38,189
10. Expenses from services rendered	5.9	−28,940	−23,454
11. Gains and losses on the measurement of derivatives	5.10	1,875	−1,620
12. Gains and losses on equity investments		−102	0
13. Staff expenses	5.11	−87,980	−83,760
14. Other administrative expenses	5.12	−30,504	−28,494
15. Amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment	5.13	−5,479	−4,356
16. Other operating income	5.14	23,317	16,648
17. Other operating expenses	5.14	−18,361	−12,701
18. Profit from ordinary activities		**82,989**	**78,022**
19. Income taxes	5.15	−24,073	−19,918
20. Net income		**58,916**	**58,104**
21. Profit (loss) attributable to minority interests		−39	−17
22. Profit for the period attributable to the Group		**58,877**	**58,087**

Consolidated Statement of Comprehensive Income of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2016

	Note	2016 € 000's	2015 € 000's
Net income		**58,916**	**58,104**
Gains and losses to be reclassified			
Exchange differences	6	−7,549	2,661
Other comprehensive income (loss) (before/after taxes)		**−7,549**	**2,661**
Total comprehensive income (loss) for the period		**51,367**	**60,765**
Of which attributable to			
Non-controlling interests		39	17
Shareholders of CHG-MERIDIAN AG		51,328	60,748

Consolidated Statement of Cash Flows of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2016

	2016 € 000's	2015 € 000's
Net income	58,916	58,104
Increase in deferred income from forfaiting transactions	−431,082	−369,592
Depreciation and amortization on leased assets under operating leases	288,054	268,238
Amortization on intangible assets, and depreciation on property, plant and equipment	5,479	4,356
Increase in provisions and change in deferred taxes and income tax liabilities	15,634	6,479
Net decrease (2015: net increase) in other receivables from customers, other assets, and sundry assets not attributable to investing or financing activities	108,546	−57,226
Net increase in liabilities to customers, other liabilities, and sundry liabilities not attributable to investing or financing activities	41,049	17,869
Net cash provided by (2015: net cash used for) operating activities	**86,596**	**−71,772**
Cash payments for the purchase of intangible assets, and property, plant and equipment	−11,517	−16,812
Cash payments for the purchase of leased assets under operating leases	−572,713	−431,872
Increase (2015: decrease) in receivables from finance leases	-9,314	49,682
Sale of intangible assets, and property, plant and equipment	304	1,075
Sale/reclassification of leased assets under operating leases	123,746	123,247
Net cash used for investing activities	**−469,494**	**−274,680**
Cash-effective change in equity	−18,316	−11,738
Purchase/sale of treasury shares	12,470	2,624
Net cash provided by deferred income from forfaiting transactions	470,501	423,796
Net increase (2015: net decrease) in liabilities to banks	29,000	−85,481
Net cash provided by financing activities	**493,655**	**329,201**
Net change in cash and cash equivalents	110,757	−17,251
Change resulting from currency translation	−7,549	2,661
Cash and cash equivalents* at the beginning of the period	163,119	177,709
Cash and cash equivalents* at the end of the period	**266,327**	**163,119**

* Defined as the sum of the cash reserve and receivables from banks (on demand).

Consolidated Statement of Changes in Equity of CHG-MERIDIAN AG, Weingarten

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, AS AT DECEMBER 31, 2016 (€ 000's)

	ISSUED CAPITAL				OTHER RESERVES				
	Subscribed capital	Notional value of treasury shares	Capital reserves	Retained earnings	Unrealized gains/losses from currency translation after taxes	Profit for the period attributable to the Group	Shareholders of CHG-MERIDIAN AG	Non-controlling interests	Total equity
Equity as at January 1, 2015	**100,000**	**–6,401**	**2,340**	**183,315**	**942**	**41,828**	**322,024**	**32**	**322,056**
Net income	–	–	–	–	–	58,087	58,087	17	58,104
Other comprehensive income (loss)	–	–	–	–	2,661	–	2,661	–	2,661
Total comprehensive income (loss)	–	–	–	–	**2,661**	**58,087**	**60,748**	**17**	**60,765**
Contributions	–	–	–	–	–	–	–	–	–
Payments into capital reserves	–	–	–	–	–	–	–	–	–
Change in treasury shares held	–	535	53	–	–	–	588	–	588
Dividend distribution	–	–	–	–11,738	–	–	–11,738	–	–11,738
Change in investments in subsidiaries	–	–	–	199	–	–	199	–199	0
Other changes		–	–	43,865	–	–41,828	2,037	–	2,037
Equity as at December 31, 2015	**100,000**	**–5,866**	**2,393**	**215,641**	**3,603**	**58,087**	**373,858**	**–150**	**373,708**
Equity as at January 1, 2016	**100,000**	**–5,866**	**2,393**	**215,641**	**3,603**	**58,087**	**373,858**	**–150**	**373,708**
Net income	–	–	–	–	–	58,877	58,877	39	58,916
Other comprehensive income (loss)	–	–	–	–	–7,549	–	–7,549	–	–7,549
Total comprehensive income (loss)	–	–	–	–	**–7,549**	**58,877**	**51,328**	**39**	**51,367**
Contributions	–	–	–	–	–	–	–	–	–
Payments into capital reserves	–	–	–	–	–	–	–	–	–
Change in treasury shares held	–	2,541	7,184	–	–	–	9,725	–	9,725
Dividend distribution	–	–	–	–18,581	–	–	–18,581	–	–18,581
Change in investments in subsidiaries	–	–	–	–	–	–	–	186	186
Other changes		–	–	60,910	–	–58,087	2,823	–	2,823
Equity as at December 31, 2016	**100,000**	**–3,325**	**9,577**	**257,970**	**–3,946**	**58,877**	**419,153**	**75**	**419,228**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CHG-MERIDIAN AG is a stock corporation under German company law and the address of its registered office is Franz-Beer-Strasse 111, 88250 Weingarten, Germany. The Company is entered in the commercial register of the Ulm local court, department B (HRB 551857), and is the parent company of the CHG-MERIDIAN Group ('CHG-MERIDIAN').

CHG-MERIDIAN is one of the world's leading non-captive providers of technology management in the fields of IT, industry, and healthcare. Supplementing its core business, CHG-MERIDIAN has grouped its service expertise into four areas: Consulting Services, Operational Services, Financial Services, and Remarketing Services.

As the parent company, CHG-MERIDIAN AG prepares the consolidated financial statements at the end of each financial year, taking account of all of the separate financial statements of the Group's subsidiaries.

2. BASIS OF PREPARATION

Pursuant to section 315a (3) of the German Commercial Code (HGB), CHG-MERIDIAN AG prepared its consolidated financial statements for the year ended December 31, 2016 in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) as at December 31, 2016 as well as in accordance with the supplementary commercial-law provisions stipulated in section 315a HGB.

All IFRSs and International Accounting Standards (IAS) that are required to be applied for the 2016 financial year and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) were taken into account in these financial statements.

The consolidated financial statements have been prepared in euros (€). All amounts have been rounded to the nearest thousand euros.

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW FINANCIAL REPORTING STANDARDS AND AMENDMENTS APPLICABLE TO 2016

CHG-MERIDIAN AG applied the following new and amended standards and interpretations for the first time in 2016:

- Annual Improvements 2010–2012 Cycle
- Annual Improvements 2012–2014 Cycle
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Disclosure Initiative (Amendments to IAS 1)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- IFRS 14 Regulatory Deferral Accounts (no endorsement by the EU for this IFRS)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).

1) The Annual Improvements 2010–2012 Cycle and 2012–2014 Cycle contain minor changes to a variety of IFRSs. They do not have any material impact on the consolidated financial statements of CHG-MERIDIAN AG.
2) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) clarifies the accounting treatment of employee contributions and third-party contributions to defined benefit plans. The amendments do not have any impact on the consolidated financial statements of CHG-MERIDIAN AG.
3) According to the Disclosure Initiative (Amendments to IAS 1), which deals with various disclosure issues, only information that is material is to be included in financial statements. This principle of materiality applies even if a standard stipulates a list of minimum disclosures. The amendments to IAS 1 also provide clarification regarding the aggregation and disaggregation of line items in the statement of financial position, income statement, and statement of comprehensive income. There is also clarification from the IASB on the presentation in the statement of comprehensive income of shares of other comprehensive income of equity-accounted entities. Application of these amendments does not have any material impact on the consolidated financial statements of CHG-MERIDIAN.
4) The amendments to IFRS 10, IFRS 12, and IAS 28 clarify issues relating to the application of the consolidation exception for investment entities pursuant to IFRS 10 that instead account for their subsidiaries at fair value. The amendments do not have any impact on the consolidated financial statements of CHG-MERIDIAN AG because the Group does not hold any interests in investment entities.
5) The amendments to IFRS 11 provide guidance on how to account for acquisitions of an interest in a joint operation when the operation constitutes a business pursuant to IFRS 3. In such cases, all principles relating to the accounting treatment of business combinations in IFRS 3 must be applied. Because the CHG-MERIDIAN Group does not hold any interests in joint operations, these amendments are not relevant.
6) IFRS 14 Regulatory Deferral Accounts permits first-time adopters of IFRS to continue recognizing regulatory deferral accounts in accordance with the financial reporting standards that they previously applied, even after the transition to IFRS. It has no impact because CHG-MERIDIAN AG is not a first-time adopter of IFRS.
7) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) provides additional guidance on selecting appropriate methods of depreciation and amortization. It clarifies that revenue-based methods of depreciation for property, plant and equipment are not considered appropriate. A revenue-based method of amortization for intangible assets can only be used in certain exceptional cases. These amendments are not relevant to the consolidated financial statements of CHG-MERIDIAN AG because revenue-based depreciation and amortization methods are not currently used.
8) Equity Method in Separate Financial Statements (Amendments to IAS 27) does not have an impact on the consolidated financial statements of CHG-MERIDIAN AG because it applies only to single-entity financial statements.
9) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) relates to biological assets and therefore has no relevance to the preparation of the consolidated financial statements at CHG-MERIDIAN AG.

ISSUED FINANCIAL REPORTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

When it prepared its 2016 consolidated financial statements, CHG-MERIDIAN AG decided against early adoption of the financial reporting standards, interpretations, and amendments below, which have been issued by the IASB but are not yet required to be applied. The Company does not plan to implement individual standards before their initial application becomes mandatory.

- IFRS 9 Financial Instruments (to be applied from January 1, 2018; adopted into European law (endorsed))
- IFRS 15 Revenue from Contracts with Customers (to be applied from January 1, 2018; adopted into European law (endorsed))
- IFRS 16 Leases (to be applied from January 1, 2019; not yet endorsed by the EU)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (postponed indefinitely by the IASB)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (to be applied from January 1, 2017; not yet endorsed by the EU)
- Disclosure Initiative (Amendments to IAS 7) (to be applied from January 1, 2017; not yet endorsed by the EU)
- Transfers of Investment Property (Amendments to IAS 40) (to be applied from January 1, 2018; not yet endorsed by the EU)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (to be applied from January 1, 2018; not yet endorsed by the EU)
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) (to be applied from January 1, 2018; not yet endorsed by the EU)
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (to be applied from January 1, 2018; not yet endorsed by the EU)
- Annual Improvements 2014–2016 Cycle (to be applied from January 1, 2017 / January 1, 2018; not yet endorsed by the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (to be applied from January 1, 2018; not yet endorsed by the EU).

1) IFRS 9 Financial Instruments contains rules on recognition, measurement, and derecognition and on hedge accounting. The IASB published the final version of the standard on July 24, 2014. This means that the accounting of financial instruments, which was previously carried out in accordance with IAS 39, can now be fully migrated to IFRS 9. The main requirements of the finalized IFRS 9 can be summarized as follows:
   The requirements relating to the scope and to recognition and derecognition are largely the same as under IAS 39. However, the rules of IFRS 9 stipulate a new classification model for financial assets compared to IAS 39. In the future, financial assets will be classified as one of three categories for the purposes of subsequent measures, with each category using different measurement methods and having different rules on recognizing changes in fair value. Classification depends on the contractual cash flows of the instrument and the business model within which the instrument is held. The categories are therefore mandatory. However, entities can make use of options in individual cases. The existing rules on financial liabilities, by contrast, have largely been retained in IFRS 9. IFRS 9 defines three stages that will determine the amount of losses and the interest to be recognized. Expected losses must be recognized in the amount of the present value of an expected twelve-month loss upon acquisition (stage 1). If the credit risk has risen significantly, loss allowances must be increased up to the amount of the expected losses over the entire residual life (stage 2). When objective evidence of impairment arises, interest is recognized on the basis of the net carrying amount (carrying amount minus loss allowances). IFRS 9 also contains extensive disclosure requirements. The impact on the consolidated financial statements of CHG-MERIDIAN AG is currently being examined.
2) IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and various revenue-related interpretations. It defines consistent basic principles about when revenue is to be recognized, and in what amount. Revenue is recognized at the time control of the purchased goods or services passes to the customer in the amount of the expected consideration for the transfer of the goods or services. Furthermore, the new standard requires the disclosure of various items of quantitative and qualitative information so that users of the consolidated financial statements have information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company is currently examining the impact of the application of IFRS 15 on the consolidated financial statements of CHG-MERIDIAN AG.
3) The IASB published IFRS 16 Leases in January 2016. IFRS 16 replaces the existing standard on lease accounting (IAS 17) and the interpretations IFRIC 4, SIC-15, and SIC-27. The standard must be applied from January 1, 2019. The main new requirements in IFRS 16 relate to lessee accounting. In the future, lessees will no longer distinguish between operating leases and finance leases. This means that lessees will have to recognize all assets ('right-of-use approach') and liabilities under leases in the statement of financial position. There will be exemptions for low-value leased assets (e.g. PCs, smartphones, laptops, monitors, and office equipment) and for short-term leases with a term of up to one year. The exemptions are provided for in an option to apply the recognition and disclosure rules of IFRS 16. Lessor accounting is largely based on the requirements in the existing IAS 17. As we act as a lessor, we do not expect any material impact on the consolidated financial statements of CHG-MERIDIAN AG. The amended accounting treatment for leases in which CHG-MERIDIAN AG is the lessee will have an impact on the consolidated financial statements. However, this impact is not expected to be material because CHG-MERIDIAN predominantly acts as a lessor.
4) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) addresses a conflict between IAS 28 and IFRS 10. The amendments clarify that, in transactions with an associate or joint venture, the extent of the gains or losses recognized depends on whether the assets sold or contributed constitute a business as defined in IFRS 3. The amendments do not have any impact on the consolidated financial statements of CHG-MERIDIAN AG.
5) In January 2016, the IASB published amendments to IAS 12 Income Taxes. The amendments clarify the requirements for recognizing deferred tax assets for unrealized losses, particularly unrealized losses on debt instruments recognized at fair value. The possible impact of the amendments on the consolidated financial statements of CHG-MERIDIAN AG is being examined.
6) The IASB also published amendments to IAS 7 in January 2016. The amendments are intended to clarify IAS 7 and improve the information provided to users of financial statements about an entity's financing activities. The potential impact on the consolidated financial statements of CHG-MERIDIAN AG is currently being analyzed.
7) Transfers of Investment Property (Amendments to IAS 40) was published in December 2016 and clarifies the application of paragraph 57 of IAS 40. According to the amendments, an entity may transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. Because the Group does not hold any investment property, these amendments are not relevant to CHG-MERIDIAN AG.
8) The amendments to IFRS 2 Share-based Payment, which were decided upon by the IASB in June 2016, provide new rules on the measurement of share-based payment transactions. In particular, the amendments explain how to address the impact of vesting conditions on the measurement of cash-settled share-based payments and how to classify share-based payments that include net settlement features for taxes to be withheld. The amendments also set out how to account for a modification of a shared based payment transaction from

cash settled to equity settled. The new rules are particularly relevant to CHG-MERIDIAN AG in respect of the measurement of cash-settled share-based payments and it is currently examining their impact.

9) In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts. The amendments relate to the initial application of IFRS 9 Financial Instruments. They aim to reduce the impact for companies with extensive insurance activities that apply IFRS 9 and the standard that will replace IFRS 4 for the first time on different dates. As CHG-MERIDIAN AG does not act as an insurer, the impact of these amendments can be considered immaterial.
10) In April 2016, the IASB issued Clarifications to IFRS 15 'Revenue from Contracts with Customers'. This clarification deals with performance obligations, principle versus agent considerations, licenses, collectibility, and the measurement of non-cash consideration. Additional practical expedients to the application of IFRS 15 were also introduced. The Company is currently examining the consequences of this clarification on the consolidated financial statements of CHG-MERIDIAN AG in connection with initial application of IFRS 15.
11) The Annual Improvements 2014–2016 Cycle covers a number of minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures. The amendments do not have any material impact on the consolidated financial statements of CHG-MERIDIAN AG.
12) The IASB published the new interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration in December 2016. It clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. For the purpose of determining the exchange rate for the underlying asset, income, or expense, the relevant date is the date of initial recognition of the prepayment asset or deferred income liability. The Company considers the consequences of this new interpretation to be immaterial.

B) CONSOLIDATION

BASIS OF PRESENTATION

The consolidated financial statements of CHG-MERIDIAN AG cover the parent company, plus all subsidiaries over which CHG-MERIDIAN AG can exercise control. Control exists if CHG-MERIDIAN AG holds voting rights or other rights that give it direct or indirect power over the potential subsidiary, it is exposed to positive or negative variable returns from the potential subsidiary, and it can affect those returns through its power.

Group entities are consolidated from the day on which control passes to the parent company. They are deconsolidated from when the parent company ceases to have control.

The separate financial statements of the consolidated entities have essentially been prepared using the same accounting policies and with the same reporting date as the consolidated financial statements. Income and expenses as well as receivables and liabilities between the consolidated companies are eliminated as part of the consolidation process. Equity is consolidated by netting the carrying amounts of the investments in subsidiaries against the Group's share of their equity.

Changes in investments in subsidiaries that cause the Group's shareholding to increase or decrease without loss of control are recognized in other comprehensive income as an equity transaction.

SCOPE OF CONSOLIDATION

The following table shows the changes in the scope of consolidation of the CHG-MERIDIAN Group:

	Number at Dec. 31, 2016	Number at Dec. 31, 2015
Consolidated subsidiaries	**44**	**45**
Within Germany	3	3
Outside Germany	41	42

In addition to CHG-MERIDIAN AG (the parent company), the following subsidiaries were consolidated as at December 31, 2016:

Name	Registered office	Share of subscribed capital (%)	Status [active (A)/ inactive (I)]
German subsidiaries			
CHG-MERIDIAN Leasing-Beteiligungs-Holding GmbH	Weingarten, Germany	95	A
CHG-MERIDIAN Mobilien GmbH	Weingarten, Germany	95	A
Foreign subsidiaries			
CHG-MERIDIAN Austria GmbH	Vienna, Austria	100	A
CHG-MERIDIAN Belgium NV	Grimbergen, Belgium	100	A
CHG-MERIDIAN Czech Republic s.r.o.	Prague, Czech Republic	100	A
CHG-MERIDIAN France SAS	Paris, France	100	A
CHG-MERIDIAN Ireland Limited	Dublin, Ireland	100	A
CHG-MERIDIAN Italia S.p.A.	Vimercate, Italy	100	A
CHG-MERIDIAN Nederland BV	Rotterdam, Netherlands	100	A
CHG-MERIDIAN Polska sp. z o.o.	Warsaw, Poland	100	A
CHG-MERIDIAN Schweiz AG	Baden, Switzerland	100	A
CHG-MERIDIAN Slovakia s.r.o.	Bratislava, Slovakia	100	A
CHG-MERIDIAN Spain S.L.	Barcelona, Spain	100	A
CHG-MERIDIAN (Holdings) UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN Computer Leasing UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN Capital Limited	Egham, Surrey, United Kingdom	100	A
Lease Support Desk Limited	Egham, Surrey, United Kingdom	100	A
Wyse Finance Limited	Egham, Surrey, United Kingdom	100	I
Flameace Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing (Midlands) Limited	Egham, Surrey, United Kingdom	100	I
Wyse Capital Limited	Egham, Surrey, United Kingdom	100	I
UK Lease IT Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing (South East) Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing Limited	Egham, Surrey, United Kingdom	100	I
CSL Finance NV	Grimbergen, Belgium	100	A
CHG-MERIDIAN Belux NV	Grimbergen, Belgium	100	A
LLC 'CHG-MERIDIAN'	Moscow, Russia	95	A
CHG-MERIDIAN tehnološki menedžment d.o.o.	Ljubljana, Slovenia	100	A
CHG-MERIDIAN Canada Limited	Windsor, Canada	100	A
CHG-MERIDIAN U.S. Holding Inc.	Los Angeles, United States	100	A
CHG-MERIDIAN USA Corp.	Los Angeles, United States	100	A
CHG-MERIDIAN México S.A.P.I. de C.V.	Mexico City, Mexico	85.2	A
CHG Locare S.A. de C.V.	Mexico City, Mexico	100	A
Leasing Consulting S.A. de C.V.	Mexico City, Mexico	100	I
ECR Leasing Services S.A. de C.V.	Mexico City, Mexico	41.7	A

Name Foreign subsidiaries	Registered office	Share of subscribed capital (%)	Status [active (A)/ inactive (I)]
CHG-MERIDIAN do Brasil Locação de Equipamentos Ltda.	São Paulo, Brazil	100	A
CHG-MERIDIAN do Brasil Arrendamento Mercantil S.A.	São Paulo, Brazil	100	A
CHG-MERIDIAN Norway AS	Oslo, Norway	100	A
CHG-MERIDIAN Sweden AB	Stockholm, Sweden	100	A
CHG-MERIDIAN Denmark A/S	Copenhagen, Denmark	100	A
CHG-MERIDIAN Finland Oy	Helsinki, Finland	100	A
CHG-MERIDIAN Skien AS	Skien, Norway	100	A

All equity investments in the Mexican companies are wholly owned subsidiaries from a financial perspective.

CHANGES IN THE SCOPE OF CONSOLIDATION

In 2016, CHG-MERIDIAN Northern Europe AS, Oslo, Norway was merged into CHG-MERIDIAN Norway AS, Oslo. Furthermore, 5 percent of the shares in CHG-MERIDIAN Mobilien GmbH, Weingarten were sold.

C) CURRENCY TRANSLATION

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The consolidated financial statements of CHG-MERIDIAN AG have been prepared in euros, which is the parent company's functional currency. The functional currency of the companies in the CHG-MERIDIAN Group is the currency of the primary economic environment in which they operate. The items included in the financial statements of the Group entities are measured using the entity's defined functional currency.

FOREIGN-CURRENCY TRANSACTIONS

The Group companies translate foreign-currency transactions into their functional currency using the spot rate prevailing on the date of initial recognition of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate on the reporting date. Non-monetary items measured at historical cost are translated using the historical rate. Non-monetary items measured at fair value are translated using the rate valid on the date of fair value measurement. Exchange differences resulting from the translation of monetary items are recognized in profit or loss. If gains or losses from the remeasurement of non-monetary items are recognized in other comprehensive income, the exchange differences are also recognized in other comprehensive income.

GROUP ENTITIES

As part of consolidation, the assets and liabilities of the foreign companies in the CHG-MERIDIAN Group are translated into euros using the middle spot exchange rate on the reporting date. With the exception of net income, equity is translated at historical rates. Income and expenses are translated at the average rate for the financial year. The exchange differences resulting from translation are recognized within equity under Other reserves. In the event of a foreign operation's disposal, the pro-rata cumulative exchange differences contained in equity are recognized in profit or loss.

The changes in the main euro exchange rates used in the consolidated financial statements were as follows:

Currency	2016 Statement of financial position	2016 Income statement	2015 Statement of financial position	2015 Income statement
USD	0.94868	0.90342	0.91853	0.90131
CHF	0.93119	0.91726	0.92293	0.93642
MXN	0.04593	0.04839	0.05287	0.05677
RUB	0.01555	0.01349	0.01240	0.01469
GBP	1.16798	1.22029	1.36249	1.37771
CAD	0.70482	0.68217	0.66155	0.70492
CZK	0.03701	0.03699	0.03701	0.03666
PLN	0.22674	0.22919	0.23453	0.23900
BRL	0.29150	0.25933	0.23193	0.27024
NOK	0.11006	0.10764	0.10413	0.11174
SEK	0.10468	0.10561	0.10882	0.10691
DKK	0.13451	0.13431	0.13400	0.13407

3. MAIN ACCOUNTING POLICIES

CASH RESERVE AND RECEIVABLES FROM BANKS

The cash reserve and receivables from banks are recognized at their nominal amount.

RECEIVABLES FROM FINANCE LEASES

The CHG-MERIDIAN Group's finance lease business predominantly relates to IT equipment, industrial equipment, and healthcare equipment.

The CHG-MERIDIAN Group also enters into sale-and-leaseback transactions in which the leased equipment is acquired from the lessee and then leased back to the lessee. Depending on the contractual leaseback arrangements, these contracts are classified and presented as either finance leases or operating leases.

In the case of finance leases, beneficial ownership passes to the lessee. Receivables from finance leases are therefore shown in the consolidated statement of financial position.

The CHG-MERIDIAN Group mainly classifies leases using the present value criterion. According to this criterion, a leasing arrangement qualifies as a finance lease if, at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Receivables from finance leases are initially recognized at the net investment value, which essentially equates to the leased equipment's acquisition cost. Since July 1, 2016, initial recognition has taken place when the lessee confirms that the leased equipment is installed and in a state of operational readiness. Until June 30, 2016, receivables from finance leases were recognized at the time of inception of the lease.

The interest income from these transactions is shown under interest income from finance leases in the income statement. In accordance with IAS 17, interest on the receivables is calculated at the lease's underlying interest rate. This produces a constant, periodic rate of interest on the remaining balance of the receivable.

DERECOGNITION OF FINANCE LEASE RECEIVABLES

At CHG-MERIDIAN, funding of some leases takes the form of non-recourse funding in which CHG-MERIDIAN sells the funding partner the future streams of payments from the lease. In the case of the non-recourse funding of lease installments, the funding partner assumes the counterparty risk.

Finance lease receivables are subject to the derecognition requirements for financial instruments. CHG-MERIDIAN's non-recourse funding contracts comply with the derecognition requirements in IAS 39:

- transfer of the contractual rights to cash flows from the financial asset and
- transfer of essentially all of the opportunities and risks associated with ownership.

Accordingly, the (partial) receivables are derecognized upon sale and the gain from the non-recourse funding transaction is immediately recognized in profit or loss. The gain is shown under Interest income from finance leases.

FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Financial assets within the meaning of IAS 39 are classified into the following categories (IAS 39.9):

- financial assets at fair value through profit or loss (fvtpl)
- loans and receivables (LaR)
- held-to-maturity investments (HtM)
- available-for-sale financial assets (AfS).

Financial assets are initially recognized at fair value. The transaction costs are also added, except in the case of assets designated as at fair value through profit or loss.

Spot transactions are recognized on the settlement date.

Measurement subsequent to initial recognition depends on the financial asset's classification:

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The group of financial assets designated as at fair value through profit or loss contains derivatives that are considered to be held for trading.

Financial assets (derivatives) designated as at fair value through profit or loss are recognized at fair value under Derivatives in the statement of financial position, with changes in fair value shown under Gains and losses on the measurement of derivatives in the income statement.

Financial assets are designated as at fair value through profit or loss upon initial recognition. Currently, there are no financial assets assigned to the fvtpl category apart from the derivatives.

LOANS AND RECEIVABLES (LAR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these financial assets are subsequently measured at amortized cost, minus any impairment losses, using the effective interest method. The calculation of amortized cost takes into account any share premium or discount at acquisition and fees and costs forming an integral part of the calculation of the effective interest rate. The income from amortization using the effective interest method is recognized in the income statement under Other interest income. Impairment losses are largely allocated to the leasing business and are therefore shown under Write-downs and value adjustments on lease receivables and leased assets in the income statement.

HELD-TO-MATURITY INVESTMENTS (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity investments if the Group intends, and is able, to hold them to maturity. After their initial recognition, held-to-maturity investments are subsequently measured at amortized cost, minus any impairment losses, using the effective interest method. The calculation of amortized cost takes into account any share premium or discount at acquisition and fees and costs forming an integral part of the calculation of the effective interest rate. Income from amortization using the effective interest method must be recognized in the income statement under Other interest income. Impairment losses are recognized in the income statement under Gains and losses on investments. The Group did not have any held-to-maturity investments in 2016.

AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)

Available-for-sale financial assets can include equity instruments and debt instruments. Equity instruments classified as available for sale are those that are neither classified as held for trading nor designated as at fair value through profit or loss. Debt instruments in this category are those that are to be held for an indefinite period and can be sold in response to liquidity gaps or changes in market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. Unrealized gains and losses are recognized as other comprehensive income (loss) under Other reserves. When these assets are derecognized, the cumulative profit or loss is reclassified to Gains and losses on investments. If an asset is impaired, the cumulative loss is also reclassified from Other reserves to Gains and losses on investments in profit or loss. Interest received from available-for-sale financial assets is calculated using the effective interest method and shown under Other interest income. CHG-MERIDIAN did not have any AfS securities in 2016.

FINANCIAL LIABILITIES

According to IAS 39, financial liabilities are classified as financial liabilities designated as at fair value through profit or loss, as loans (oL), or as derivatives that are designated as hedging instruments and that provide an effective hedge. The Group classifies its financial liabilities upon initial recognition.

All financial liabilities are measured at fair value upon initial recognition; in the case of loans (oL), the directly attributable transaction costs are included.

The Group's financial liabilities consist of liabilities to banks, liabilities to customers, and derivatives.

Measurement subsequent to initial recognition depends on the financial liability's classification:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial liabilities designated as at fair value through profit or loss comprise held-for-trading financial liabilities and other financial liabilities designated as at fair value through profit or loss upon initial recognition.

Financial liabilities are classified as held for trading if they were acquired for the purpose of disposal in the near future.

Gains and losses from held-for-trading financial liabilities are recognized in profit or loss.

Financial liabilities are designated as at fair value through profit or loss upon initial recognition, provided the criteria in IAS 39 are met.

In the consolidated financial statements of CHG-MERIDIAN AG, only derivatives are assigned to the fvtpl category.

LOANS (OL)

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized or as a result of amortization under the effective interest method.

The calculation of amortized cost takes into account any share premium or discount at acquisition and fees and costs forming an integral part of the calculation of the effective interest rate. Amortization charges under the effective interest method are recognized in the income statement under Interest expense.

IMPAIRMENT OF FINANCIAL ASSETS

Default risk arising on financial assets is accounted for by recognizing impairment losses.

Specific valuation allowances in the amount of the incurred loss have been recognized for credit risk within the Other receivables from customers item.

Indications of potential impairment include default over a particular period and application for, or institution of, insolvency proceedings.

The receivables are recognized at their net carrying amount in the statement of financial position. The carrying amount of the financial asset is reduced using a valuation allowance account. Disclosures relating to loss allowances can be found in section 5 'Notes to the income statement – write-downs and value adjustments on lease receivables and leased assets'.

Uncollectible receivables in the process of being wound up, where all of the related collateral has been remarketed and all other options for realizing the receivables have been exhausted, are written off immediately. Previously recognized specific valuation allowances are utilized. Any subsequent receipts against receivables that have been written off are recognized in profit or loss.

HEDGE ACCOUNTING

The CHG-MERIDIAN Group uses derivatives as hedging instruments to a small extent at the level of CHG-MERIDIAN AG in order to manage interest-rate risk and currency risk and because they help to reduce earnings volatility. These derivatives are instruments that are traded directly between market participants rather than being traded on an exchange.

If the derivatives satisfy the recognition criteria in IAS 39, they are recognized at their fair value, both on the acquisition date and subsequently, in accordance with the requirements in IFRS 13 Fair Value Measurement. In this case, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement of the individual assets, liabilities, and equity instruments must be based on observable or unobservable inputs. These are assigned to one of the three levels of the fair value hierarchy:

- quoted prices in active markets to which the Group has access
- quoted market prices that are observable either directly or indirectly
- unobservable inputs.

The derivatives used in the CHG-MERIDIAN Group are recognized in accordance with the requirements of IFRS 13 using Level 2 inputs corresponding to quoted prices for identical assets that can be observed directly.

CHG-MERIDIAN generally assigns derivatives used for hedging to the fvtpl category. Hedge accounting pursuant to IAS 39.71 et seq. is not applied in the consolidated financial statements.

LEASED ASSETS UNDER OPERATING LEASES

The CHG-MERIDIAN Group's operating lease business predominantly relates to IT equipment, industrial equipment, and healthcare equipment.

In the case of operating leases, beneficial ownership of the assets remains with CHG-MERIDIAN. They are therefore recognized under Leased assets under operating leases in the consolidated statement of financial position.

The assets are measured at cost less straight-line depreciation or amortization over the term of the lease to the notional residual value. The leasing income is recognized over the term of the lease using the straight-line method.

Since July 1, 2016, initial recognition has taken place when the lessee confirms that the leased equipment is installed and in a state of operational readiness. Until June 30, 2016, leased assets were recognized at the time of inception of the lease.

Impairment losses are recognized for impairment pursuant to IAS 36. If the recoverable amount is less than the carrying amount, the difference between them is the amount of the impairment loss to be recognized. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognizing them in previous years no longer apply.

The impairment losses and their reversal are recognized in profit or loss under Write-downs and value adjustments on lease receivables and leased assets.

INTANGIBLE ASSETS

Purchased intangible assets with a finite useful life, which mainly include software and licenses, are recognized at cost plus acquisition-related costs in accordance with the requirements of IAS 38. They are amortized on a straight-line basis assuming a useful life of between one and ten years.

Intangible assets with an indefinite useful life are not amortized. These assets are tested for impairment annually, and also if there are indications of impairment. There were no intangible assets with an indefinite useful life in the CHG-MERIDIAN Group as at December 31, 2016 (December 31, 2015: €0 thousand).

Impairment losses are recognized for impairment pursuant to IAS 36. If the recoverable amount is less than the carrying amount, the difference between them is the amount of the impairment loss to be recognized. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognizing them in previous years no longer apply.

The impairment losses and their reversal are recognized under Amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment.

The criteria for recognizing internally generated intangible assets resulting from software development are only fully met at CHG-MERIDIAN shortly before the implementation of enhanced and new versions of the software. As a result, all research and development costs are recognized as an expense at the time they are incurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost plus directly attributable costs less straight-line depreciation and, if applicable, impairment losses. The depreciation period is based on the expected useful life. Residual values, useful lives, and the method of depreciation are reviewed periodically. If there are variations from previous estimates, the changes are recognized in accordance with the requirements of IAS 8. Maintenance and minor repairs are recognized in profit or loss immediately.

In the event of disposal of property, plant or equipment, the asset's cost and the cumulative depreciation are derecognized. The gain or loss from the disposal of an item of property, plant or equipment is calculated as the difference between the net disposal proceeds and the carrying amount and is recognized under Other operating income or Other operating expenses in the income statement at the time of derecognition.

The leased portion of administrative buildings is recognized under Property, plant and equipment together with the property used by CHG-MERIDIAN itself.

The useful life of property, plant and equipment is between three and 50 years, depending on the type of asset.

Impairment losses are recognized for impairment pursuant to IAS 36. If the recoverable amount is less than the carrying amount, the difference between them is the amount of the impairment loss to be recognized. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognizing them in previous years no longer apply.

The impairment losses and their reversal are recognized under Amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment.

OTHER ASSETS

The Other assets item predominantly comprises inventories. In the CHG-MERIDIAN Group, inventories consist of:

- assets that are intended to be leased
- assets that have been returned to CHG-MERIDIAN after the end of the lease term
- brokerage.

Assets that are intended to be leased are items of leased equipment whose installation and operational readiness have not yet been confirmed by the customer. Until June 30, 2016, assets whose lease term had not yet begun were reported under Assets that are intended to be leased. These assets are recognized at acquisition cost.

Assets that have been returned to CHG-MERIDIAN after the end of the lease term are shown under Inventories with their residual values, which correspond to their amortized cost at the end of the lease.

Brokerage is recognized at acquisition cost.

After initial recognition, inventories are subsequently measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated necessary selling expenses.

Impairment losses on inventories, and their reversal, are recognized in profit or loss under Income from remarketing and Expenses from remarketing. On average, inventories remain in the CHG-MERIDIAN Group for significantly less than one year. Net realizable values are reviewed on an ad-hoc basis.

Revenue recognition in connection with inventories complies with the requirements of IAS 18. Accordingly, revenue is recognized when the significant risks and rewards of ownership of the goods sold have passed to the buyer, the amount of revenue can be determined reliably, and the flow of economic benefits associated with the sale is sufficiently probable.

PROVISIONS AND CONTINGENT LIABILITIES

According to IAS 37, provisions are recognized if a past event has created a legal or constructive obligation vis-à-vis third parties that is likely to lead to an outflow of resources in an amount that can be reliably estimated. Provisions with terms of more than one year are recognized at their discounted settlement value at the reporting date.

TAX

The tax expense for the period comprises current and deferred taxes. Tax is recognized in the income statement unless it relates to items recognized directly in equity.

CURRENT INCOME TAXES

The current tax expense is calculated using the tax laws of the countries in which the Company and its subsidiaries operate and generate taxable income. It is measured as the amount expected to be reimbursed by, or paid to, the tax authorities. The Company's management regularly reviews tax returns, particularly in relation to matters that are open to interpretation, and where appropriate recognizes provisions based on the amounts expected to be paid to the tax authorities.

DEFERRED TAXES

Deferred taxes are recognized on all temporary differences between the tax bases of assets/liabilities and their carrying amounts in the IFRS financial statements (known as the liability method). However, deferred taxes are not recognized, neither at the time of initial recognition nor subsequently, if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred taxes are measured using the tax rates that are in force or have essentially been enacted at the reporting date and that are expected to be in force at the time the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that there will be future taxable profit against which the tax assets can be utilized.

Deferred tax liabilities arising from temporary differences associated with investments in subsidiaries are recognized, unless the Group can control the timing of the reversal of the temporary difference and it is probable that, due to this control, the reversal will not occur in the foreseeable future. No deferred taxes were recognized for these outside basis differences in the reporting year.

Deferred tax assets and liabilities are netted if there is a legal right to offset them and if the deferred tax assets and liabilities relate to income taxes that are collected by the same tax authorities and there is an intention to settle them on a net basis.

OTHER LIABILITIES

SHARE-BASED PAYMENT

Share-based payments comprise share option programs that, in accordance with Company practice, are settled in cash.

In accordance with IFRS 2, the issued share options are measured at the fair value of the liability taking account of the contractual terms. The fair value is determined using a binomial model. The liabilities arising from the share-based payment are reported under Other liabilities in the statement of financial position.

The fair value is recalculated at each reporting date and on the payout date, with any resulting change recognized in profit or loss. Expenses resulting from an increase in the liability from the share option program are included in Staff expenses.

LIABILITIES FROM THE SERVICING OBLIGATION

Liabilities to banks from the servicing obligation for lease receivables funded on a non-recourse basis and derecognized pursuant to IAS 39.24 are shown under Other liabilities.

When finance lease receivables are derecognized as a result of non-recourse funding, the gain from the sale of the receivables is recognized upon disposal. CHG-MERIDIAN continues to provide services in connection with the sold lease arrangement after the receivables have been derecognized. These services are settled by the realized gain from the sale. Upon disposal of the receivable, a liability is recognized that is released to profit or loss over the basic term of the lease using the straight-line method to ensure that the income and expenses from the lease are apportioned to the relevant periods.

The liability is recognized for each lease using a defined flat-rate amount for each remaining month of the basic term. The liability is recognized in profit or loss.

The income and expenses arising on the liability from the servicing obligation are shown under Interest income from finance leases.

4. MATERIAL JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

While preparing the consolidated financial statements, CHG-MERIDIAN AG's management makes judgments, estimates, and assumptions that have an impact on the amounts of the reported income, expenses, assets, and liabilities, on the related disclosures, and on the disclosure of contingent liabilities.

The uncertainty associated with these assumptions and estimates could produce results that lead to significant adjustments to the carrying amounts of the affected assets or liabilities in future periods.

The assumptions and estimates used by the Company in 2016 mainly relate to the following matters:

- assessment of the impairment of receivables
- consideration of unguaranteed residual values in the measurement of receivables from finance leases and operating leases
- recognition and measurement of deferred taxes.

The impairment of receivables is based, to a certain extent, on estimates and assessments of individual receivables with regard to customers' credit standing and the type of funding, and on experience of historical default rates.

The unguaranteed residual values consist of outstanding proceeds from amortization and remarketing proceeds. Outstanding proceeds from amortization arise if the present value of the lessee's minimum lease payments does not cover the acquisition cost of the leased asset. The costing of the lease takes into account the fact that the outstanding proceeds from amortization will be realized at the end of the basic term. Remarketing proceeds are recognized on the basis of portfolio analysis with estimated average net remarketing proceeds of 5.0 to 10.0 percent of the original acquisition cost. This percentage is based on a best estimate using historical empirical values. The costing of the lease takes into account the fact that the remarketing proceeds will be realized at the end of the basic term. The recognition of unguaranteed residual values has a direct impact on revenue recognition in the CHG-MERIDIAN Group. If it emerges that the average remarketing proceeds or the outstanding proceeds from amortization can no longer be realized, the assets are written down accordingly.

The estimated, unguaranteed residual values were reviewed as at December 31, 2016 in accordance with IAS 17.41. This review ('backtesting') is conducted at group company level on a portfolio basis. CHG-MERIDIAN uses an analysis of the net remarketing proceeds in the financial year for the purpose of backtesting. The consolidated results of backtesting as at December 31, 2016 pursuant to IAS 17.41 were as follows (€ 000's):

	2016	2015
Income from lease installments during extensions	81,077	73,561
Depreciation and write-downs of leased assets during extensions	–25,823	–28,214
Income from the sale of leased assets	128,323	108,496
Expenses from the sale of leased assets	–94,482	–85,219
Net remarketing proceeds	**89,095**	**68,624**

The positive level of net remarketing proceeds in 2016 and 2015 confirms that the estimates of remarketing potential applied at the inception of a lease were appropriate/conservative.

The measurement of deferred tax assets and liabilities requires material assessments to be made. In the case of deferred tax assets on tax losses carried forward, this involves estimating the amount and timing of future taxable income. There is also uncertainty resulting from potential changes to tax law in the future.

5. NOTES TO THE INCOME STATEMENT

5.1 INTEREST INCOME FROM FINANCE LEASES

Interest income from finance leases comprises the items listed below.

- Interest income during the basic term
  An underlying interest rate is determined for each lease on the basis of the agreed lease installments and the expected additional payments and is used to calculate the interest on the finance lease receivables.
- Interest income from the unwinding of the discount on unguaranteed residual values
  The residual values expected at the end of the basic term accrue interest at the underlying interest rate during the basic term.
- Revenue in connection with the derecognition of finance lease receivables
  In the case of the non-recourse sale of receivables to a funding partner, the difference between the present value of the sold lease installments and the amount paid by the funding partner is recognized in profit or loss in accordance with the requirements of IAS 39.

Interest income from finance leases decreased by €9.428 million year on year to €109.027 million (2015: €118.455 million).

The reduction is primarily due to lower interest income during the basic term (down by €5.345 million) and lower revenue in connection with the derecognition of finance lease receivables where non-recourse funding has been used (down by €4.018 million).

5.2 OTHER INTEREST INCOME

Other interest income rose from €1.019 million in 2015 to €1.384 million in 2016. This item contains all interest income that cannot be allocated to finance leases. It mainly consists of income from short-term investments of cash and cash equivalents.

Interest income from the unwinding of the discount on impaired receivables is only recognized if the financial asset was discounted at the time the impairment loss was recognized. Based on the assumption that most remarketing proceeds will be realized within one year, discounting is not carried out when the impairment loss is measured for reasons of materiality.

The total interest income from financial assets that are not measured at fair value through profit or loss came to €110.396 million in 2016 (2015: €118.968 million).

5.3 INTEREST EXPENSE

The Interest expense line item mainly contains interest expense on loans for the funding of leases. Interest expense fell from €35.985 million in 2015 to €28.866 million in 2016. This decrease of €7.119 million is primarily attributable to the change in interest rates during 2016 and to improved funding conditions.

Interest expense for financial liabilities that are not measured at fair value through profit or loss totaled €28.280 million in 2016 (2015: €35.161 million).

5.4 INCOME FROM OPERATING LEASES

The following table shows the breakdown of income from operating leases in the reporting period (€ 000's):

	2016	2015
Income from lease installments during the minimum lease term	300,906	311,423
Income from lease installments during extensions	81,077	73,561
Income from operating leases	**381,983**	**384,984**

During the minimum lease term of the lease, the lease installments are, if applicable, deferred and recognized using the straight-line method.

5.5 EXPENSES FROM OPERATING LEASES

The following table shows the breakdown of expenses from operating leases (€ 000's):

	2016	2015
Depreciation and write-downs of leased assets during the minimum lease term	262,231	240,024
Depreciation and write-downs of leased assets during extensions	25,823	28,214
Interest expense on deferred income from forfaiting transactions	17,944	43,250
Expenses from operating leases	**305,998**	**311,488**

The leased assets are depreciated or amortized to their unguaranteed residual value using the straight-line method over the minimum lease term of the lease. In the case of an extension, the residual value is generally depreciated or amortized using the straight-line method over one year.

Interest expense on deferred income from forfaiting transactions is allocated to expenses from operating leases because the finance leases funded on a non-recourse basis, and the associated deferred forfaiting income, are normally derecognized, which means only the interest expense that can be allocated to operating leases remains.

5.6 INCOME AND EXPENSES FROM REMARKETING

The following table shows the breakdown of income and expenses from remarketing (€ 000's):

	2016	2015
Income from the sale of leased assets	128,323	108,496
Expenses from the sale of leased assets	–94,482	–85,219
Income from brokerage activities	8,021	8,253
Expenses from brokerage activities	–3,142	–3,236
Net income from remarketing	**38,720**	**28,294**

Remarketing of leased assets is carried out either directly by the individual subsidiaries of CHG-MERIDIAN AG or through the Technology and Service Centers, which are located near Frankfurt am Main, Germany and in Skien, Norway.

In addition to the remarketing of leased assets, the Technology and Service Centers are responsible for the groupwide purchasing and remarketing of IT equipment (brokerage).

Impairment losses on inventories are also shown under Expenses from remarketing and amounted to €7 thousand in 2016 (2015: €11 thousand).

5.7 WRITE-DOWNS AND VALUE ADJUSTMENTS ON LEASE RECEIVABLES AND LEASED ASSETS

Write-downs and value adjustments on lease receivables and leased assets consist of impairment losses, reversals of impairment losses, and direct write-offs of receivables from finance leases and other receivables from customers. Impairment losses and reversals of impairment losses on leased assets pursuant to IAS 36 are also subsumed under this item (€ 000's):

	2016	2015
Impairment losses on and write-offs of other receivables from customers	7,176	8,509
Impairment losses on receivables from finance leases	–84	–332
Impairment losses/reversals of impairment losses – leased assets	5	–33
Income from the derecognition of deferred income from forfaiting transactions under operating leases	–538	–435
Write-downs and value adjustments on lease receivables and leased assets	**6,559**	**7,709**

The following table shows the changes in the valuation allowance accounts for finance lease receivables and for other receivables from customers (€ 000's):

	Specific valuation allowances on finance lease receivables	Specific valuation allowances on other receivables from customers	TOTAL
Balance as at Dec. 31, 2014	**2,261**	**16,452**	**18,713**
Addition recognized as an expense	343	3,149	3,492
Utilization	17	2,611	2,628
Reversal	811	250	1,061
Balance as at Dec. 31, 2015	**1,776**	**16,740**	**18,516**
Addition recognized as an expense	482	5,818	6,300
Utilization	355	2,408	2,763
Reversal	567	1,830	2,397
Balance as at Dec. 31, 2016	**1,336**	**18,320**	**19,656**

The differences between the changes in the valuation allowance accounts recognized in profit or loss and the income statement items are attributable to direct write-offs and income from receivables that had been written off.

The impairment loss for the LaR category amounted to €9.082 million in 2016 (2015: €9.162 million). The impairment loss for finance lease receivables came to €482 thousand (2015: €343 thousand).

For details of the write-downs and value adjustments on leased assets, please see the table showing the changes in leased assets in section 7 'Notes to the statement of financial position'.

If an impaired receivable or impaired leased asset under an operating lease was funded without recourse, derecognition of the deferred income from the forfaiting transaction results in a reduction in the impairment losses recognized.

5.8 INCOME FROM SERVICES RENDERED

The following table shows the breakdown of income from services rendered (€ 000's):

	2016	2015
Income from charging for consumables and brokerage	16,264	15,873
Income from TESMA®	11,666	10,938
Income from data erasure	2,890	2,264
Income from the processing of insurance policies in connection with the leasing business	2,863	3,221
Income from GarantiePlus	489	259
Other service income	5,300	5,634
TOTAL	**39,472**	**38,189**

Income from services rendered rose by a total of €1.283 million or 3.4 percent compared with the previous year. This increase is due to expansion and optimization of the services offered by CHG-MERIDIAN.

5.9 EXPENSES FROM SERVICES

The expenses from services rendered went up from €23.454 million in 2015 to €28.940 million in 2016. Expenses primarily relate to the purchase of consumables (printer paper, toner, etc.), brokerage, and the processing of insurance policies in connection with the leasing business.

5.10 GAINS AND LOSSES ON THE MEASUREMENT OF DERIVATIVES

The following table shows the breakdown of gains and losses on the measurement of derivatives in the period under review (€ 000's):

	2016	2015
Income from derivatives	3,046	665
Expenses from derivatives	–1,171	–2,285
Gains and losses on the measurement of derivatives	**1,875**	**–1,620**

All derivatives are recognized at fair value in the statement of financial position. Changes in fair value are recognized in profit or loss. Hedge accounting is not applied, which means that all derivatives are categorized as at fair value through profit or loss in accordance with IAS 39.

5.11 STAFF EXPENSES

The following table shows the breakdown of staff expenses (€ 000's):

	2016	2015
Wages and salaries	77,325	73,064
Social security contributions and expenses for pensions	10,655	10,696
TOTAL	**87,980**	**83,760**

In the period under review, the increase in the liabilities arising from the share-based payment was recognized under Staff expenses in an amount of €4.332 million (2015: €1.448 million).

5.12 OTHER ADMINISTRATIVE EXPENSES

The following table shows the breakdown of other administrative expenses (€ 000's):

	2016	2015
Auditing and consultancy costs	6,123	5,489
Rent and other office space costs	5,496	5,300
Other staff expenses	3,643	2,644
Customer-related events and entertainment expenses	2,440	1,905
Travel expenses	2,267	2,200
Car-related expenses	1,921	2,144
Maintenance costs	1,651	678
Telecommunications costs and postage	1,312	1,395
Premiums and fees	903	702
Bank charges	643	600
Costs for office supplies	565	570
Business insurance	342	362
Other expenses	3,198	4,505
TOTAL	**30,504**	**28,494**

Auditing and consultancy costs include the following services rendered by the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, which were used by German CHG-MERIDIAN companies (€ 000's):

	2016	2015
Expenses for year-end auditing	228	215
Expenses for other attestation services	12	12
Expenses for other services	52	39
TOTAL	**292**	**266**

The year-end auditing expenses incurred related to the cost of auditing CHG-MERIDIAN AG's consolidated financial statements as well as the legally required audits of the separate financial statements of CHG-MERIDIAN AG and CHG-MERIDIAN Mobilien GmbH.

5.13 AMORTIZATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS, AND DEPRECIATION AND IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT (€ 000's):

	2016	2015
Land and buildings	1,716	1,370
Office furniture and equipment	2,773	1,890
Intangible assets	990	1,096
TOTAL	**5,479**	**4,356**

Please also refer to the tables showing the changes in intangible assets and property, plant and equipment in section 7 'Notes to the statement of financial position – intangible assets and property, plant and equipment'.

5.14 OTHER OPERATING INCOME/EXPENSES

The Other operating income and Other operating expenses items predominantly contain gains and losses from currency translation. Gains from currency translation came to €15.019 million in 2016 (2015: €10.444 million). The losses from currency translation recognized in profit or loss amounted to €15.865 million in the reporting year (2015: €8.937 million).

5.15 TAX

The following table shows the breakdown of the main components of the income tax expense for 2015 and 2016 (€ 000's):

	2016	2015
Current income taxes		
Current tax expense	12,718	15,350
Current income taxes from other accounting periods	645	1,572
Use of loss carryforwards	–368	–357
Deferred income taxes		
Deferred tax expense	11,078	3,353
Tax expense shown in the consolidated income statement	**24,073**	**19,918**

The following table shows how the tax on the Group's earnings before tax differed from the expected tax expense (€ 000's):

	2016	2015
Profit before tax	82,989	78,022
Expected tax rate	**29.75 %**	**29.73 %**
Expected tax expense	**24,689**	**23,198**
Change in the expected tax expense due to		
Permanent differences	8	656
Use of unrecognized loss carryforwards	–368	–1,854
Taxes from other accounting periods	–299	–1,573
Tax-rate-related discrepancies	–3,698	–1,760
Use of recognized loss carryforwards	4,595	0
Other effects	–854	1,251
Current tax expense	**24,073**	**19,918**
Current tax rate	**29.0 %**	**25.5 %**

The weighted average tax rate was 29.0 percent in 2016 (2015: 25.5 percent). The difference between that figure and the expected tax rate was 0.75 percent in the reporting year (2015: 4.2 percent). The expected tax rate corresponds to the average income tax rate for CHG-MERIDIAN AG in Germany in the financial year in question.

The deferred tax liabilities mainly result from the different measurement of receivables from finance leases and leased assets under operating leases. For tax purposes, depreciation of leased equipment is normally recognized in accordance with tax principles, with the result that the depreciation often does not correspond to the flow of income from leasing.

The following table shows the allocation of existing deferred tax assets on tax loss carryforwards to the group companies and country groups (€ 000's):

	2016	2015
CHG-MERIDIAN US group (United States)	2,762	6,869
CHG-MERIDIAN UK group (United Kingdom)	967	1,130
LLC 'CHG-MERIDIAN' (Russia)	258	458
CHG-MERIDIAN Mobilien GmbH (Germany)	0	361
CHG-MERIDIAN Northern Europe group (Norway, Sweden, Finland, Denmark)	0	68
CHG-MERIDIAN Czech Republic s.r.o. (Czech Republic)	60	0
Deferred tax assets on tax loss carryforwards	**4,047**	**8,886**

6. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

The cumulative exchange differences recognized directly in equity amounted to a loss of €3.946 million as at December 31, 2016. This represented a deterioration of €7.549 million compared with the end of the previous year (December 31, 2015: gain of €3.603 million) that related primarily to the translation of CHG-MERIDIAN's Mexican financial statements.

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 CASH RESERVE

The cash reserve consists entirely of cash in the form of cash on hand.

7.2 RECEIVABLES FROM BANKS

The amount of receivables from banks grew by €103.247 million year on year to €267.741 million.

Receivables from banks consist mainly of credit balances in current accounts and, on a small scale, short-term investments.

No receivables from banks were past due or impaired at the reporting date. There are no indications of default in connection with receivables from banks that are neither impaired nor past due.

Of the total receivables from banks, an amount of €1.435 million was classified as non-current (December 31, 2015: €1.395 million).

7.3 RECEIVABLES FROM FINANCE LEASES

The tables below relating to receivables from finance leases do not take impairment losses into account. To reconcile the net investment to the figure reported in the statement of financial position, the loss allowances for outstanding minimum lease payments are taken into consideration (€ 000's):

	Dec. 31, 2016	Dec. 31, 2015
Outstanding minimum lease payments	712,916	724,468
+ unguaranteed residual values	169,970	147,879
Gross investment	**882,886**	**872,347**
– unrealized (outstanding) finance income	–96,353	–94,690
Net investment	**786,533**	**777,657**
– present value of unguaranteed residual values	–146,862	–128,526
Present value of outstanding minimum lease payments	**639,671**	**649,131**

	Up to 1 year	1–5 years	More than 5 years	TOTAL
Gross investment as at Dec. 31, 2016	348,250	523,627	7,667	879,544
Gross investment (Dec. 31, 2015)	342,710	519,283	10,354	872,347
Present value of outstanding minimum lease payments as at Dec. 31, 2016	267,154	369,404	3,113	639,671
Present value of outstanding minimum lease payments (Dec. 31, 2015)	260,283	382,386	6,462	649,131

Of the total receivables from finance leases, an amount of €509.822 million was classified as non-current (December 31, 2015: €508.554 million).

Loss allowances for outstanding minimum lease payments amounted to €1.336 million (December 31, 2015: €1.776 million).

There are no indications of default in connection with receivables from finance leases that are neither impaired nor past due.

7.4 OTHER RECEIVABLES FROM CUSTOMERS

Other receivables from customers, which essentially consist of receivables from lease installments, services, and sales of leased assets, totaled €97.374 million (December 31, 2015: €102.342 million). This line item also includes accrued leasing income of €4.916 million (December 31, 2015: €5.713 million).

On the reporting date, €56.956 million of the total receivables from customers were due and predominantly consisted of lease installments (December 31, 2015: €54.043 million). These receivables are not impaired because there are no indications of heightened counterparty risk.

Of the total other receivables from customers, €18.320 million was impaired (December 31, 2015: €16.740 million). Please also refer to the information provided in section 5 'Notes to the income statement – write-downs and value adjustments on lease receivables and leased assets'.

There are no indications of default in connection with other receivables from customers that are neither impaired nor past due.

Of the total other receivables from customers, an amount of €3.295 million was classified as non-current (December 31, 2015: €2.794 million).

7.5 EQUITY INVESTMENTS

The reduction in equity investments was predominantly attributable to the merger of CML Services GmbH, Weingarten into CHG-MERIDIAN AG, Weingarten.

7.6 LEASED ASSETS UNDER OPERATING LEASES

The following table shows the changes in leased assets under operating leases (€ 000's):

Acquisition cost as at Jan. 1, 2016	**1,086,645**
Exchange differences	–17,456
Additions	572,713
Disposals	–340,975
Acquisition cost as at Dec. 31, 2016	**1,300,927**
Accumulated depreciation and amortization as at Jan. 1, 2016	**503,851**
Exchange differences	–11,009
Additions to depreciation and amortization	288,054
Depreciation and amortization relating to disposals	–223,681
Accumulated depreciation and amortization as at Dec. 31, 2016	**557,215**
Accumulated impairment losses as at Jan. 1, 2016	**4**
Exchange differences	0
Additions to impairment losses	13
Reversal of impairment losses	–8
Impairment losses relating to disposals	0
Accumulated impairment losses as at Dec. 31, 2016	**9**
Net carrying amounts as at Dec. 31, 2016	**743,703**
Acquisition cost as at Jan. 1, 2015	**1,068,205**
Exchange differences	8,246
Additions	431,839
Disposals	421,645
Acquisition cost as at Dec. 31, 2015	**1,086,645**
Accumulated depreciation and amortization as at Jan. 1, 2015	**525,763**
Exchange differences	721
Additions to depreciation and amortization	268,238
Depreciation and amortization relating to disposals	290,872
Accumulated depreciation and amortization as at Dec. 31, 2015	**503,850**
Accumulated impairment losses as at Jan. 1, 2015	**37**
Exchange differences	0
Additions to impairment losses	0
Reversal of impairment losses	33
Impairment losses relating to disposals	0
Accumulated impairment losses as at Dec. 31, 2015	**4**
Net carrying amounts as at Dec. 31, 2015	**582,791**

As at December 31, 2016, leased equipment with a carrying amount of €473.269 million (December 31, 2015: €371.597 million) had been pledged as collateral in order to secure funding for the leasing business.

We anticipated total payments of €645.909 million from operating leases (December 31, 2015: €495.220 million). The following table shows the breakdown of the total amount by maturity (€ 000's):

	Dec. 31, 2016	Dec. 31, 2015
Up to 1 year	299,063	240,862
More than 1 year and up to 5 years	342,595	251,784
More than 5 years	4,252	2,574

Of the total leased assets under operating leases, an amount of €514.398 million was classified as non-current (December 31, 2015: €393.034 million).

7.7 INTANGIBLE ASSETS

Intangible assets essentially consist of software and licenses. The following table shows the changes in 2016 (€ 000's):

	Intangible assets with a finite useful life
Acquisition cost as at Jan. 1, 2016	**5,968**
Exchange differences	–8
Additions	280
Disposals	–209
Reclassifications	0
Acquisition cost as at Dec. 31, 2016	**6,031**
Accumulated amortization as at Jan. 1, 2016	**3,384**
Exchange differences	–8
Additions to amortization	990
Amortization relating to disposals	–209
Reclassifications	0
Accumulated amortization as at Dec. 31, 2016	**4,157**
Impairment losses pursuant to IAS 36	0
Net carrying amounts as at Dec. 31, 2016	**1,874**
Net carrying amounts as at Jan. 1, 2016	**2,584**
Acquisition cost as at Jan. 1, 2015	**6,125**
Exchange differences	–2
Additions	112
Disposals	267
Reclassifications	0
Acquisition cost as at Dec. 31, 2015	**5,968**
Accumulated amortization as at Jan. 1, 2015	**2,557**
Exchange differences	–2
Additions to amortization	1,096
Amortization relating to disposals	267
Reclassifications	0
Accumulated amortization as at Dec. 31, 2015	**3,384**
Impairment losses pursuant to IAS 36	0
Net carrying amounts as at Dec. 31, 2015	**2,584**
Net carrying amounts as at Jan. 1, 2015	**3,568**

The additions in 2016 are attributable to the acquisition of software and licenses.

Of the total intangible assets, an amount of €1.382 million was classified as non-current (December 31, 2015: €2.003 million).

7.8 PROPERTY, PLANT AND EQUIPMENT

The following table shows the changes in property, plant and equipment in the Group (€ 000's):

	Land and buildings	Assets under construction	Office furniture and equipment	TOTAL
Acquisition cost as at Jan. 1, 2016	**33,473**	**19,897**	**16,831**	**70,201**
Exchange differences	–52	0	–85	–137
Additions	5,308	171	5,757	11,236
Disposals	–75	0	–1,959	–2,034
Reclassifications	19,662	–19,897	235	0
Acquisition cost as at Dec. 31, 2016	**58,316**	**171**	**20,779**	**79,266**
Accumulated depreciation as at Jan. 1, 2016	**16,189**	**0**	**10,718**	**26,907**
Exchange differences	–15	0	–265	–280
Additions to depreciation	1,716	0	2,773	4,489
Depreciation relating to disposals	–74		–1,513	–1,587
Reclassifications	0	0	0	0
Accumulated depreciation as at Dec. 31, 2016	**17,816**	**0**	**11,713**	**29,529**
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at Dec. 31, 2016	**40,500**	**171**	**9,066**	**49,737**
Net carrying amounts as at Jan. 1, 2016	**17,284**	**19,897**	**6,113**	**43,294**
Acquisition cost as at Jan. 1, 2015	**33,376**	**6,214**	**117,332**	**56,922**
Exchange differences	–2	0	–13	–15
Additions	121	13,683	2,895	16,699
Disposals	22	0	3,383	3,405
Reclassifications	0	0	0	0
Acquisition cost as at Dec. 31, 2015	**33,473**	**19,897**	**16,831**	**70,201**
Accumulated depreciation as at Jan. 1, 2015	**14,838**	**0**	**11,156**	**25,994**
Exchange differences	2	0	2	4
Additions to depreciation	1,370	0	1,890	3,260
Depreciation relating to disposals	21	0	2,330	2,351
Reclassifications	0	0	0	0
Accumulated depreciation as at Dec. 31, 2015	**16,189**	**0**	**10,718**	**26,907**
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at Dec. 31, 2015	**17,284**	**19,897**	**6,113**	**43,294**
Net carrying amounts as at Jan. 1, 2015	**18,538**	**6,214**	**6,176**	**30,928**

The reclassification from Assets under construction to Land and buildings relates to the expansion of the Company's headquarters in Weingarten.

Of the total property, plant and equipment, an amount of €45.055 million was classified as non-current (December 31, 2015: €39.830 million).

7.9 OTHER ASSETS

The Other assets item predominantly consists of inventories totaling €147.754 million (December 31, 2015: €251.626 million). The reduction in inventories is primarily attributable to the change in the initial recognition of receivables from finance leases and of leased assets (see section 3 'Main accounting policies').

The following table shows the breakdown of inventories (€ 000's):

	Dec. 31, 2016	Dec. 31, 2015
Assets that are intended to be leased	138,776	229,021
Assets that have been returned to CHG-MERIDIAN after the end of the lease schedule	8,419	22,378
Brokerage	559	227
TOTAL	**147,754**	**251,626**

Since July 1, 2016, assets that are intended to be leased are – depending on their classification pursuant to IAS 17 – reclassified to Receivables from finance leases or Leased assets under operating leases when the lessee confirms that the leased equipment is installed and in a state of operational readiness.

Assets that have been returned to CHG-MERIDIAN after the end of the lease term are lease returns that are then remarketed by either the relevant subsidiary or the Technology and Service Center in Gross-Gerau. Normally, these assets only remain part of CHG-MERIDIAN's inventories for a short period.

Other material items within the Other assets line item in the statement of financial position were VAT receivables amounting to €14.030 million (December 31, 2015: €13.642 million) and prepaid expenses amounting to €4.072 million (December 31, 2015: €5.419 million).

Of the total other assets, an amount of €7.163 million was classified as non-current (December 31, 2015: €3.778 million).

7.10 LIABILITIES TO BANKS

Liabilities to banks, which came to €525.597 million (December 31, 2015: €496.597 million), primarily consisted of loans for the funding of leases. They included four (December 31, 2015: three) bonded loans, each with a volume of €50.000 million. The four bonded loans each have a term of four years and are due to mature in 2017, 2018, 2019, and 2020 respectively.

The Liabilities to banks item also includes loans of €20.045 million (December 31, 2015: €23.352 million) for the Company's head office building in Weingarten.

To collateralize the liabilities to banks, lease receivables amounting to €29.819 million (December 31, 2015: €393.764 million) were assigned to the institutions providing the funding. Each individual item of collateral is assigned until the outstanding receivable under the lease has been settled.

The land of the Company's site in Weingarten and the buildings located thereon serve as collateral specifically in respect of its liabilities to banks. Of these liabilities, €18.612 million is secured by mortgages (December 31, 2015: €21.515 million).

Of the total liabilities to banks, an amount of €285.964 million was classified as non-current (December 31, 2015: €303.708 million).

7.11 DEFERRED INCOME FROM FORFAITING TRANSACTIONS[1]

The Deferred income from forfaiting transactions line item rose from €663.878 million as at December 31, 2015 to €703.296 million as at December 31, 2016. This year-on-year increase of €39.418 million or 5.9 percent is partly attributable to the further rise in the proportion of non-recourse funding.

Under Deferred income from forfaiting transactions, CHG-MERIDIAN recognizes the purchase consideration (present value of the lease installments) from the non-recourse sale of lease receivables that are not subject to the derecognition requirements in IAS 39.

The deferred income from forfaiting transactions is released over the term of the sold lease installments using the declining-balance method.

Of the total deferred income from forfaiting transactions, an amount of €384.823 million was classified as non-current (December 31, 2015: €390.856 million).

7.12 LIABILITIES TO CUSTOMERS

Liabilities to customers include trade payables of €193.624 million (December 31, 2015: €158.070 million) and advance payments from customers and deferred leasing income totaling €61.775 million (December 31, 2015: €54.762 million).

Trade payables predominantly consist of liabilities to suppliers of leased assets.

Of the total liabilities to customers, an amount of €4.858 million was classified as non-current (December 31, 2015: €5.254 million).

7.13 DERIVATIVES

Derivatives are used exclusively to hedge currency risk and interest-rate risk. The derivatives are categorized as at fair value through profit or loss in accordance with IAS 39. Hedge accounting pursuant to IAS 39.71 et seq. is not applied in the CHG-MERIDIAN Group.

Depending on whether their fair value is positive or negative, the derivatives are shown either on the assets side or the liabilities and equity side of the statement of financial position.

They are measured at fair value. Changes in fair value are recognized in profit or loss under Other operating income or Other operating expenses.

Of the total derivatives, an amount of €1.485 million was classified as non-current (December 31, 2015: €2.680 million).

7.14 OTHER PROVISIONS

The Other provisions line item mainly comprises provisions for risks in connection with the leasing business of €1.989 million (December 31, 2015: €1.424 million) and provisions for record retention requirements amounting to €201 thousand (December 31, 2015: €197 thousand).

Of the total other provisions, an amount of €1.671 million was classified as non-current (December 31, 2015: €2.172 million).

In 2016, an amount of €1.001 million (2015: €867 thousand) was added to provisions while €691 thousand (2015: 168 thousand) was utilized and €0 thousand (2015: €15 thousand) was reversed. The unwinding of discounts resulted in an increase of €76 thousand (2015: €154 thousand) in other provisions.

[1] Deferred income from forfaiting transactions includes not only forfaiting but also non-recourse forms of funding of foreign subsidiaries.

There is uncertainty as to the amount and due date of the expected outflows, which is why they were recognized under Other provisions.

7.15 OTHER LIABILITIES

The Other liabilities line item went down by €846 thousand to €88.359 million as at December 31, 2016.

The following table shows the breakdown of other liabilities (€ 000's):

	Dec. 31, 2016	Dec. 31, 2015
Liabilities to employees arising from sales commissions, bonus payments, and unused annual leave	27,438	24,202
Accruals for outstanding invoices	18,457	13,123
VAT liabilities	12,589	21,899
Servicing obligations	11,273	10,852
Liabilities arising from the share-based payment	7,076	2,744
Accruals for year-end costs	328	320
Other	11,198	16,065
TOTAL	**88,359**	**89,205**

LIABILITIES FROM THE SHARE OPTION PROGRAM

The Company grants share options to selected employees in the CHG-MERIDIAN Group as part of share option programs. Share options were granted for the first time following a resolution adopted by the Annual General Meeting that came into effect on January 1, 2010.

On the basis of a resolution of the Annual General Meeting dated July 17, 2015, the Board of Management is authorized, subject to the consent of the Supervisory Board, to grant up to a total of 10 percent of the no-par-value shares until December 31, 2021.

The share options cannot be exercised until at least 24 months have passed since they were granted ('lock-up period'). If beneficiaries leave the Company, their options expire. The options have a term of 72 months, although once the lock-up period has ended, there is an opportunity to exercise them once a year in the month following the Annual General Meeting.

When beneficiaries exercise the share options, they must pay the subscription price defined at the time of granting for each share that they acquire.

As at December 31, 2016, a total of 5,088,000 share options had been granted. The lock-up period ends for 960,000 share options on December 31, 2017.

The following table shows the changes in the share options:

	2016		2015	
	Commitments	Weighted average of the exercise prices	Commitments	Weighted average of the exercise prices
Number at start of reporting period	4,128,000	4.78	3,168,000	4.66
Granted during reporting period	960,000	5.14	960,000	5.11
Exercised during reporting period	0	0	0	0.00
Number at end of reporting period	5,088,000	4.84	4,128,000	4.78

The exercise price for the options that were outstanding at the end of the reporting period ranged from €4.07 to €5.14 (December 31, 2015: €4.07 to €5.11). The weighted average remaining term of the options was 3.5 years as at December 31, 2016 (December 31, 2015: 4.5 years).

The fair value of the share options was determined using a binomial model with the following parameters:

	Dec. 31, 2016	Dec. 31, 2015
Risk-free interest rate	0.00 %	0.00 %
Expected volatility	4.01 %	3.34 %
Expected term of the options (years)	3.5	4.5
Weighted average exercise price (€)	4.84	4.78
Notional value per share (€)	6.39	5.53

Volatility was determined on the basis of the performance of the CHG-MERIDIAN AG share price over the past ten years. It was decided not to use the volatility of comparable listed companies as a basis because their volatility does not reflect CHG-MERIDIAN AG's actual circumstances.

The weighted average of the fair values of the options was €1.51 as at December 31, 2016 (December 31, 2015: €0.67 per option).

The liabilities arising from the share-based payment amounted to €7.076 million as at December 31, 2016 (December 31, 2015: €2.744 million).

SERVICING OBLIGATIONS

Liabilities to banks from the servicing obligation for forfaited and derecognized lease receivables are shown under Other liabilities.

Of the total other liabilities, an amount of €25.203 million was classified as non-current (December 31, 2015: €19.374 million).

7.16 TAX

Of the total tax assets, an amount of €0 thousand was classified as non-current (December 31, 2015: €0 thousand). Non-current tax liabilities amounted to €0 thousand (December 31, 2015: €0 thousand).

7.17 EQUITY

Details of the changes in the Group's equity can be found in the consolidated statement of changes in equity, which is in a separate section preceding the notes to the consolidated financial statements.

SUBSCRIBED CAPITAL

The Company's subscribed capital was divided into 96,000,000 (2015: 96,000,000) fully paid-up, no-par-value bearer shares with a notional value of €100,000,000.

The following table shows the changes in the number of shares outstanding:

	2016	2015
Number of shares outstanding as at Jan. 1	90,368,300	89,855,190
Acquisition of treasury shares	-201,261	-78,874
Sale of treasury shares	2,641,031	591,984
Capital increase	0	0
Number of shares outstanding as at Dec. 31	**92,808,070**	**90,368,300**

The Company acquired 201,261 treasury shares in 2016. On December 31, 2016, the Company held 3,191,930 treasury shares that had a notional value of €3.325 million (December 31, 2015: €5.866 million) and are shown separately in equity as deductions. They represent 3.3 percent of the Company's share capital. In addition, the Company sold 2,641,031 treasury shares. They represent 2.8 percent of the Company's share capital.

CAPITAL RESERVES

Capital reserves comprise the share premium from the issue of shares and the difference resulting from the purchase and sale of treasury shares. The sale of treasury shares to new shareholders added €7.184 million to the capital reserves, which therefore stood at €9.577 million on December 31, 2016 (December 31, 2015: €2.393 million).

RETAINED EARNINGS

The Retained earnings line item consists of profits from previous years that have not been distributed and the effect resulting from first-time adoption of IFRS with effect from January 1, 2013. Retained earnings came to €257.970 million on December 31, 2016, compared with €215.641 million a year earlier.

In 2016, a dividend of €0.20 per no-par-value share was paid in respect of a total of 92,904,150 dividend-bearing shares. The dividend distribution therefore amounted to €18.581 million (2015: €11.738 million).

OTHER RESERVES

Other reserves includes items that, under IFRS, are required to be recognized directly in equity. In 2016, these items related to differences resulting from currency translation in connection with consolidated subsidiaries (€ 000's):

	Dec. 31, 2016	Dec. 31, 2015
Cumulative gains and losses from currency translation	–3,946	3,603

NON-CONTROLLING INTERESTS

The equity shareholdings of other shareholders represent the proportionate non-controlling interests in the equity of the Group entities. In 2016, CHG-MERIDIAN AG sold 5 percent of the shares in CHG-MERIDIAN Mobilien GmbH, Weingarten, Germany.

CAPITAL RISK MANAGEMENT

The Company's priority in its management of capital risk is to ensure a strong and healthy funding structure that provides a basis for financial flexibility and enables the Company to remain largely independent of banks and other lenders. The Company aims to enhance and deepen its stable and long-standing business relationships with its funding partners in order to retain the trust of investors, lenders, and the markets and to pave the way for future organic growth and growth by acquisition.

The group treasury department manages and monitors the liquidity situation at Group level as an integral part of the risk management process.

8. DISCLOSURES ON FINANCIAL INSTRUMENTS

A) CATEGORIES OF FINANCIAL INSTRUMENTS

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORY (€ 000's)

	Loans and receivables (LaR)		Financial liabilities measured at amortized cost (oL)		Financial assets and liabilities at fair value through profit or loss (fvtpl)		Investments held at amortized cost (IAS 39.46 (c))	
Dec. 31	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Assets								
Receivables from banks	267,741	164,494						
Other receivables from customers	102,290	108,055						
Derivatives					1,422	234		
Equity investments							1	312
Other assets	2,093	2,927						
Liabilities and equity								
Liabilities to banks			525,597	496,597				
Liabilities to customers			255,399	212,832				
Derivatives					2,130	2,802		
Other liabilities			15,113	14,126				

As at the reporting dates of December 31, 2016 and December 31, 2015, no financial instruments were assigned to the available-for-sale financial assets (AfS) or held-to-maturity investments (HtM) measurement categories.

Only derivatives pursuant to IAS 39.9 are assigned to the fvtpl category.

NET GAINS (+) AND LOSSES (-) ON FINANCIAL INSTRUMENTS (€ 000's)

	Dec. 31, 2016	Dec. 31, 2015
Loans and receivables (LaR)	–7,176	–8,509
Fair value through profit or loss (fvtpl)	1,875	–1,620

Net gains and losses in the LaR category include impairment losses, reversals of impairment losses, and subsequent receipts against financial instruments that have been written off. They do not include current interest income and expense.

Net gains and losses in the fvtpl category include changes in fair value.

B) TRANSFER OF FINANCIAL ASSETS

CHG-MERIDIAN transfers the contractual right to cash flows from finance lease receivables in the context of non-recourse funding contracts.

Normally, the non-recourse funded and transferred cash flows represent only part of the total cash flows from the lease and only part of the finance lease receivables. The part funded without recourse only contains specially designated cash flows. In non-recourse funding arrangements, the material opportunities and risks are transferred to the funding partner. CHG-MERIDIAN only has a small volume of transferred lease receivables that have not been derecognized. Corresponding liability items have been recognized for these transferred lease receivables.

The requirements for partial derecognition of the finance lease receivables have been satisfied. Payments under the finance lease that have not been funded on a non-recourse basis are not derecognized and are therefore shown under Receivables from finance leases.

Most of the (residual) receivables shown are unguaranteed residual values. CHG-MERIDIAN does not have any continuing involvement in connection with lease payments that have been funded on a non-recourse basis.

C) LEVELS OF THE FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Financial and non-financial assets and liabilities as well as equity instruments are measured at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. In this case, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement of the individual assets, liabilities, and equity instruments must be based on observable or unobservable inputs.

These are assigned to one of the three levels of the fair value hierarchy:

LEVEL 1 – ACTIVE MARKET, QUOTED PRICE

At Level 1, measurement is based on prices quoted in active markets to which the Company has access at the measurement date (stock exchanges and dealer markets) for identical assets or liabilities. The transaction costs are not eliminated from the price that has been determined.

LEVEL 2 – DIRECTLY OR INDIRECTLY OBSERVABLE MARKET PRICE

If a quoted price cannot be determined in accordance with the Level 1 criteria, it must be determined using Level 2 inputs where available. These inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical assets or liabilities in markets that are not active
- interest rates and yield curves observable at commonly quoted intervals
- implied volatilities, and
- other market-corroborated inputs.

A price determined in this way is corrected only on the basis of the condition/location of the asset or the volume/level of activity in the observable markets.

LEVEL 3 – UNOBSERVABLE INPUTS

If there is little or no market activity for the asset or liability at the measurement date, the Company uses unobservable inputs that can be determined for the affected asset or liability. The unobservable inputs reflect the best information available about market participants' assumptions regarding price formation for the asset or liability, including assumptions about risks.

The derivatives used in the CHG-MERIDIAN Group are measured in accordance with the requirements of IFRS 13 using Level 2 inputs corresponding to quoted prices for identical assets that can be observed directly.

D) FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF CATEGORIES OF FINANCIAL INSTRUMENTS PURSUANT TO IAS 39

The table below shows the fair values of the different financial instruments. The fair value is the price at which the financial instrument can be sold or purchased in an orderly transaction at the reporting date.

If a market price was not available, the fair value was determined by discounting the financial instrument to present value using a market interest rate appropriate to the term of the financial instrument. The fair value of receivables from finance leases was determined by discounting them to present value using a notional interest rate. The notional interest rate represents an average funding rate for lease receivables that would be payable for a term equivalent to the end date of the respective lease.

	Fair value Dec. 31, 2016 € 000's	Fair value Dec. 31, 2015 € 000's	Carrying amount Dec. 31, 2016 € 000's	Carrying amount Dec. 31, 2015 € 000's
Assets				
Receivables from banks	267,741	164,494	267,741	164,494
Receivables from finance leases	786,035	819,237	785,196	775,882
Other receivables from customers	102,290	108,055	102,290	108,055
Derivatives	1,422	234	1,422	234
Equity investments	1	312	1	312
Other assets	2,093	2,927	2,093	2,927
Liabilities and equity				
Liabilities to banks	524,792	493,543	525,597	496,597
Liabilities to customers	255,399	212,832	255,399	212,832
Derivatives	2,130	2,802	2,130	2,802
Other liabilities	15,113	14,126	15,113	14,126

E) RISKS IN CONNECTION WITH FINANCIAL INSTRUMENTS

COUNTERPARTY RISK

For qualitative information on the management of counterparty risk, please refer to the risk report within the group management report.

Credit risk and default risk on financial assets are the risk that a counterparty will default and are therefore limited to the amount of the claims in respect of the recognized carrying amounts.

At CHG-MERIDIAN, the maximum default risk is primarily mitigated by the underlying leased equipment. It is also reduced by the additional collateral held, which had a value of €46.137 million on the reporting date (December 31, 2015: €29.227 million).

The additional collateral comprises, among other things, shared liability, guarantees and sureties, pledging of credit balances with banks, and mortgages.

The following table shows the credit quality of the financial assets of the CHG-MERIDIAN Group (€ 000's):

	Gross carrying amount		Neither past due nor impaired		Past due but not impaired		Impaired	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Receivables from banks	267,741	164,494	267,741	164,494	0	0	0	0
Receivables from finance leases	786,532	777,658	785,196	775,447	0	365	1,336	1,846
Other receivables from customers	120,610	120,996	46,721	52,153	56,956	54,043	16,933	14,800
Derivatives	1,422	234	1,422	234	0	0	0	0
Equity investments	1	312	1	312	0	0	0	0

Impairment losses are recognized if a counterparty is in default for longer than a specified period of time or if an application is made for insolvency proceedings or such proceedings are instituted ('trigger events').

There were no significant concentrations of risk in the finance lease portfolio as at December 31, 2016, nor had there been any a year earlier.

The following table shows the maturity structure of financial assets that were past due but not impaired at the reporting date (€ 000's):

	Past due but not impaired		Up to 1 month		1–3 months		More than 3 months	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Receivables from banks	0	0	0	0	0	0	0	0
Receivables from customers	56,956	54,043	33,556	31,591	4,894	4,370	18,506	18,082
Derivatives	0	0	0	0	0	0	0	0
Equity investments	0	0	0	0	0	0	0	0

There is no objective evidence that the financial assets listed above are impaired. Due to the structure of its customer base and its business, the CHG-MERIDIAN Group has only insignificant concentrations of risk.

LIQUIDITY RISK

The table below contains an analysis of the maturities of the earliest possible, undiscounted contractual cash flows of financial obligations at the end of 2016 and 2015. Some amounts differ from the amounts reported in the statement of financial position because these are undiscounted cash flows (€ 000's):

	On demand	< 3 months	3 months – 1 year	1 year – 5 years	> 5 years
Dec. 31, 2016					
Liabilities to banks	68,934	50,484	129,596	288,822	5,820
Liabilities to customers	141,006	96,694	13,272	4,833	0
Debenture loans	0	0	0	0	0
Derivatives	0	0	645	1,485	0
Other liabilities	125	2,900	2,605	8,216	1,907

	On demand	< 3 months	3 months – 1 year	1 year – 5 years	> 5 years
Dec. 31, 2015					
Liabilities to banks	18,247	75,317	102,740	300,369	8,425
Liabilities to customers	112,442	83,178	11,976	5,263	0
Debenture loans	0	0	0	0	0
Derivatives	0	54	67	2,680	0
Other liabilities	46	2,040	770	9,256	2,061

The group treasury department uses liquidity forecasts to manage liquidity risk. CHG-MERIDIAN was able to meet its payment obligations at all times during 2016.

MARKET RISK

For qualitative information on the management of market risk, please refer to the risk report within the group management report.

Market risk primarily results from interest-rate risk, currency risk, and residual-value risk. In the vast majority of cases, the CHG-MERIDIAN Group excludes interest-rate risk during the term of a lease by funding a very high proportion of its leases on a fixed-rate basis for their entire term.

Currency risk constitutes the risk of receivables depreciating and liabilities appreciating in value owing to sharp fluctuations in exchange rates. As an international company, CHG-MERIDIAN is exposed to currency risk. CHG-MERIDIAN aims to ensure that the foreign subsidiaries obtain funding in their local currency or in the currency of the underlying leasing agreement from their own funding partners. This policy helps to minimize currency risk.

Residual-value risk occurs when the forecast market value of a leased asset that is remarketed at the scheduled end of the lease is lower than the residual value calculated at the inception of the lease.

The residual value calculated at the inception of the lease consists of the shortfall and the remarketing opportunities. The shortfall is the deficit that arises if the lease payments made over the basic term of a lease do not fully cover the investment in the leased equipment and the calculated cost of funding. Remarketing opportunities are estimated on a portfolio basis using historical values.

According to a sensitivity analysis, a reduction in the remarketing opportunities by 1 percent of the original investment in the leased equipment would have made it necessary to recognize an impairment loss of €21.145 million in the reporting year (2015: €21.990 million). An increase in the remarketing opportunities by 1 percent of the original investment in the leased equipment would have resulted in a gain of €39.679 million in the reporting year (2015: €36.417 million).

Because of CHG-MERIDIAN's cautious assumptions about remarketing opportunities, the probability of having to recognize impairment losses as a result of residual-value risk is considered to be low. Due to the structure of the customer base and business, there are no significant concentrations of risk.

9. OTHER DISCLOSURES

A) STATEMENT OF CASH FLOWS

CHG-MERIDIAN's consolidated statement of cash flows documents the changes in cash and cash equivalents resulting from the net cash provided by and used for operating activities, investing activities, and financing activities. The cash flows relating to operating activities reflect all inflows and outflows in connection with day-to-day business. Those relating to investing activities consist of payments from the acquisition of, and gains on the disposal of, subsidiaries, leased assets, and other types of assets. The cash flows relating to financing activities comprise all of the streams of payments in connection with equity transactions and other financing activities.

Cash and cash equivalents consist entirely of the cash reserve plus receivables from banks that are available on demand.

The principles underlying the presentation format and structure of the statement of cash flows are derived from IAS 7.

B) CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

The pledging, or other form of collateralization, of leased assets to banks providing loans or non-recourse funding gave rise to contingent liabilities of €705.505 million (net) (December 31, 2015: €711.702 million) as security for the legal validity and freedom from objection of the receivables sold.

The following table shows the maturity structure of future commitments under long-term agreements (predominantly future obligations under leases on offices and company cars) as at the reporting date (€ 000's):

	Up to 1 year	1–5 years	More than 5 years	TOTAL
Future lease obligations	4,041	10,382	922	15,345

In 2016, an expense of €3.999 million was recognized in connection with rental and leasing agreements (2015: €3.601 million).

C) TRANSACTIONS WITH RELATED PARTIES

A third party (an entity or individual) is deemed to be a related party if one of the parties has direct or indirect control or significant influence over the financial and operating policies of the other party. CHG-MERIDIAN AG and all of its subsidiaries are considered to be related parties. All of these are included in the consolidated financial statements. Other related parties of CHG-MERIDIAN AG include the members of the Board of Management and Supervisory Board and their close family members.

The members of the Board of Management and Supervisory Board only receive remuneration in connection with their role as persons in key positions. The total remuneration for the Board of Management in 2016 amounted to €9.357 million (2015: €8.789 million).

In accordance with the exemption for unlisted companies provided in section 314 (2) sentence 2 HGB in conjunction with section 286 (4) HGB, it was decided not to disclose each individual's remuneration.

The total remuneration for the Supervisory Board in 2016 amounted to €245 thousand (2015: €274 thousand).

There were no significant transactions with related parties that were not conducted on an arm's-length basis, either in 2016 or in the previous year.

D) EMPLOYEES

An average of 827 people were employed during the year under review (2015: 794). Part-time staff are counted on the basis of full-time equivalents. The following table shows the average number of employees broken down by function:

	2016	2015
Administration	591	564
Sales	236	230
TOTAL	827	794

E) GOVERNING BODIES OF CHG-MERIDIAN AG

The members of the Board of Management of CHG-MERIDIAN AG are:

- Jürgen Mossakowski, Ravensburg, Diplom-Kaufmann (Chairman until December 22, 2016)
- Dr. Mathias Wagner, Ravensburg, Diplom-Kaufmann & Dr. oec. (Chairman since January 1, 2017)
- Joachim Schulz, Ravensburg, Diplom-Kaufmann
- Frank Kottmann, Ravensburg, Kaufmann
- Oliver Schorer, Wolfegg, Kaufmann (since January 1, 2017).

The members of the Supervisory Board of CHG-MERIDIAN AG are:

- Dr. Alexander Lienau, Münsing, attorney & tax accountant (chairman until December 22, 2016)
- Jürgen Mossakowski, Ravensburg, Diplom-Kaufmann (chairman since December 23, 2017)
- Peter Horne, Reute, Diplom-Betriebswirt (BA) (deputy chairman)
- Frank Gelf, Berg, Kaufmann
- Luz Kling, Überlingen, Kaufmann (since January 26, 2017)
- Meltem Onursal, Weingarten, legal counsel & attorney (since January 26, 2017)
- Klaus Schneider, Ravensburg, auditor & tax advisor (since January 26, 2017).

F) EVENTS AFTER THE REPORTING PERIOD AND APPROVAL OF THE FINANCIAL STATEMENTS

There were no material events after the reporting period.

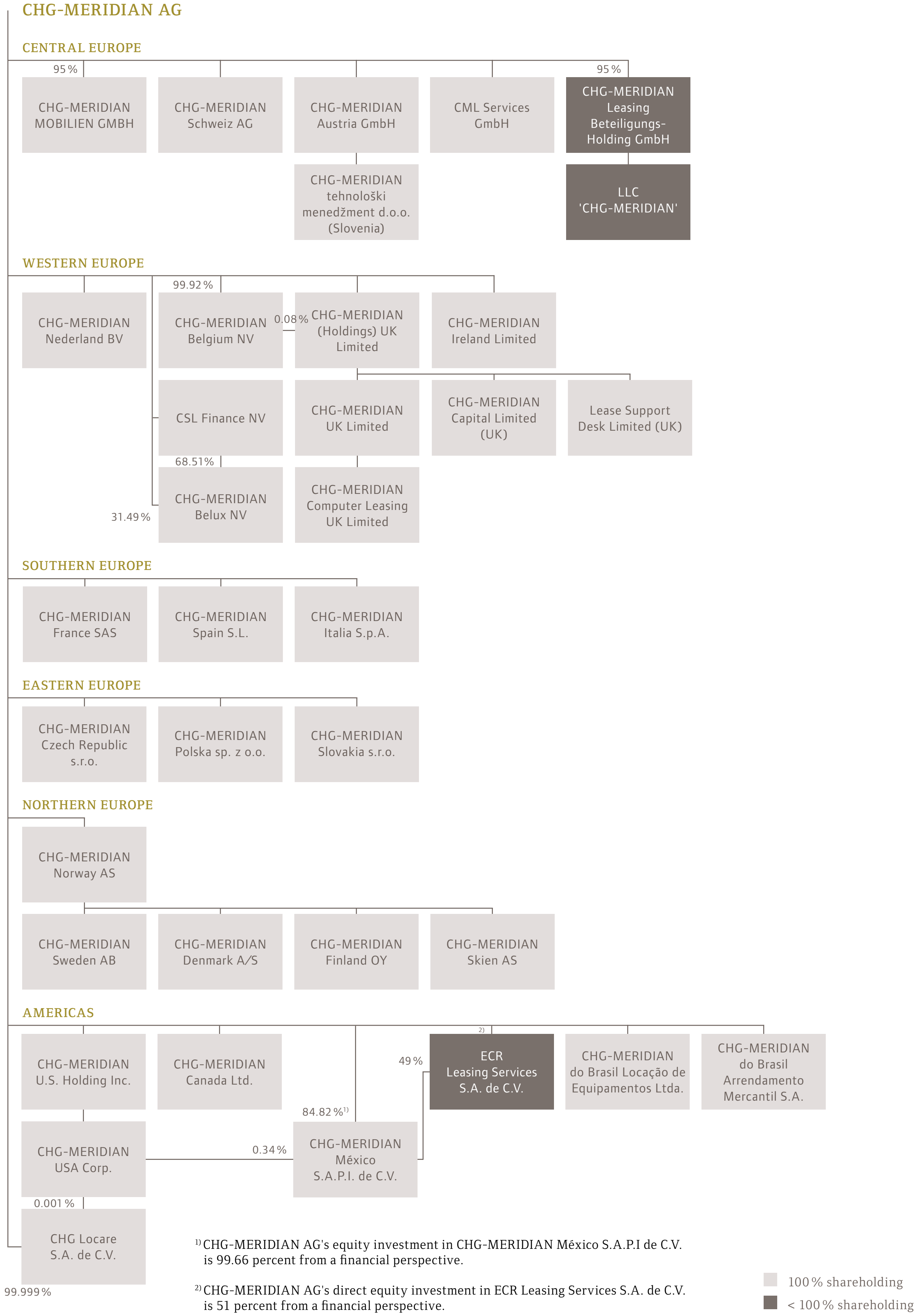
The Board of Management prepared the consolidated financial statements on March 10, 2017. They will be published in the electronic version of the German Federal Gazette once they have been approved on May 12, 2017.

Weingarten, March 10, 2017

CHG-MERIDIAN AG

Dr. Mathias Wagner Joachim Schulz Frank Kottmann Oliver Schorer

ORGANIZATIONAL STRUCTURE



[1] CHG-MERIDIAN AG's equity investment in CHG-MERIDIAN México S.A.P.I de C.V. is 99.66 percent from a financial perspective.

[2] CHG-MERIDIAN AG's direct equity investment in ECR Leasing Services S.A. de C.V. is 51 percent from a financial perspective.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by CHG-MERIDIAN AG, Weingarten, comprising the consolidated statement of financial position, the consolidated income statement, the notes to the consolidated financial statements, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity, together with the group management report for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of German commercial law required to be applied under § 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position and financial performance in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under § 315a (1) HGB and give a true and fair view of the financial position and financial performance of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 14, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bergmann
Auditor

Ziegler
Auditor

SINGLE-ENTITY FINANCIAL STATEMENTS OF CHG-MERIDIAN AG

Statement of Financial Position of CHG-MERIDIAN AG, Weingarten, as at December 31, 2016

ASSETS

		Dec. 31, 2016	Dec. 31, 2015
	€ 000's	€ 000's	€ 000's
1. Cash reserve			
Cash on hand		10	12
2. Receivables from banks			
a) On demand	147,496		89,354
b) Other claims	1,000	148,496	1,000
3. Receivables from customers		198,956	167,495
4. Equity investments		1	1
5. Investments in affiliated companies		189,025	186,503
6. Leased assets		844,771	784,105
7. Intangible assets		1,851	2,537
8. Property, plant and equipment		46,680	40,961
9. Other assets		12,894	14,906
10. Prepaid expenses		1,464	1,193
11. Excess of plan assets over pension liabilities		28	29
		1,444,176	1,288,096

LIABILITIES AND EQUITY

			Dec. 31, 2016	Dec. 31, 2015
	€ 000's	€ 000's	€ 000's	€ 000's
1. Liabilities to banks				
a) On demand		32,100		16,449
b) With an agreed maturity		389,011	421,111	376,686
2. Liabilities to customers				
Sundry liabilities				
On demand			13,816	9,360
3. Other liabilities			87,239	76,101
4. Deferred income			689,015	620,786
4a. Deferred tax liabilities			32,281	24,452
5. Provisions				
a) For taxes		327		2,213
b) Other provisions		35,949	36,276	13,704
6. Equity				
a) Subscribed capital	100,000			100,000
minus notional value of treasury shares	–3,325			-5,866
Issued capital		96,675		94,134
b) Capital reserves		9,577		2,393
c) Retained earnings				
ca) Statutory reserve	9,382			9,382
cb) Other retained earnings	11,172	20,554		8,427
d) Net income		37,632	164,438	34,009
			1,444,176	1,288,096

Income Statement of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2016

			2016	2015
	€ 000's	€ 000's	€ 000's	€ 000's
1. Income from leasing			596,818	579,905
2. Expenses from leasing			–38,708	–30,765
3. Interest income from lending and money-market transactions			8,643	8,257
4. Interest expense			–21,436	–22,517
5. Commission income			16,715	16,027
6. Commission expense			–6,753	–6,315
7. Other operating income			2,148	1,291
8. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	–54,176			–47,449
ab) Social security contributions and expenses for pensions Of which for pensions: €3 thousand (2015: €3 thousand)	–4,500	–58,676		–4,015
b) Other administrative expenses		–13,370	–72,046	–11,330
9. Depreciation, amortization and write-downs of				
a) Leased assets		–445,272		–430,518
b) Intangible assets and property, plant and equipment		–4,573	–449,845	–3,577
10. Other operating expenses			–308	–149
11. Write-downs of and value adjustments on claims and certain securities as well as additions to the provisions for leasing business			–2,339	–129
12. Income from write-ups of claims and certain securities and from the release of provisions for leasing business			1	24
13. Profit from ordinary activities			**32,890**	**48,740**
14. Extraordinary income			44	0
15. Extraordinary net income			**44**	**0**
16. Income taxes			–10,529	–14,590
17. Other taxes (unless reported under line item 11)			–202	-141
18. Net income			**22,203**	**34,009**
19. Profit carried forward			15,429	0
20. Distributable profit			**37,632**	**34,009**

GLOSSARY

A user-friendly guide to the key technical terms and abbreviations used in CHG-MERIDIAN's business

CRITICAL-TERMS-MATCH METHOD
The critical-terms-match method is a method used to test the effectiveness of hedges. This involves testing some key financial data (critical terms) relating to the underlying transaction and the hedging instrument to ensure that they match. If they do, it can be assumed that the hedge is effective.

CROSS-CURRENCY SWAPS
A currency swap (also known as a cross-currency swap) is a financial derivative instrument under which two counterparties exchange ('swap') interest and principal payments to be made in different currencies. A currency swap is similar to an interest-rate swap, although in the case of the latter the payments are swapped in the same currency. Another difference is that, in contrast to interest-rate swaps, currency swaps involve the principal amounts being exchanged at the inception and end of the contract.

DCS
Data Center Solutions (DCS) focuses on consulting services and efficient organization in data centers. This freely scalable and modular full-service package enables CHG-MERIDIAN to adapt flexibly to its customers' circumstances and to provide them with targeted advice on requests for proposal (RFPs), business processes, technology lifecycles, enterprise resource planning (ERP), capacity, energy efficiency, and financial management in data centers. The Company also helps its customers to implement these strategies.

DSS
The Digital Signage Solutions (DSS) solution area helps CHG-MERIDIAN customers to navigate the digital revolution. From design and comprehensive testing through to rollback, CHG-MERIDIAN offers products specifically designed to support customers with their digital display system and digital shelf labeling projects.

EBS
Employer Benefit Solutions (EBS) is CHG-MERIDIAN's answer to a challenge facing many of its customers: making themselves more attractive as employers. The Employee PC Program, for example, provides these customers with a cost-effective way of offering employees high-end communications devices such as laptops, tablets, and smartphones for their own personal use.

EMS
Mobile workplaces enhance employees' efficiency and boost productivity. CHG-MERIDIAN's Enterprise Mobility Solution (EMS) is a one-stop, full service solution in the provision of mobile devices for employees. From the beginning to the end of the technology lifecycle, CHG-MERIDIAN offers a wide range of services to enable the controlled, secure, and central management of mobile devices within the company.

END-OF-LIFE MODULE
This module is an additional service provided by CHG-MERIDIAN at the end of the product lifecycle. Customers can use TESMA® to quickly and easily check the status of any collections and of the equipment they have returned at the end of its lifecycle. If certified data erasure is requested, the customer can now also view the relevant erasure logs online in TESMA®.

E-PROCUREMENT
e-Procurement is one of the functionalities offered by TESMA® and serves as a technology and service management system in the relationship between CHG-MERIDIAN, its customers, and their suppliers. Predefined shopping carts can be used to execute orders swiftly and conveniently.

ERASURE
eraSURE is CHG-MERIDIAN's solution for creating individual and certified data erasure concepts – based on internationally established standards such as those laid down by the DoD (Department of Defense) and BSI (Federal Office for Information Security) – that intelligently dovetail security requirements with the commercial needs of our customers.

FORFAITING
Forfaiting involves the purchase of receivables without any right of recourse against the seller if the debtor fails to pay. The seller is liable only for the legal validity of the receivables.

FORFAITING RATIO
The forfaiting ratio is defined as the volume of non-recourse finance (forfaiting) disbursed as a proportion of the total leases originated during the reporting year.

GROSS MARGIN
The gross margin is a key performance indicator used in management accounting and is defined as the present value of all new leases, lease term extensions, and remarketed equipment minus direct funding and acquisition costs.

LEASE ORIGINATION
The volume of leases originated is a key performance indicator used in management accounting and is defined as the sum total of all invoices received for leased equipment or equipment sold to funding institutions.

MARISK
MaRisk is the German abbreviation for 'Minimum Requirements for Risk Management', which Germany's Federal Financial Supervisory Authority (BaFin) published as part of the implementation of Basel III and EU regulations. BaFin also monitors compliance with the MaRisk requirements.

MDS
The range of products and services offered in the Managed Desktop Solutions (MDS) area – which covers personal computers (PCs), monitors, and laptops – include advice on requests for proposal (RFPs), business processes, and technology lifecycles as well as physical inventory checks, procurement, rollout services, support, and financial management. At the end of each technology lifecycle, CHG-MERIDIAN offers a full-service package comprising rollback services, professional equipment reconditioning, recycling, and TÜV-certified data erasure.

NET ASSET VALUE
The net asset value (NAV) provides information on a leasing company's long-term net worth, and for CHG-MERIDIAN this value is calculated using the methodology applied by the Federation of German Leasing Companies (BDL). When income from leasing is accounted for, it is apportioned over the term of the lease. Consequently, a large proportion of the profit earned from a portfolio of leases is recognized at a reporting date in the future.

NON-FULL-PAYOUT LEASES
A non-full-payout lease is a leasing model under which lease installments are only paid on a portion of the equipment's acquisition cost. This means that CHG-MERIDIAN is left with a residual value for which the lessee does not pay any lease installments.

OPS
Output Solutions (OPS) helps customers to develop fully integrated, customized business concepts based on their technical and commercial needs, with the aim of establishing an optimum output infrastructure. Key elements include informative analyses, advice on requests for proposal, business processes, and technology lifecycles, and operational support throughout the useful life of the technology. Professional recycling and the TÜV-certified erasure of data from the old equipment ensure a smooth rollback process at the end of the technology's life.

PROPORTION OF BUSINESS WITH NEW CUSTOMERS
This is defined as the volume of leases originated for new customers as a proportion of the total leases originated.

PROPORTION OF LEASES FUNDED EXTERNALLY
This is defined as the volume of loan-based finance and non-recourse funding (forfaiting) disbursed as a proportion of the total leases originated during the reporting year.

PRICE-PER-PORT MANAGED NETWORKS
Price-per-port managed networks offer a solution that enables customers to set up network infrastructure that comprises the necessary hardware and software as well as the services needed to operate them. The total price is based solely on the number of active and inactive ports.

PRICE PER SEAT CALCULATION
This is a comprehensive calculation of the various costs incurred per workplace over the entire technology lifecycle. It factors in the cost of setting up the workplace, equipment installation, extended warranty cover and other services as well as deinstallation at the end of the lease and certified data erasure, thereby enabling the total cost per user to be charged to the Company's relevant cost units.

RESIDUAL VALUE
The residual value represents the negative difference between the present value of a lease and the acquisition cost of the corresponding leased equipment.

ROLLBACK
The term 'rollback' refers to the deinstallation and removal of existing equipment infrastructure at the end of the technology lifecycle.

ROLLOUT
A rollout denotes the process of introducing and setting up new equipment. It is used, for example, to describe the replacement of all computer hardware when a new generation of IT equipment is purchased.

SALE AND LEASEBACK (LEASING MODEL)
Capital equipment that is already owned by the future lessee is sold to CHG-MERIDIAN and then continues to be used under a lease.

When calculating its net asset value, CHG-MERIDIAN therefore computes the present value of future net income from its existing portfolio of leases at the reporting date, adds its total equity, and subtracts its estimated future expenses.

SWS
With Software Solutions (SWS), CHG-MERIDIAN supports its customers in the selection, licensing, rollout, and management of software solutions that are supplied via a customized business concept. The end-to-end approach covers licensing law, tax law, economic, commercial, and accounting aspects relating to standard software, ranging from operating systems through to complex software development projects such as ERP systems.

TCO
The total cost of ownership (TCO) is a calculation method that helps companies to estimate all the costs that will be incurred by their capital spending on technology (such as hardware and software). The basic idea behind this approach is to compute a number that comprises not only the cost of purchasing the equipment but also all expenses associated with its subsequent use (e.g. energy costs, repairs, and maintenance).

TESMA®
TESMA® is CHG-MERIDIAN's technology and service management system. It brings together technical information such as equipment type, specification, location, and quantity and commercial information such as leasing costs, cost centers, funding periods, and consumption costs. TESMA® thus combines two worlds that otherwise often exist in isolation from one another.

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