CompuGroup Medical SE

Annual Report 2018

Synchronizing Healthcare

CompuGroup Medical

Key figures 2018

€ 121m
Cash Net Income

€ 182m
EBITDA

€ 1.86
Earnings per share

CompuGroup Medical

Content

Synchronizing Healthcare

4,955
Employees

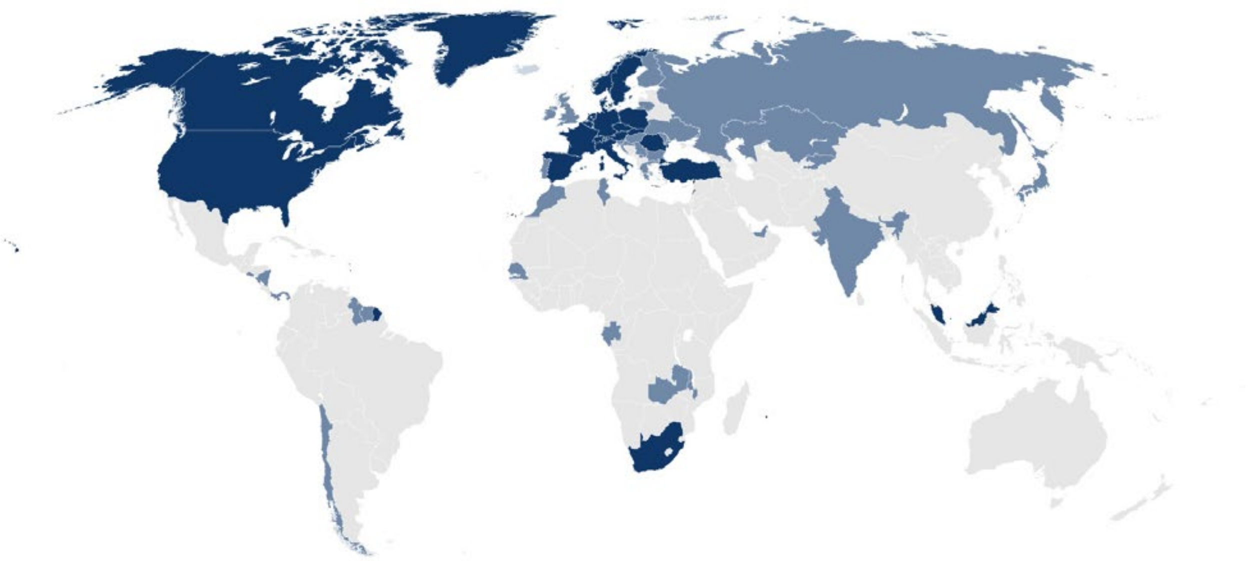
19
Offices countries

56
Installation countries

Nobody should suffer, or even die, because at some point medical information was missing. That's what CompuGroup Medical SE stands for with around 5,000 employees working at 19 locations worldwide.

As one of the world's leading eHealth companies, we work together day by day to develop helpful and intelligent software for health professionals in physician practices, dental offices, pharmacies, hospitals, laboratories, care institutions and for consumers. These products are trusted by customers in 56 countries around the world - because we have understood and appreciated the specifics of healthcare and the social economy for more than 30 years.

In addition to avoiding unnecessary suffering, our products support affordable healthcare systems through efficient collaboration among all stakeholders, and thereby make our contribution to effective healthcare for future generations.



CGM countries with own locations (physical office)
Additional countries with customers, but no CGM location
Additional countries with resellers, but no CGM customer or CGM location

Chairman's Statement

Frank Gotthardt
CEO

Dear Shareholders,

the world is changing.

As summed up by Yuval Noah Harari in his book Homo Deus[1]: For the first time in history, more people die today from old age than from infectious diseases; more people die today from eating too much than from eating too little. The International Diabetes Federation predicts that the number of people with diabetes will rise to 642 million by 2040[2]. In many regions of the world, non-communicable diseases such as cancer or cardiovascular diseases are the main causes for morbidity, taking over infectious diseases that were previously prevalent.

The prevention and delay of non-communicable diseases is thus increasingly becoming a major concern among the population – as is the management of a chronic disease after its onset.

This comes together with an overall trend to a longer life, because life expectancy is rising continuously – by 20% between 1970 and 2010 – an increase of about 11 years. The bottom line of this is: Of all people who have ever lived, every twelfth person is alive today[3].

All this means that more people than ever before are trying to prevent or manage disease and that healthcare structures need to be more efficient and effective than ever before.

At the same time, many regions are increasingly faced with a dramatic shortage of health workers – doctors of all disciplines, psychotherapists, nursing staff, physiotherapists and all the many other occupational groups that help people to stay healthy or regain their health. The worldwide trend of urbanization is leading to a worsening situation in rural areas. The shortage of skilled workers is not a phenomenon of the future, but already a reality.

CGM is addressing these challenges. Our ideas and technologies are driving and enabling digitization in many of the world's healthcare systems. We have never seen digitization as an end in itself, but always as a helpful and intelligent supporter at the service of health professionals and citizens.

For example, with the CLICKDOC video consultation, we let data travel instead of patients. It changes the world for some people: Dementia sufferers are often disoriented for two weeks after visiting a doctor's office and therefore suffer additionally. Video consultations can be used here to avoid unnecessary distress.

Our full support goes to all stakeholders – health professionals and citizens alike. After all, we are convinced that the best care and support can only be provided by close interaction.

There are many examples of this:
Doctors do not have to laboriously collect everything when they are admitted to hospital, but can simply receive important information via our electronic patient file CGM LIFE, and can thus exercise their profession more fully and focus more intensively on their actual vocation.

Employees in the geriatric care who are informed at an early stage that a resident is returning to the nursing home with a multi-resistant germ after a hospital stay can prepare everything and thus avoid improvisation, understaffing and stress.

Hospital nurses who receive reliable planning and mobile digital assistance systems through our international hospital information system CGM CLINICAL enjoy greater reliability in their day-to-day duties and enhance their work performance.

[1] A Brief History of Tomorrow; Yuval Noah Harari; C.H.Beck; 2017
[2] https://www.diabetes-online.de/a/wie-viele-diabetiker-gibt-es-eigentlich-1740881, Diabetes Atlas, "Wie viele Diabetiker gibt es eigentlich?", 12.11.2015
[3] http://www.spiegel.de/gesundheit/diagnose/weltgesundheitsbericht-an-diesen-krankheiten-stirbt-die-menschheit-a-872752.html; Spiegel Online, Weltgesundheitsbericht 13.12.2012

The above examples must build on a stable and secure foundation. CGM has reliable answers to these questions as well. For many years, we have played a decisive role in the national e-health project for the nationwide introduction of electronic health records in Austria - the ELGA.

In 2018, we succeeded in providing even greater proof of our ability to build e-health structures: As the fourth largest economy in the world, Germany has started the decisive part of the rollout of the so-called telematics infrastructure (TI). The aim here is nothing less than the complete digital networking of health professionals with the active involvement of citizens. Many years of preparation, meticulous planning and considerable investments in product development have put our company in a market-leading position for the rollout of TI last year. At the end of 2018, we had supplied around 46,000 practices with the necessary components within 14 months. These practices – which not only included existing customers, but also approximately 12,000 practices that did not use CGM primary software – can now meet the legal requirements for the timely care of their patients.

Our ability to respond to this challenge and opportunity fills us with pride. We have now set ourselves the goal of continuing to play a major role in the rollout of this infrastructure in the coming years, for the benefit of health professionals and citizens, by meeting the needs of medical practices, hospitals and pharmacies that need to be equipped for the future. We will also play a major role in the medical applications based on it, such as emergency data set management, electronic medication plan and of course the supreme discipline – the personal health records.

With CGM LIFE, we provide all people worldwide with a lifelong personal health account, the core of which is a highly secure electronic patient file and which can be individually adapted to different life realities, changing life phases and individual needs. Over 1.6 million people use products and services that have the CGM LIFE health account as a secure basis. In addition, there will be more and more applications in the future that will bring noticeable benefits to citizens in their everyday lives. This includes the first genuine digital certificate of incapacity for work, which was launched at the end of 2018 and which we launched jointly with the health insurance BKK Linde.

CGM LIFE can rely on unique structures: The experience of many decades in the development and use of information systems by health professionals and the reach of these applications in large health systems in Europe and worldwide. We are convinced that healthcare services for citizens will only be fully effective if they are based on medical data, i.e. the underlying information represents reliable medical data from a trustworthy source.

Over the past decades, we have gradually established and expanded these structures, which are now so crucial. We successfully continued this trend in 2018 as well. The areas of doctor information systems for doctors' and dentists' practices, hospital information systems and pharmacy systems have grown again.

In addition, there are milestones achieved based on the new G3 technology generation: With CGM PRIVATE we have introduced a web-based software solution for private physicians in Germany and in the Czech Republic, the software-as-a-service solution CGM PRIMARY and our new international hospital information system CGM CLINICAL were put into operation in various projects in 2018.

The development of new wonderful products, the perfect market launch and reliable operation depend to a large extent on our now more than 5,000 employees. I would like to thank you from the bottom of my heart for your exceptional motivation! And I am delighted that we were able to recruit a good 400 new employees in 2018. Proof that we are also highly attractive as an employer.

The result of our commitment can be seen throughout very well: In 2018, we will reach all-time highs in our key operating and financial figures. Our sales grew from 582 million euros in the previous year to 717 million euros in 2018, with this growth based in particular on very strong organic growth of 22.4%. With the consolidated net profit (EBITDA) of EUR 182 million, we also achieved an operating margin of 25%.

We also continued to strengthen our position in 2018 through acquisitions. With the acquisition La-Well Systems GmbH, for example, we have supplemented our product portfolio with a recognized software solution for video consultation that is the only one certified in Germany. And with factis GmbH, we have added a leading provider for mobile data capture and controlling in the social and healthcare sector as a new member to the CGM family.

The exemplary projects mentioned as well as our results show that we at CGM understand the changes taking place in the world and have played an active role in shaping them, also in 2018. Once again, we have come one step closer to our major goal: Nobody should suffer – or maybe even die – because a medical information was missing sometime, somewhere.

Thank you very much for your contribution to this mission.

Yours sincerely,
Frank Gotthardt

Frank Gotthardt
Chairman, CEO
29 March 2019

Measuring our performance

KPI #1

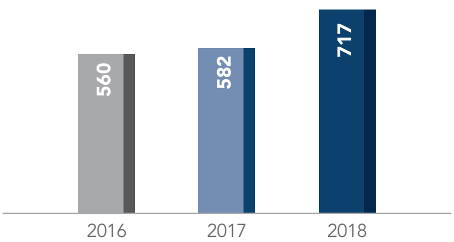
Sales revenue

Target 2018
€700 - 730 Mio.

Performance
The reported revenue in 2018 is within the target range and reflects strong organic growth and the successful first phase of the roll-out of the Telematics Infrastructure in Germany.

Outcome

€717m



Significance
Sales to third parties ("revenue") give the highest level insight into our ability to fulfill our primary growth objective.

KPI #2

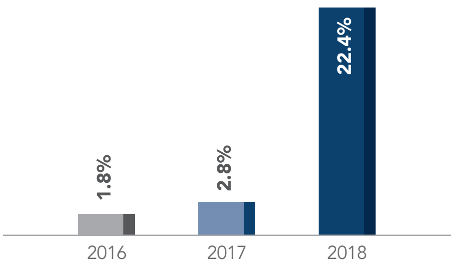
Organic growth

Target 2018
20% - 25%

Performance
The strong organic growth in 2018 has the same underlying cause as the overall revenue development.

Outcome

22,4%



Significance
Organic growth is a key component of our overall growth strategy and is also an important measure of our ability to add value to our acquisitions.

KPI #3

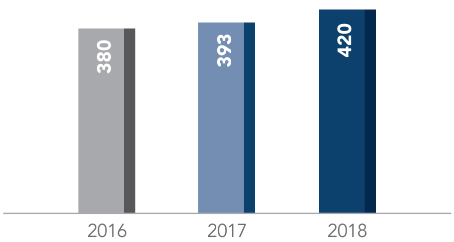
Recurring revenue

Target 2018
€410 Mio.

Performance
The slightly higher than expected recurring revenue in 2018 is due to growth in software maintenance and other recurring revenues throughout the year.

Outcome

€420m



Significance
The business model is based on long-term customer relationships with software maintenance, subscriptions and other recurring service fees as the primary source of income.

KPI #4

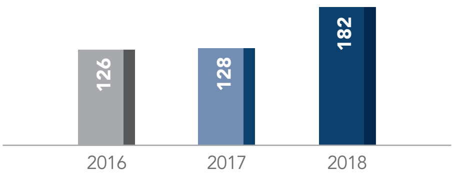
EBITDA

Target 2018
€175 - 190 Mio.

Performance
The EBITDA in 2018 is within the target range has the same underlying cause as the overall revenue development.

Outcome

€182m



Significance
EBITDA is a good indicator of our raw cash generating ability, before consideration of expenditures related to taxation, investments and financing.

KPI #5

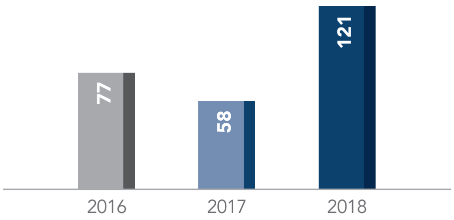
Cash Net Income

Target 2018
€110 - 120 Mio.

Performance
The slightly better than expected Cash Net Income results from a lower than normal tax rate in 2018.

Outcome

€121m



Significance
Cash Net Income is used to estimate the total cash liquidity generated after all expenditures to maintain the current business and sustain the organic growth have been paid, including all reported taxes and financial income and expenses.

KPI #6

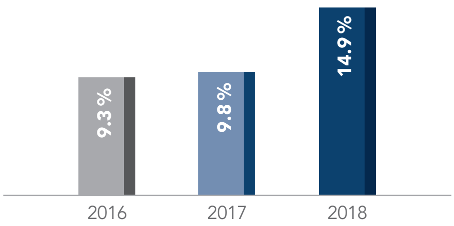
Return on Capital

Target 2018
14.6% - 16.2%

Performance
Operating profit (EBIT) grew significantly more than invested capital in 2018.

Outcome

14,9%



Significance
ROC rewards efficient use of capital in the daily management of the business and is a useful metric for comparing profitability across segments and business units based on the amount of capital they use. This measure is also in harmony with the information we get from a more comprehensive net-present-value analysis.

Management Board

Frank Gotthardt
Chairman of the Management Board, CEO

Frank Gotthardt became a pioneer of IT in the healthcare sector in his days as a computer scientist. He is Chairman of the Management Board of CompuGroup Medical SE. He built the leading global eHealth company, domiciled in Koblenz, up from nothing and has continued to lead and shape it since its founding. Mr. Gotthardt is also the Regional Chairman of the Economic Council of Rhineland-Palatinate and a member of the Federal Executive Board.

Frank Brecher
Chief Process Officer, CPO

Frank Brecher has been a member of the Executive Board of CompuGroup Medical SE since 2015 and has been employed with CompuGroup Medical since 1998 initially occupying various management positions in the group's dental software business. Beginning in late 2007, he was responsible for CGM's business operations in the hospital, clinic and rehabilitation sector in Germany. In 2011, Mr. Brecher was a key manager involved in the acquisition of LAUER-FISCHER and played a vital role in the successful integration of this new subsidiary in CGM. At the end of 2011, Mr. Brecher was appointed to the Executive Board of CGM Deutschland AG. Since April 2013, Mr. Brecher has also led and coordinated the worldwide rollout of CGM's new uniform IT platform "OneGroup IT".

Uwe Eibich
Executive Vice President, Telematics & eHealth Platforms

Uwe Eibich has been a member of the Executive Board of CompuGroup Medical SE since 2007 and today he leads the business segment Telematics & eHealth Platforms. The focus of his work is on the global development of eHealth Platforms for networking and communication as well as on the development and marketing of associated services. This includes the telematics infrastructure in Germany and Austria as well as the solutions around CGM LIFE. Before his start at CGM, the computer scientist worked for a dental software manufacturer. In his former positions at CGM, he headed the business operations in Germany and supervised the international expansion. In addition, Uwe Eibich is the Chief Financial Officer of the Federal Association for Healthcare IT (bvitg).

Dr. Ralph Körfgen
Board Member Ambulatory & Pharmacy Information Systems

Dr. Ralph Körfgen has been a member of the Executive Board of CompuGroup Medical SE since 2018 and has since been responsible for the Business Ambulatory and Pharmacy Information Systems worldwide. Prior to that, he was Head of Corporate Development at Deutsche Bahn, where he was responsible for the Sales division as CEO. Previously, at Roland Berger & Partner, he had focused on developing growth potential in various industries. Dr. Körfgen studied Business Administration at the University of Münster and has extensive experience in the development of new markets and the growth of digital business models.

Hannes Reichl

Board Member Clinical & Social Care

Hannes Reichl has been a member of the Executive Board of CompuGroup Medical SE since 2018 and is responsible for the two segments HIS (Hospital Information Systems) and LAB (Laboratory Information Systems) worldwide, which he previously headed as Senior Vice President. Since joining CGM in 2007, he has held various management positions, including the then CGM region Central Eastern Europe (CEE) and Middle East that he successfully established and developed. In addition to operational management, his focus was on strategic business development and the integration of acquired companies. Hannes Reichl studied Information Economics and Management before joining CompuGroup Medical in 1998. He worked for several Austrian companies, all of which now belong to CompuGroup Medical.

Christian B. Teig

Chief Financial Officer, CFO

Christian B. Teig was born in Norway in 1965. He has been on the Executive Board of CompuGroup Medical SE since 2008. He is the former CEO of the subsidiary, Profdoc. During his time in this position, he developed it into one of Scandinavia's market leaders and acquired customers in Africa and Asia. Prior to this position, he worked in the IT division of Norsk Data and also as a Management Consultant for McKinsey & Company. In 1990, Mr. Teig earned a B.S. degree from the University of California in Santa Barbara and in 1995, his MBA from INSEAD in France.

Report of the Supervisory Board

The Supervisory Board of the CompuGroup Medical SE (CGM) has, in the course of the 2018 financial year, performed the duties incumbent on it by law and the company's Articles of Association. The Supervisory Board has regularly advised the Management Board on the management of the Company and overseen the company's management. The Supervisory Board was directly involved in all decisions of fundamental significance for the company.

In both written and verbal reports, the Management Board has informed the Supervisory Board in a prompt and comprehensive fashion on all significant issues concerning corporate planning and strategic development, the course of business activities, the overall position of the Group (including any risks) and risk management.

The Supervisory Board has been regularly informed by the Management Board about measures taken to increase sales and improve earnings, as well as possible, planned and completed corporate acquisitions. It has also discussed the opportunities and risks of planned transactions with the Management Board in detail. A particular focus of the reporting of the Management Board and the discussions of the Supervisory Board throughout the year was the connection of medical offices and hospitals to the secure telematics network throughout Germany. The various reactions of the regulatory bodies, the sizable technical and organizational requirements and the demand of German doctors for this innovative product range were discussed intensively for this "rollout". Deviations in the performance of the business from plans and targets have been explained in detail to the Supervisory Board. In this regard, a focus again in 2018 was CGM's progress in connection with the nationwide roll-out of telematics infrastructure for the health sector in Germany.

The Supervisory Board has formed an Audit Committee, chaired by the Chairman of the Supervisory Board. The Committee met for a total of four meetings in the reporting year, with a further resolution being passed by way of circulation. The Audit Committee discussed, among other things, the interim financial reports of the Management Board, as well as preparing resolutions of the Supervisory Board. It also recommended the choice of PricewaterhouseCoopers (PWC) GmbH in Frankfurt to be appointed as auditors for the 2018 financial year.

Nine Supervisory Board meetings were held in the past financial year. Four resolutions were also passed by circulation:

January 24, 2018:
The Supervisory Board finalized and approved the 2018 budget. In addition, construction of an additional company building at the Company's registered office was approved.

February 28, 2018:
The Supervisory Board gave its consent by circulation to the acquisition of the La-Well Systems GmbH, a provider of systems for video consultations.

March 16, 2018:
At its meeting in March 2018 to ratify the Company's annual financial statements, the Management Board, in the presence of the auditor, explained CompuGroup Medical SE's 2017 annual financial statement, its 2017 consolidated financial statement and the respective management reports to the Supervisory Board in detail. In the ensuing discussion, the Management Board and staff from the auditing company PricewaterhouseCoopers (PWC) GmbH, Frankfurt personally answered in detail all of the Supervisory Board's questions. CompuGroup Medical SE's annual financial statement was adopted. The consolidated financial statement was approved. Consent was given to the Management Board's profit distribution proposal. The agenda of the 2018 Annual General Meeting, including the draft resolutions contained therein, was approved.

In addition, further activities, planning and funding for the 2018 financial year were explained, and the Management Board's risk report was presented and discussed.

The joint declaration of compliance with the German Corporate Governance Code was discussed and approved.

April 27, 2018:
The Supervisory Board reviewed and approved by circulation the company's non-financial report as of December 31, 2017 (CSR report).

May 15, 2018:
In the two sessions on the day of the Annual General Meeting, the Management Board reported on the current status of all business areas. Mr. Thomas Seifert was elected to the Audit Committee as the successor of Dr. Ulrike Handel

June 14 / June 15, 2018
At its annual strategy meeting with the Management Board and the company's second management tier, the Supervisory Board discussed options for business development expansion for CompuGroup with the participants. In a meeting held on June 15, 2018, the Management Board Informed the Supervisory Board about the current status of all areas of the business. The Supervisory Board gave its consent to the conclusion of a new financing agreement with a banking consortium for the years 2018 to 2023 amounting to 400 million euros.

July 10, 2018:
The Supervisory Board agreed by circulation to the acquisition of n-design GmbH. n-design's professional focus is in the field of the development of applications around the electronic health card and telematics infrastructure. The company was already in the past an important CGM cooperation partner.

August 7, 2018:
The Supervisory Board has by circulation given its consent to the acquisition of factis GmbH. factis GmbH develops and markets solutions for the mobile processing of data in social and health care, currently in the German, Swiss and Luxembourg markets.

September 20, 2018:
The reappointment of Mr. Frank Brecher as a member of the Management Board for further four years was discussed and approved in the meeting.

The Supervisory Board discussed the creation of two new Management Board areas and the person who might potentially take them up. Other topics included the performance of the business this current financial year, especially progress in rolling-out telematics infrastructure in Germany. The Management Board informed the Supervisory Board about further strategies for the AIS segment and possible connectivity products on the basis of the telematics infrastructure.

The Supervisory Board approved the purchase of a property by Prof. Dr. Daniel Gotthardt. The property was rented by CGM in the past as an employee parking space. In order to assess the appropriateness of the purchase price, the Supervisory Board was provided with an independent valuation report. On the basis of an existing conflict of interest, Prof. Dr. Gotthardt did not participate in the discussion and decision making in this regard.

October 2, 2018:
The Supervisory Board has created two new Management Board areas: outpatient facilities and inpatient facilities. Dr. Ralph Körfgen was appointed for three years from November 1, 2018 to the Management Board – Ambulatory & Pharmacy Information Systems. Mr. Hannes Reichl was appointed for four years from November 1, 2018 to the Management Board – Clinical & Social Care.

November 9, 2018:
The Management Board presented its M&A strategy to the Supervisory Board and informed regarding possible targets. A further topic was the presentation of the provisional Group budget for the 2019 financial year.

The Supervisory Board approved the takeover of the remaining aprox. 72% of the shares in Gotthardt Informationsysteme GmbH, Koblenz, a significant sales and service partner in the AIS sector in Germany. Dr. Brigitte Gotthardt, Prof. Dr. Daniel Gotthardt and the Chairman of the Management Board Mr. Frank Gotthardt were indirectly holding these shares. The Supervisory Board therefore sought an independent fairness opinion in order to assess the appropriateness of the purchase price prior to making their decision.

An updated version of the Rules of Procedure for the Management Board was approved.

The Supervisory Board granted its consent to an Management Board plan for a withdrawal from operational activities in Malaysia.

December 7, 2018:
At the meeting, the Supervisory Board was informed about the current status of all areas of the business. The 2019 budget submitted by the Management Board for the CompuGroup Medical Group was discussed with the Management Board. The Supervisory Board unanimously approved the 2019 budget.

During the reporting period, only the above mentioned conflicts of interest arose on the Supervisory Board.

All Supervisory Board members were present each time at the above mentioned meetings in the 2018 financial year, or connected by telephone or video conference, apart from Dr. Ulrike Handel, who was not able to attend the meeting on January 24, 2018.

The auditing company chosen by the Annual General Meeting and appointed by the Supervisory Board (PWC) has examined — in accordance with the statutory guidelines, and together with the accounting records — CompuGroup Medical SE's annual financial statement, its consolidated financial statement and the relevant CompuGroup Medical SE / Group management reports for the year ended December 31, 2018 and issued an unqualified opinion thereon.

At its meeting on March 18, 2019, the annual financial statement (compiled and submitted in a timely fashion for the 2018 financial year), the consolidated financial statement and the management report of both the SE and the Group, are to be submitted by the Management Board to the Supervisory Board, as well as the corresponding auditor's reports and the Management Board's proposal regarding the appropriation of retained earnings. The submitted documents were examined by the Supervisory Board. Staff from the auditing company PricewaterhouseCoopers (PWC) GmbH, Frankfurt personally answered all of the Supervisory Board's questions in detail.

The Supervisory Board noted the results of the audit and raised no objections.

In accordance with Article 171(2) of the German Stock Corporation Act, the Supervisory Board has reviewed and approved the annual financial statements and management reports of both the parent company and the Group, as well as the proposal for the appropriation of retained earnings and the risk report. CompuGroup Medical SE's annual financial statement was thereby adopted. The consolidated financial statement was approved. The Supervisory Board gave its consent to the Management Board's profit distribution proposal.

The Management Board submitted to the Supervisory Board its report on relations with affiliated companies (dependency report) in accordance with Article 312 of the German Stock Corporation Act, with the declaration in accordance with Article 312(3) of the Act. The auditor has examined the dependency report and issued the following audit opinion: "After conscientious examination and assessment, we can confirm that the factual statements in the report are correct and the company's performance in the transactions listed in the report was not unreasonably high". The Supervisory Board approvingly took note of the outcome of the audit and in turn checked the dependency report. No objections were raised after the final result of the examination by the Supervisory Board, also in terms of the Management Board's declaration at the end of the dependency report.

The Supervisory Board would like to thank all members of the Management Board as well as the staff of the CompuGroup Medical SE and its affiliated companies for their commitment and the work they have done in the past financial year.

Koblenz, March 18, 2019 The Supervisory Board

Dr. Klaus Esser
Chairman of the Supervisory Board

Corporate Governance Statement

The actions of the management and supervisory boards of CompuGroup Medical SE are guided by the principles of responsible and good corporate governance. The Management Board – also on behalf of the Supervisory Board – issues the following statement concerning corporate governance pursuant to Section 3.10 of the German Corporate Governance Code and Section 289f (1) of the German Commercial Code (HGB).

Declaration of Compliance with the German Corporate Governance Code
Joint statement of compliance with the German Corporate Governance Code pursuant to Section 161 of German Stock Corporation Act (AktG)

Since the last Statement of Compliance issued in March 2018, CompuGroup Medical SE has complied with the recommendations of the German Corporate Governance Code ("Code") in the version dated February 7, 2017 with the exceptions mentioned.

In the future, CompuGroup Medical SE will continue to comply with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 with the exceptions outlines below:

Section 3.8 of the Code:
According to Section 3.8 of the Code, a D&O insurance policy for the Supervisory Board shall include a deductible corresponding to that of the members of the Management Board. The Company's current D&O insurance policy does not take this recommendation into account, as the Company does not consider a deductible to be appropriate due to the amount of Supervisory Board compensation.

Section 4.2.2 of the Code:
According to Section 4.2.2 of the Code, the Supervisory Board shall consider the relationship between the compensation of the Management Board and that of senior management and the staff overall, particularly in its development over time. The Supervisory Board has not yet followed this recommendation, as the Supervisory Board does not consider this approach to be appropriate when determining the compensation of the Management Board.

Section 4.2.3 of the Code:
According to Section 4.2.3 of the Code, the total compensation of the company's Management Board and the maximum amount of variable remuneration components shall be capped with maximum levels. The contract concluded with the Chairman of the Management Board does not provide for such a limitation in order to achieve a special incentive effect, which would not exist to the same extent if the amount were limited.

The Supervisory Board has reserved the right to adjust performance targets or underlying comparison parameters during the term of the contract. This is necessary to maintain the necessary flexibility to enable the Company to respond to change.

There are currently no pension commitments to members of the Management Board, nor are they intended.

Section 5.1.2 of the Code:
According to Section 5.1.2 of the Code, an age limit for members of the Management Board shall be specified. This recommendation will not be followed, since the Company does not consider a rigid age limit for members of the Management Board to be appropriate. When selecting candidates, the Company would like to assess this aspect individually and weigh expertise and performance in each individual case. When appointing Management Board members, the Supervisory Board shall also pay attention to diversity, also with a view to the internationality of the Company.

Section 5.3.2 of the Code:
The Company deviates from the recommendation in Section 5.3.2 of the Code, which stipulates that the Chairman of the Supervisory Board should not at the same time be the Chairman of the Audit Committee, because the Chairman of the Supervisory Board has special knowledge and experience in the application of accounting principles and internal control procedures and is also considered independent by the Supervisory Board.

Section 5.3.3 of the Code:
According to Section 5.3.3 of the Code, the Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for its recommendations to the General Meeting. This recommendation has not been followed. There are no plans at present to establish a nomination committee, as the entire Supervisory Board is responsible for the duties of preparing election proposals in close cooperation with the largest shareholders.

Section 5.4.1 of the Code:
According to Section 5.4.1 of the Code, an age limit shall be defined for the members of the Supervisory Board. This recommendation has not been followed as the Company does not consider a rigid age limit for Supervisory Board members to be appropriate. When selecting candidates, the Company would like to assess this aspect individually and weigh expertise and performance in each individual case.

In the composition of the Supervisory Board, the Company shall primarily take into account the knowledge, skills and professional experience of potential candidates. For this reason, the Supervisory Board will not specify a standard limit for the length of service on the Supervisory Board.

The Supervisory Board shall define targets exclusively for the share of female members of the Supervisory Board in order to be able to decide as flexibly as possible on the suitability of possible candidate proposals on a case-by-case basis.

Section 5.4.6 of the Code:
The compensation regulation for the Supervisory Board of CompuGroup Medical SE essentially provides for a uniform fixed remuneration. All members of the Supervisory Board are expected to perform their duties with the highest degree of commitment and motivation and with a view to the long-term success of the Company. Up to now, only the Chairman of the Supervisory Board has received a 50 percent higher compensation, because the scope of activities of the chairman is clearly larger than the scope of activities of all other Board Members, including the Deputy Chairman and the committee members.

Koblenz, March 18, 2019

Dr. Klaus Esser
Chairman of the Supervisory Board

Frank Gotthardt
Chairman of the Management Board

Corporate Governance Practices
CompuGroup Medical recognizes its obligation to act for the benefit of society at large. Our business is based on trust – every day we face challenging issues such as healthcare security, patient privacy or public tenders. Our products and solutions will always comply with applicable laws and regulations and with our commitment to ethical and social responsibility. Alongside the corporate governance principles of CompuGroup Medical, these ethical guidelines go beyond the legal provisions and recommendations of the Code. Ethical guidelines apply to all CompuGroup Medical employees and business partners acting on behalf of the Company. We also expect our suppliers and partners to adhere to ethical guidelines that are consistent with our ethical values. The CompuGroup Medical Code of Conduct can be viewed at any time on our company website at www.cgm.com

Functioning of the Management Board and Supervisory Board
CompuGroup Medical SE is a company under German law on which the German Corporate Governance Code is also based. A basic principle of German stock corporation law is the dual management system with the Management Board and Supervisory Board, each of which has its own independent powers. The Management Board and Supervisory Board of CompuGroup Medical SE cooperate closely and in a spirit of trust in the management and supervision of the Company.

The CompuGroup Medical Management Board has clearly defined areas of responsibility and duties in corporate governance. The corporate governance model follows the distribution of resources determined by the Supervisory Board.

The Chief Executive Officer (CEO) coordinates the work of the members of the Management Board and cooperation with the Supervisory Board.

In order to do justice to the great importance of inter-connectivity in the healthcare sector, especially in Germany and Austria, one member of the Management Board is responsible for the Telematics & eHealth Platforms Department.

A member of the board leads the Outpatient Facilities Department. This department includes the Doctor Information Systems, Dentist Information Systems and Pharmacy Information Systems divisions.

A board member leads the Stationary Facilities Department. This department includes the Hospital Information Systems, Rehabilitation, Social and Laboratory Information Systems divisions.

Another member of the Management Board is responsible for the functional organization of the Finance Division as Chief Financial Officer (CFO).

The sixth member of the Management Board heads the Process and Efficiency Management (CPO) Department.

In weekly meetings, the members of the Management Board jointly discuss and decide on a broad spectrum of topics ranging from day-to-day business to Group strategy.

The Regional Managers and the Management Board together form the Strategic Management Group. The main objective of the Group's meetings is to harmonize business activities and to ensure the sharing of knowledge across countries and functions.

CompuGroup Medical supports the concept of close and trusting cooperation between the Supervisory Board and the Management Board, based on the Company's need for expertise, balanced decision-making and an independent evaluation of business development and management.

The Supervisory Board appoints the members of the Management Board and monitors and advises them on the management of the Company. It is directly involved in all issues of fundamental importance to the Company. The Chairman of the Supervisory Board coordinates the activities of the Supervisory Board.

The duties of the Supervisory Board and its committees are regulated by law and in the Company's Articles of Association. The Supervisory Board has issued rules of procedure for itself and the Management Board. Former members of the Management Board of CompuGroup Medical SE are not represented on the Supervisory Board. The Board has a sufficient number of independent members who have no business or personal relationship with the Company or its Management Board. The Supervisory Board generally convenes six to eight times a year. In at least one meeting, the Supervisory Board discusses Group strategy with the Management Board. At monthly intervals, the Supervisory Board receives financial reports, management reports and an analysis of the expected course of business. The Supervisory Board regularly reviews the efficiency of its activities. The last efficiency review took place in 2017, the next one is scheduled for 2019. A questionnaire was used to evaluate the efficiency of the Supervisory Board's activities and its cooperation with the Management Board, which was then discussed at a separate Supervisory Board meeting.

The Supervisory Board has formed an Audit Committee from among its members. The Audit Committee consists of the Chairman of the Supervisory Board, two shareholder representatives and one employee representative. The Chairman of the Supervisory Board, Dr. Klaus Esser, is the independent financial expert of the Audit Committee. The Audit Committee deals with monitoring the accounting process, monitoring the annual audit, the management report and the quarterly financial statements and recommends to the Supervisory Board whom it should propose to the Annual General Meeting as auditors. On the basis of the independent auditor's report, the Audit Committee makes recommendations regarding the approval of the annual financial statements and the consolidated financial statements by the Supervisory Board. The establishment of further committees is not planned at present.

The Management Board and Supervisory Board must act in the interest of CompuGroup Medical SE. In the past financial year, there were individual conflicts of interest in the Supervisory Board, which were explained in the report of the Supervisory Board. No member of the Management Board held more than three supervisory board mandates with listed stock corporations not belonging to the Group.

Target Figures for the Composition of the Supervisory Board and Management Board
According to Section 111 (5), the Supervisory Board of the Company last discussed the target figures for the proportion of women in March 2017 and, taking into account the specific situation of the Company, determined the following:

a) A target figure of 1/6 was set for the Supervisory Board for the period up to June 30, 2020.
b) A target figure of zero has been set for the Management Board for the period up to June 30, 2020.

The current composition of the Management Board and Supervisory Board corresponds to the targets set by the Supervisory Board. In the opinion of the Company's Supervisory Board, the shareholder representatives on the Supervisory Board are made up of an appropriate number of independent members if their share is at least 50%. The Supervisory Board members Dr. Klaus Esser (Chairman), Dr. Ulrike Handel and Thomas Seifert are considered independent.

Target Figures for the Composition of the Two Management Levels Below the Management Board
In accordance with Section 76 (4) of the German Stock Corporation Act (AktG), the Management Board of the Company last discussed the target figures for the proportion of women working in positions at the management levels below the management board in August 2018 and, taking into account the specific situation of the Company, determined the following:

The target for the proportion of women was set at 30%. The deadline for the achievement of the target was set at July 31, 2023.

The current composition of management is not yet in line with the objectives set, and the current situation with regard to the recruitment of staff, particularly in the IT sector, is generally strained.

Remuneration of the Management Board and Supervisory Board
CompuGroup Medical SE complies with the recommendations of the German Corporate Governance Code to individually disclose the remuneration of the Management Board and the Supervisory Board. The main features of the remuneration systems and the remuneration are presented separately in the remuneration report, which is part of the management report.

Risk Management
The responsible handling of entrepreneurial risks is one of the principles of good corporate governance. The Management Board of CompuGroup Medical SE has Group-wide and company-specific reporting and control systems at its disposal which ensure that these risks are recorded, evaluated and managed. The systems are continuously developed further and adapted to the changing framework conditions. The Management Board regularly informs the Supervisory Board about existing risks and their development. The Audit Committee is primarily concerned with monitoring the accounting process, including reporting, the effectiveness of the internal control system, risk management, compliance and auditing.

Details on CompuGroup Medical's risk management are presented in the Management Report under the Risk Report section. In addition, the report on the accounting-related internal control and risk management system required by the German Accounting Law Modernization Act (BilMoG) is included in the (Group) management report.
Accounting and Auditing of Financial Statements

CompuGroup Medical SE prepares its consolidated financial statements and interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The annual financial statements of CompuGroup Medical SE are prepared in accordance with the German Commercial Code (HGB). The financial statements are prepared by the Management Board and audited by the auditor and the Supervisory Board. The interim reports and the half-year financial report are discussed with the Management Board by the Audit Committee prior to publication. The consolidated financial statements and the annual financial statements of CompuGroup Medical SE for the 2018 fiscal year were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, the auditors appointed by the 2018 Annual General Meeting. The audits were conducted in accordance with German auditing regulations and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Certified Public Accountants). The audit procedures also included the risk early warning system. It was also agreed with the auditors that they would immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of any material findings or events arising during the audit. There were no such findings during the reporting period.

Shareholders and Annual General Meeting
Our shareholders exercise their rights at the Company's Annual General Meeting. The Annual General Meeting takes place in the first six months after the end of the financial year. In accordance with the Articles of Association, the Annual General Meeting is chaired by the Chairman of the Supervisory Board. The General Meeting decides on all matters assigned to it by law. The objective of CompuGroup Medical is to make it as easy as possible for shareholders to attend the Annual General Meeting. For this reason, all documents required for participation are published in advance on the Internet. The shareholders are appointed proxies for the Annual General Meeting who can instruct the shareholders to exercise their voting rights in accordance with their instructions.

Shareholdings of the Management Board and Supervisory Board
The following shares are currently held by members of the Management Board and Supervisory Board:

Management Board:	
Frank Gotthardt:	17.910,804 Shares (approx. 33.65 %)
Uwe Eibich:	97.744 Shares (approx. 0.18 %)
Frank Brecher:	1.284 shares (approx. 0.00 %)
Supervisory Board:	
Prof. Dr. Daniel Gotthardt:	3.571,711 Shares (approx. 6.71 %)
Dr. Klaus Esser:	140.000 Shares (approx. 0.26 %)

Transparency:
CompuGroup Medical SE attaches great importance to the uniform, comprehensive and timely dissemination of information. Reports on the business situation and results of CompuGroup Medical SE are presented in the annual report, in the quarterly reports, at the annual analysts' and investors' conference and through regular telephone conferences. In addition, information is provided in the form of press releases and ad hoc announcements, as well as other mandatory publications to the extent required by law. All reports and announcements can be viewed on the Internet at www.cgm.com in the Investor Relations section. CompuGroup Medical SE has created the required List of Insiders. The relevant persons were informed about the legal obligations and sanctions.

Combined Management Report Financial year 2018

THE CGM GROUP

CompuGroup Medical SE (CGM) develops and sells efficiency and quality-enhancing software as well as information technology services exclusively for the healthcare sector. The company plays a leading role in the development of global e-health solutions and enjoys market leadership in Germany as well as in other key European countries. CGM's software products and related services are designed to support all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other provider organizations. Its information services for health insurance companies and pharmaceutical producers contribute towards safer and more efficient healthcare. The company's services are based on a unique customer base of doctors, dentists, hospitals and pharmacies, as well as other service providers in healthcare. With headquarters in Germany (Koblenz), the company has a wide and global reach with offices in 19 countries and installations in 56 countries worldwide. Approximately 5,000 highly qualified employees support customers with innovative solutions for the steady growing demands of the healthcare system.

Organizational structure

The CGM Group consists of many companies in several countries; all controlled directly or indirectly by the parent legal entity CompuGroup Medical SE. For a complete list of Group companies and other equity investments, see Section C of the notes to the Consolidated Financial Statements. The subsidiaries in each country serve as a platform for our local employees who perform the tasks of sales and marketing, service and support, research and development as well as general administration close to customers and markets. Independent of the legal entities, the Group is managed as "one company" with reporting lines and decision powers defined by operating segments and not by legal structure.

Operating segments

CGM serves a broad range of healthcare providers, from general practitioners, community clinics and pharmacies, to hospitals and medical laboratories. In addition, we offer products and services to facilitate networking between various healthcare participants, targeted specifically at pharmaceutical companies, healthcare payers and also patients. Our offer is built around a portfolio of reliable and user friendly software applications, complemented by a broad range of value-added services to facilitate collaboration within the complete healthcare universe. Our solutions are tailored to specific user communities, each with a unique set of requirements and success factors. The following four operating segments contain our complete portfolio of products, solutions and services:

Ambulatory Information Systems (AIS) is focused on practice management software and electronic medical records for office-based physicians, dentists, medical care centers and physician's networks. The customers are usually primary care providers working in ambulatory care, providing health services on an outpatient basis to those who visit a healthcare facility and depart after treatment on the same day. For these providers, products and services are packaged into an end-to-end solution that covers all clinical, administrative and financial functions needed to operate a modern care facility as well as secure Internet and intranet solutions through which a secure exchange of medical data is guaranteed. The integrated software solution creates efficient structures for the customers to manage, analyze and use medical data, organize business operations and generate invoices, including extensive administrative support and workflow functionality.

Pharmacy Information Systems (PCS) is focused on integrated clinical, administrative and financial software applications for retail pharmacies. The software and related services provide accurate information and decision support to manage the complete drug supply chain from procurement and shipping of drugs through efficient management and control of inventory all the way to planning, execution and controlling of the retailing function. Safe and cost-efficient dispensing to patients is ensured through advanced drug safety and control functions as well as decision support tools for generic substitution and cost optimization strategies. We also offer in-store and online merchandising programs supported by paper-based and screen-based communication and advertising solutions.

Hospital Information Systems (HIS) is focused on clinical and administrative solutions for the inpatient sector, where health services are provided over a prolonged period of time (from days to years) through highly specialized, secondary care institutions. The customers range from acute hospitals to rehabilitation centers and social services, including multi-site hospital networks and regional care organizations. The software and related services facilitate patient administration, resource and personnel management, medical documentation and billing programs in addition to a number of clinical applications aimed at various specialized departments and laboratories. As a full service provider, CGM pursues an integrated care approach and provides customized solutions for practically all aspects of administration, planning and care delivery in secondary care institutions.

Health Connectivity Services (HCS) is focused on customers within the healthcare sector that are outside the healthcare providers in the other three segments. Important customer groups in this segment are pharmaceutical companies, health insurance companies, other healthcare IT companies and consumers. The HCS solutions enable pharmaceutical companies to provide information to healthcare providers through software interfaces. In addition, CGM collects and mediates anonymous clinical data for market studies, clinical trials etc. Other HCS solutions target health insurers by providing an information channel to healthcare providers via software interfaces. Information, best practices and clinical guidelines are integrated in the workflow of the doctors to optimize decision-making and thereby assist them in delivering the highest quality and most cost efficient care. Other service examples from this segment are clinical decision support systems as well as drugs and therapy databases for healthcare providers. For other healthcare IT companies and consumers, CGM offers solutions for personal health records, consumer portals and mobile applications.

Reporting segments
The operating segments described above form the basis of our IFRS reporting segments (IFRS: International Financial Reporting Standards). The IFRS reporting segments are further described in Section F of the notes to the Consolidated Financial Statements.

Business model
CGM's business model is built for long-term sustainability and profitability. Software maintenance and other recurring revenue is the primary source of income. The managed service type contracts that CGM offers reflects the ongoing nature of the value we deliver to our clients. For a fixed and predictable annual cost, the client is offered high-quality products backed by premiere service and readily available and competent support. For our investors, the choice of a service-oriented business model provides CGM with high quality and visibility of future earnings. Based on these principles, the market characteristics and corresponding business model differ significantly between the business segments.

Ambulatory and Pharmacy Information Systems target smaller, office based providers where the customer, buyer, decision maker and daily user of the software often is one and the same person. Sales and decision cycles are short, and installation and delivery of solutions is usually completed over the course of a few days. Software maintenance and other recurring revenue is the primary source of income and over the last few years the proportion of recurring revenue has been between 60 and 70 percent. Other revenue is up-front (one-time) charges coming from license sales (stretched over the legal minimum maintenance period), training/consulting and other sales such as third party licenses, associated hardware and equipment etc. Customer relationships are generally long-term.

Hospital Information Systems is a project oriented business where the buyer, decision maker and daily user typically are not the same person. In this segment, the customer is usually a hospital administration (IT or procurement department), the administration of a hospital chain or other operator of hospital networks, a regional care organization or regional public sector organization. In Europe, hospitals and care institutions are predominantly owned and operated by the public sector and thus subject to public tendering regulations with long lead times and long decision cycles. Installation and delivery of solutions can range from a few months to multi-year delivery projects. Compared to Ambulatory and Pharmacy Information Systems, the volume of consulting and other professional services is significantly higher and software maintenance and other recurring revenue currently constitute around 60 percent of revenue.

The business model in Health Connectivity Services is for communication and data solutions based on co-operation agreements (typically with 6 -12 months duration), ad-hoc advertising (on-going) and project revenue for collection and mediation of clinical data.

HCS revenue in workflow and decision support is based on project sales (license and professional services), software maintenance and support, and performance-based revenue (cost and quality of care based).

External factors influencing the business
The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. Global health care spending was in 2018 approximately USD 1,490 per capita and as a percentage of Gross Domestic Product (GDP) 10.4 on average, with regional percentages of 16.7 percent in North America, 10.4 percent in Western Europe, 7.3 percent in Latin America, 6.8 percent in Asia/ Australasia, and 5.7 percent in the Middle East/Africa. For the period 2018 to 2022, global healthcare spending is expected to grow 5.4 percent annually. This is markedly faster than the 2.9 percent growth registered in 2013-2017. Nevertheless, by 2022, the share of GDP devoted to health will still be 10.4 percent, equal to both 2017's and 2018's ratio[4]. Health expenditure in Germany exceeded the threshold of 1 billion euros per day for the first time in 2017. Compared with 2016, the Federal Statistical Office forecasts a 4.9 percent increase in health expenditure to EUR 374 billion in 2017. From 2015 to 2016, an increase of 3.8 percent to EUR 356 billion, or EUR 4,330 per inhabitant, had been recorded. This was a share of 11.3 percent of the gross domestic product. The higher growth rate in 2017 is due to the third Act to Strengthen Long-Term Care that entered into force on 1 January 2017[5]. As a percentage of GDP, healthcare spending in Germany ranked fourth in an OECD comparison after the US (17.2 percent), Switzerland (12.4 percent) and France (11.5 percent)[6]. Even during economic downturns, people will still require medical aid and medicine to overcome illness. Therefore, a business in the healthcare sector is often considered to be defensive because the products and services are essential. Having a consistent demand for goods and services makes this sector less sensitive to business cycle fluctuations.

Changes to the composition of the Group
Compared with the previous year, the composition of the Group has changed through a number of acquisitions as listed below. In addition, certain subsidiaries have been merged and/or changed name but this does not materially change the Group and is not discussed in this management report. For more information about such internal mergers and company name changes, as well as smaller acquisitions, see Section C of the notes to the Consolidated Financial Statements.

[4] *The Economist Intelligence Unit. World Healthcare Outlook September 2018*
[5] *German Federal Statistical Office. Federal Health Monitoring information February 2018*
[6] *OECD. Health Statistics (database) February 2019*

Acquisition of La-Well, Germany

In April 2018 CGM acquired 75 percent of the shares in La-Well Systems GmbH (La-Well), with registered office in Bünde, Germany. La-Well develops and distributes currently two products. The main product is software for conducting secure video consultations from doctor to doctor as well as from doctor to patient. It was the first application of this kind to be certified in Germany and thus fulfils all technical requirements of data protection legislation. The second product ‚Wartezimmer TV', is a platform for marketing, information and entertainment for patients in waiting rooms.

Acquisition of n-design, Germany

In July 2018, CGM acquired 95 percent of the shares in n-design Gesellschaft für systematische Gestaltungen mbH (n-design), with registered office in Cologne, Germany. n-design is a company in the field of software development for high-performance embedded computer systems and networks. The company is an important contractor to CGM in developing software for the Connector used in the Telematics Infrastructure in Germany.

Acquisition of factis, Germany

In August 2018, CGM acquired 100 percent of the shares in factis GmbH in Germany. Factis is a leading provider of mobile solutions for social services and the healthcare market in Germany, Switzerland and Luxembourg. The factis solution is used by some 350 medium-sized, outpatient nursing organizations and a particular strength of the factis mobile applications are the unique user interfaces, which are also intuitively accessible to less experienced IT personnel or professionals with a foreign language background. Factis already successfully cooperates with CGM at many existing customer facilities.

Objectives and strategies

The unchanged strategic aim of CGM is to continue to expand its position as a leading international provider of IT solutions for the healthcare system. The key elements of its corporate strategy can be summarized as follows:

Continue to grow the customer base of doctors, dentist, pharmacists and hospitals through acquisition and organic growth
Organic growth by adding new products and services to existing customers and through additional revenue streams from pharmaceutical companies, healthcare payers and other participants in healthcare
Continued leadership in technology and innovation.

Internal management system

The internal management system of CGM is based on a set of key performance Indicators (KPIs). The KPIs used to manage our performance are derived from three primary objectives:

1. Growth
2. Return on Capital
3. Sustainability

In any fundamental value calculation, growth is a primary driver of monetary value. In addition, and also because of the inherent economic benefit, growth drives pricing multiples in the stock market. Growth also offers benefits that go beyond economic equations. Growth enables the further development of the company, creates career opportunities and motivates employees. For our customers, growth means we can invest more into our products and services with technology investments spread over a larger revenue base. In summary, growth is crucial to all stakeholders of CGM: customers, employees and shareowners.

In addition to organic growth, CGM uses acquisitions as a means to grow the business and therefore needs a system to ensure the efficient use of capital. Return on Capital (ROC) simultaneously captures improved income statement profitability and balance sheet efficiency and focuses management on controllable drivers of fundamental intrinsic value. This measure is also in harmony with the information we get from a more comprehensive net-present-value analysis. ROC rewards efficient use of capital in the daily management of the business and is a useful metric for comparing profitability across segments and business units based on the amount of capital they use.

The long-term viability and sustainability of the company is recognized as another fundamental value for all stakeholders in CGM. The business is based on long-term customer relationships with software maintenance and recurring service fees as the primary source of income. Any relevant way to measure and ensure the size and development of the customer base and the size of the portfolio of recurring revenue is considered. We also recognize the importance of our employees as unique knowledge workers, carriers of experience and continuity in customer relations and therefore look for specific ways to measure and stimulate employee engagement as part of our sustainability objective. Our ability to make technology innovations and develop strategic partnerships also counts towards securing the long-term prospects of our business.

A comprehensive set of financial and non-financial key performance indicators are derived from the three primary objectives described above. Unchanged since 2013, we used the following financial KPIs to manage our performance in 2018. Unless otherwise stated, all financial numbers are reported and audited IFRS figures. For further details on IFRS reporting, please see section E of the notes to the Consolidated Financial Statements.

Main financial indicators:
Sales revenue/revenue growth: This measure gives the highest level insight into our ability to fulfill our primary growth objective. The absolute size of CGM is internally defined by the sales to third parties ("revenue"), and growth is defined as the year-on-year revenue growth calculated as current year sales revenue relative to the same period 12 months ago, expressed as a percentage.

EBITDA/EBITDA margin: Earnings before interest, taxes, depreciation and amortization (EBITDA) is a good indicator of our raw cash generating ability, before consideration of expenditures related to taxation, investments and financing. It is particularly relevant when comparing segments and business units since capital procurement and larger investments (in particular company acquisitions) are Group level responsibilities that are not subject to the direct influence of the business units. Correspondingly, the EBITDA margin defined as the EBITDA relative to sales revenue expressed as a percentage is a good indicator of operating profitability. Variable Management Board compensation is remunerated on the basis of EBITA. Due to the relatively low and stable development of depreciation on property, plant and equipment in a software company (including leasing under IFRS 16), the volatility of EBITA is comparable to EBITDA, which is why EBITDA is reported externally.

Other financial indicators:
Recurring revenue/recurring revenue growth: Our recurring revenue includes all software maintenance contracts plus subscriptions for services such as Internet access (ISP), EDI and transaction processing, business process outsourcing, data center hosting, hardware rental etc. The principal source of recurring revenue is software maintenance which customers pay to get software updates and enhancements as well as access to a hotline support service.

EUR `000	2018	2017	Source
Software maintenance and other recurring revenue	414,720	387,835	Note 61
Hardware rental (non-IFRS)*	5,564	4,978	Internal accounts
Recurring revenue	420,284	392,813	
Growth (in %)	7.0%	3.4%	

* Classified as financial lease under IFRS

Organic growth: Organic growth is defined as the year-on-year growth in revenue excluding all revenue from acquisitions with first time consolidation within the last two financial years. Foreign exchange rate differences are included. Organic growth is an important component of our overall growth strategy and is also an important measure of our ability to add value to our acquisitions.

EUR `000	2018	2017	Source
Group sales revenue	717,023	582,375	Income Statement
ATX	2,155	199	Internal accounts
Zöchling, Janson & Even	1,516	1,137	Internal accounts
HABA / APV	1,126	102	Internal accounts
Factis	598	0	Internal accounts
Farmages	498	53	Internal accounts
La-Well	460	0	Internal accounts
Other acquisitions/disposals	453	704	Internal accounts
Group organic revenue	710,218	580,180	
Organic growth (in %)	22.4%	2.8%	

Cash Net Income: Cash Net Income is defined as the reported consolidated net income plus amortization and goodwill impairment less amortization of self-developed software. This measure is used to estimate the total cash liquidity generated after all expenditures to maintain the current business and sustain the organic growth have been paid, including all reported taxes and financial income and expenses.

EUR `000	2018	2017	Source
Consolidated net income	92,595	31,682	Income Statement
Amortization without amortization of self-developed software	25,598	26,465	Change in Intangible and Tangible Assets
Goodwill impairment	2,871	0	Change in Intangible and Tangible Assets
Cash Net Income	121,064	58,147	

Leverage: Debt financing and leverage represents an important measure at the corporate level to optimize the cost of capital in the Group. Leverage is defined as the ratio of net debt to EBITDA, where net debt is calculated as current and non-current liabilities to banks and credit institutions minus cash and cash equivalents.

EUR `000	2018	2017	Source
Net debt	283,122	321,997	Income Statement
a. Liabilities to banks (non-current)	302,602	318,118	Statement of financial position
b. Liabilities to banks (current)	5,822	34,241	Statement of financial position
c. Cash and cash equivalents	25,302	30,362	Statement of financial position
EBITDA	182,482	128,444	Internal accounts
Leverage	1.55	2.51	

Return on Capital: Return on Capital is defined as after-tax operating income over invested capital expressed as a percentage. After-tax operating income is calculated as reported earnings before interest and taxes (EBIT) reduced by a pro-forma tax rate (30 percent). Invested capital is defined as total assets less current liabilities plus current liabilities to banks less cash and cash equivalents calculated at the beginning of the year. This definition of invested capital excludes the working capital provided through trade payables and other short term liabilities on which no interest or other return must be paid. Furthermore, the timing difference assumes that investments made during the course of a year will generally not start generating earnings before the next year. All figures are taken as year-end values.

EUR `000	2018	2017	2016	Source
Earnings before interest and tax (EBIT)	137,879	90,069		Income statement
After-tax operating income	96,515	63,048		EBIT x (1 – 30%)
Invested Capital	653,951	647,606	641,395	a – b + c – d
a. Assets	848,311	825,009	807,905	Statement of financial position
b. Current liabilities	174,880	181,283	180,827	Statement of financial position
c. Current liabilities to banks	5,822	34,241	42,073	Statement of financial position
d. Cash and cash equivalents	25,302	30,362	27,756	Statement of financial position
Return on Capital (in %)	14.9%	9.8%	9.3%	After-tax operating income Invested Capital (t-1)

Non-financial indicators:
CGM's access to a large and growing customer base, the reputation we hold among our customers and our ability to serve them through highly qualified and motivated employees are critical non-financial success factors which drive all our primary objectives. The customer base represents an important measure to assess our size and relative importance in the healthcare sector. Beginning in 2017, we use the annual amount of software maintenance, software rental and software as a service (SaaS) as best estimate for the size and reach of our customer base.

EUR `000	2018	2017	Source
Software maintenance	301,279	293,992	Internal accounts
Software rental and software as a service	25,457	25,184	Internal accounts
Provider reach	326,736	319,175	

A comprehensive planning and performance management system has been introduced to include the financial performance indicators listed above. A group-wide planning and reporting software has been customized for CGM to bring the financial reporting and performance management information out to line management. The most important KPIs are closely monitored and distributed to the managers together with a financial reporting package which includes budget targets. The cycle of review and discussion with management is typically monthly with a world-wide physical management group meeting in the Koblenz headquarter followed by one-on-one discussion between the segment managers and the CEO and his staff. In case of negative deviations, a deeper and more detailed analysis is performed to identify root-causes and initiate corrective measures.

Research and development
Software development in CGM is generally organized centrally and can be broken down into the four main areas specified below:

+ Development of individual components of the existing Ambulatory Information Systems and Pharmacy Information Systems, development activity that occurs both centrally and locally.
+ Development of platform products, which are independent products that are plugged into the physician or dentist information systems via interfaces. Examples include electronic archiving systems or systems for managing appointments and optimizing organizational procedures.
+ Development of a new generation of Ambulatory Information Systems as well as the development of a new international Hospital Information System, both based on a shared data model and technology platform ("G3"). The separation of business logic from user interface makes it possible to implement core functions through one-off development and maintenance work, these functions being subsequently deployed in different products and their individual product user interfaces.
+ Development of innovative software solutions for use in Software Assisted Medicine (SAM).

Individual components are increasingly being adapted by central teams of developers across the sector. Training sessions by external instructors ensure that the teams remain up to date with technological developments. Group companies are continually working to provide customers with state-of-the-art software solutions and services. To ensure the quality of the products on offer, our development teams work with the latest tools in compliance with internationally recognized standards.

Future generations of software developed by CGM will be distinguished by having an individualized front-end solution uniquely adapted to the individual CGM product lines, while back-end modules are developed for all main product lines across platforms. This can be described as a "building block principle". In the medium term, this means, especially for the back-end area, that those development activities will become as centralized as possible. In contrast, developing and updating the front-end area will remain the responsibility of the subsidiaries close to markets and customers.

Capitalized in-house services
In accordance with the provisions of IAS 38, the development work for capitalized in-house services (approximately 436 thousand hours) is capitalized as an asset, which had a EUR 18.5 million effect on CGM's EBITDA in 2018. The amortization of capitalized in-house services from prior periods was EUR 4.7 million in 2018. The vast majority of this development work stemmed from the development project G3.HIS (new development of a Hospital Information System) which involves several Group companies. The larger item in terms of development hours has generated costs in the current year. This mainly involves software maintenance by adapting/ constantly improving software products to new and/or amended legal or contractual requirements, work which cannot be recognized in assets. Depending on the area of expertise and/or current regulations, updates are generally required each quarter. The share of capitalized in-house services relative to total software development and maintenance costs was 16 percent in the reporting period. The average number of employees working in software development and maintenance during 2018 was 1,568.

REPORT ON ECONOMIC POSITION

General economic conditions

Global economic development

Compared to last year, CGM has not experienced any material change in its business due to changes in the global economic environment. This can be partially attributed to the resilient and defensive attributes of the healthcare sector and the robust business model of CGM, but also to a relatively stable macroeconomic picture in CGM's main markets Europe (in particular Germany) and the United States.

In its most recent Economic Outlook published in November 2018, the OECD provides an analysis of the major economic trends in 2018. In the near term, policy support and strong job growth continue to underpin domestic demand. However, it is expected that the global expansion has now peaked and global GDP growth has settled at around 3.7 percent, which is only marginally above the 3.6 percent GDP growth seen in 2017. Developments across countries and sectors have also diverged, in contrast to the broad-based expansion seen in 2017. Amidst rising trade tensions, global trade volume growth (goods plus services) has slowed this year, with particularly weak outcomes in the first half of the year. Financial conditions have also tightened this year, with rising long-term interest rates, particularly in the United States, triggering repricing across many asset markets and significant turbulence in a few emerging-market economies. Higher and more volatile oil prices over the past year have added to the challenges for oil-importing economies[7].

Industry development

The consistent trend of a growing healthcare sector, including healthcare-specific information technology and related services, was apparent also in 2018. According to a study published by Markets and Markets in March 2017, factors such as growing need to manage regulatory compliance through healthcare IT solutions (HCIT), government support for HCIT solutions, rising need to curtail escalating healthcare costs, high return on investment for HCIT solutions, growing focus on improving quality of care and clinical outcomes, emergence of accountable care organizations, and rising usage of Big Data analytics are driving the healthcare IT market.[8].

In terms of numbers, the same study by Markets and Markets projects the healthcare IT market to reach USD 280 billion by 2021 from USD 134 billion in 2016, at a compounded annual growth rate of 15.9 percent during the forecast period. In 2015, North America accounted for the majority share of the global HCIT market followed by Europe and Asia-Pacific. The large share of this region can be attributed to the stringent legislative and accreditation requirements regarding healthcare, the high adoption rate of HCIT technologies in order to curtail the soaring healthcare costs, regulatory requirements regarding patient safety, and the presence of a large number of IT companies in the region. Europe is the second-largest healthcare IT market. The large share of this region can mainly be attributed to factors such as government initiatives in European countries for eHealth technologies, the need for multi-country integration regarding health information, decreasing margins in the healthcare industry, and a rapidly increasing aging population and the subsequent rise in incidences of chronic diseases in this region. However, during the forecast period, the Asia-Pacific region is expected to grow at the highest CAGR (compounded annual growth rate). Growing consumerism in the healthcare industry, accelerated economic growth of countries in the region, and the rising need to control the soaring healthcare costs are some of the key factors responsible for the emerging trend towards the digitization of patient records among healthcare organizations in this region.

The overall size of the market and its developing trends is supported by a study published by Allied Market Research published in September 2016 which estimates the world market for healthcare IT solutions and services to be USD 125 billion in 2015 and is projected to reach USD 297 billion by 2022, registering a CAGR of 13.2 percent from 2016 - 2022. North America is the leading regional market in 2015, and is expected to maintain its position throughout the study period[9]. In October 2018, Allied Market Research also published a U.S. opportunity analysis and industry forecast for the period 2017-2025. According to the report, the US healthcare information technology market generated $ 61 billion in sales in 2017. For the year 2025, a turnover of USD 149 billion is forecasted, which corresponds to a compounded annual growth rate of 11.7 percent from 2018 to 2025[10].

Overall, it can be said that the healthcare IT market is regarded as a growth market by all studies worldwide. CGM considers itself well-positioned and expects to profit from these developments.

Course of business

In summary, 2018 was a good year in all operating segments and all segments delivered financial performance in line with the forecast. As expected, the main growth dynamic has been in the AIS segment, driven by special growth opportunities in Germany related to the Telematics Infrastructure and the roll-out of this network to doctors and dentists. CGM has for many years invested in products and services related to this opportunity and 2018 was a successful break-through year which has reaffirmed the strong position of CGM in the German market and the special skills and capabilities of CGM to become a market leader also in this area. Outside the Telematics Infrastructure it has very much been a normal year with positive developments in most geographical markets.

[7] *OECD. Economic Outlook November 2018*
[8] *Markets and Markets. Healthcare IT global market forecast to 2021. March 2017*
[9] *Allied Market Research. Healthcare IT market outlook 2016 - 2022. September 2016*
[10] *Allied Market Research. U.S. Opportunity Analysis and Industry Forecast, 2017 - 2025, October 2018*

The table below shows the 2018 outcome compared with the forecast presented in the Management Report for the 2017 financial year (published in March 2018), as expressed by the most important financial KPIs of the internal management system.

EUR m	2018 outcome	2018 forecast	Deviation (from mid-range)
Sales revenue	717	700-730	2
Revenue growth (%)	23.1%	20-25%	0.6%
Organic growth (%)	22.4%	20-25%	–0.1%
Recurring revenue	420	410	10
Growth in recurring revenue (%)	7.0%	4.0%	3.0%
EBITDA	182	175-190	–0
EBITDA-margin (%)	25.5%	25-26%	–0.0%
Cash Net Income	121	110-120	6
Return on Capital (%)	14.9%	14,6-16,2%	–0.5%
Customer reach (SW maintenance)	327	332	–5

As can be seen from the table above, almost all KPIs are within the forecasted ranges.

Ambulatory Information Systems (AIS)

In the 2017 Management Report, the expected 2018 full year AIS revenue was forecasted between EUR 453 million and EUR 477 million (including approximately EUR 3 million from acquisitions). The reported revenue outcome of EUR 461.9 million is within this range, reflecting strong growth and the successful first phase of the Telematics Infrastructure roll-out in Germany.

The Telematics Infrastructure and the German eHealth law

The term "Telematik" (telematics) is a combination of the German words "Telekommunikation" (telecommunications) and "Informatik" (information technology). The Telematics Infrastructure is a private and secured network dedicated to the healthcare sector in Germany. It will be used to securely exchange and share data between doctor and dental practices, pharmacies, hospitals and health insurances, thus achieving a cross-sector information exchange and collaboration. About 200,000 locations in Germany are required to connect to this network (among others 175,000 contract physicians, psychotherapists and dentists. 20,000 pharmacies, 2,000 hospitals). Potentially, other participants in healthcare will in the future also connect to the TI.

In 2015, the German federal Ministry of Health (BMG) prepared a new bill – "The eHealth Law" (Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen), where the mandatory national rollout and use of the Telematics Infrastructure and electronic health card was written into German law. The bill was approved in the Bundestag (German parliament) in December 2015 and the new law became effective January 2016.

In November 2017, CGM received all necessary approvals and was the first company able to deliver the complete chain of required TI components and services. These components and services include the CGM primary software for physicians, dentists and hospitals, the connector, the VPN access service, the stationary e-health card terminal and practice /institutional card (SMC-B).

In June 2018, the federal association of dental practitioners (KZBV), the federal association of practicing physicians (KBV), and the top association of the health insurance funds (GKV-Spitzenverband), agreed on an amendment to the existing financing agreements for the national roll-out with a more gradual decline to reimbursed amounts than what was previously agreed. Also in June, an accreditation was given to a second connector and the company behind (T-Systems) received approval for all components of the TI product chain and started shipping in early September 2018.

In October 2018, the German Ministry of Health confirmed its intention to change the deadline for financial sanctions towards doctors and dentists who have not connected to the TI and do not use master data management services (VSDM). The new deadline for installation and the start of VSDM was changed to June 30, 2019. It remains a requirement that the practice owners must have ordered a TI connection by March 31, 2019 and signed a contract by then.

In November 2018, other providers of TI components (Arvato / Secunet, RISE) also received the necessary certifications and began installations towards the end of 2018.

In summary, CGM remained the only approved supplier of TI connection packages throughout much of 2018. Sales and installation activities continued mostly according to plan, despite the changes made to financing, sanctions and deadlines, and as of December 31, 2018, CGM had accumulated approximately 46,000 orders for the CGM connection package, of which over 42,000 were delivered. Out of the 46,000 orders, about 34,000 are from existing CGM primary software customers and 12,000 from the rest of the German market.

CGM introduces new G3 cloud solutions for ambulatory doctors
In 2018, CGM officially launched CGM PRIVATE in Germany, an innovative solution based on CGM's G3 cloud technology specifically tailored to the needs of private German doctors. CGM PRIVATE is a service provided through a web application which makes it possible for doctors to communicate and work with their surgery from any location with an Internet connection. Furthermore, the cloud-based solution does not bind to the previous complex installation or to the specific hardware configuration of the local servers and network within the practice. Also during 2018, CGM Czech Republic launched their G3 solution for ambulatory care physicians under the brand CGM PRIMARY. The new software as a service saves a lot of precious time for its users, e.g. related to server and network administration, regular and secure data backups, checking that information sources are in compliance with valid legislation and other IT processes that physicians have to deal with. CGM PRIMARY will take care of all these responsibilities for the users and the service also facilitates electronic communication with insurance companies and other entities within the healthcare sector in the Czech Republic.

Continuous innovation, new modules and services to new and existing customers
In order to avoid the manual effort of constantly locking and unlocking practice computers, CGM developed and launched CGM AUTHENTICATE during 2018, a secure solution based on a proximity sensor. During normal practice operation, it is almost impossible to avoid a patient staying unattended in the vicinity of a practice PC. If the practice software is open, it is in principle possible to gain access to the medical data of other patients. In order to prevent this, every practice employee must lock the PC screen or at least log out of the practice software each time they leave the PC. Repeated locking or unlocking of devices is an annoying but essential task in everyday practice. Simplified passwords can reduce this problem – at the expense of security – but do not solve it. With CGM AUTHENTICATE, a simple and effective solution based on a proximity sensor is offered to CGM's customers: If an employee leaves the defined work area, the system is automatically locked. If an employee approaches the device again, it unlocks automatically. This saves doctors and practice staff the repetitive tasks of having to comply with data protection regulations and, thanks to undisturbed processes, allows them to concentrate more on caring for their patients. CGM AUTHENTICATE meets the highest data security standards and all access rights can be set up centrally and individually for each practice employee or workstation. At the same time, all login and logout activities are automatically recorded and can be tracked afterwards.

In Austria, CGM celebrated another milestone related to established add-on modules, with over 2,000 PRAXISARCHIV systems sold and installed. CGM already has more than 20,000 such systems delivered in Germany, which makes the CGM archiving family the most successful document management system in the industry. Since the start of sales of this product in Austria in 2012, CGM has been able to win additional customers for electronic archiving products every year, making PRAXISARCHIV an important source of revenue. The growth over the past years shows us that especially the deep integration into the primary AIS software guarantees long-term success. With the new version of CGM PRAXISARCHIV introduced in 2018, the document management system comes with even more functionality, such as Smart Import (asynchronous patient-related file storage from the file system via index file), quick storage on the data sources (one-click recordings) and the extension of the serial labeling in the storage dialog (stamping of subsequent pages for serial recordings) with numerous further innovations.

Continued digitalization of school healthcare in Sweden
In Sweden, CGM successfully implemented a new solution to enable the region of Skåne to send their child health care records digitally, which means all schools using CGM's solution can now receive Skånes child health care records. The digital transfer of records entails a significant improvement of the work of transferring child health care records to schools. Traditionally this procedure has been handled manually by first the nurse who posted the record, and then the school nurse who received and scanned it into their system.

During 2018, the region of Halland also selected CGM for its Child health care services, with implementation beginning in 2018 and expected completion in 2019. Up until now, child health care in Halland was based on hardcopy journals dating back to the early 1970s. The fact that in the future, the region will be able to store child health care data electronically naturally increases availability and accessibility. The digitalization of patient medical records will also improve epidemiological monitoring and research into children's health, as well as ensure the quality of data transfer between child healthcare and school healthcare services.

Altogether, there are now eight Swedish regional health authorities using CGM solutions for child health care and approximately 250 of 290 Swedish municipalities, as well as 100 private companies operating in the school sector, making the system Sweden's most widely used for child health care services within the primary health care sector. In addition to the wealth of specialist functionality contained in the primary software itself, CGM is also working to develop new mobile solutions for use in child health care.

CGM expands reach of ambulatory solutions within hospitals in Belgium
With their new ultramodern hospital, AZ Sint-Maarten is raising the quality of medical care in the region of Mechelen, Belgium, to an even higher level. Having just moved their facilities to a new location, the new hospital is a unique opportunity to reorganize hospital work and to adapt the infrastructure as closely as possible to changing needs of the patients and to the current developments of the Belgian healthcare system. Following these innovative changes, the hospital has chosen to use CGM to automate patient care administration. This will not only make possible the invoicing of several performances (such as physiotherapy and speech therapy sessions), they will also use the calendar module for the planning of ambulatory rehabilitation.

Furthermore, CGM Belgium won the tender to implement a dental solution among different subsidiaries in the CHU-Saint-Pierre Brussels hospitals. Starting with 55 dental chairs, this integration project gives CGM a significant market share of the dental hospital environment in the capital of Europe. The continuous flow of dentists working partly in private dental offices and in hospitals will give CGM important word-of-mouth publicity to further grow in the private dental market in Belgium.

First CGM customer with the entire LAB product spectrum
For the first time, a customer has in 2018 deployed the entire LAB product spectrum – MOLIS (since 1996), CHANNEL (since 2011) and VT (project start December 2017). This installation at the Affoltern Hospital Laboratory, Switzerland, is a prime example of CGM's rapid deployment solution "VT" and within 4 months, the laboratory was completely adapted to the workflow of the parent organization ANALYTICA Zurich. The challenge was not only to implement VT, but to renew and adapt the entire laboratory organization (equipment, mapping of quality controls in LIS, web-based order entry). The Affoltern Hospital now not only has access via CHANNEL to the entire diagnostic range of ANALYTICA Zurich, but the internal ordering is also handled via CHANNEL. At the same time, new employees from ANALYTICA Zurich were introduced to the VT environment which demonstrates how quickly and intuitively a user can be trained to operate VT.

Developments in the United States
In the United States, revenue in local currency was in 2018 stable at USD 42.3 million (2017: USD 43.3 million). An other important development is a new G3 based software platform for the US market which is going to form an upgrade path for all legacy products currently in use in the US.

CGM US awarded for its outstanding customer care
CompuGroup Medial US, Inc. was in 2018 awarded the highly sought after Better Business Bureau (BBB) Accreditation and was awarded an A+ for its outstanding customer care. The BBB Code of Business Practices ensures companies utilize integral advertising, selling and customer service practices that enhance customer trust and confidence in business. Businesses must meet, commit to and uphold the high standards in order to be eligible for and maintain BBB Accreditation.

Broader distribution model in Germany
The sales and distribution of software and hardware products towards doctors and dentists in Germany, as well as the associated service and support, is today predominantly done through a network of sales and service partners. These sales and service partners are predominantly independent IT system houses that specialize in a product line from CGM and support and sell towards medical and dental practices in their regional environment.

CGM wants to integrate closer with these highly specialized partners and at the same time strengthen the distribution power for new products and services in Germany. This goal shall be reached by selectively taking equity participations in efficient sales and service partners and gradually build CGM's own direct nationwide sales and service network. Discussions with various partners regarding an investment or full acquisition were performed during 2018 and two sales and service partners were acquired in January 2019 (CoSi and GIS).

Pharmacy Information Systems (PCS)
In the 2017 Management Report, the expected 2018 full year PCS revenue was forecasted between EUR 107 million and EUR 109 million with only a minor growth contribution from acquisitions. The revenue outcome of EUR 113.4 million is above this range and this outcome was well supported by tax incentives in Italy to encourage Italian pharmacies to invest in equipment and technology during 2018.

Preparations for the Telematics Infrastructure in German pharmacies
The field test for the introduction of Telematics Infrastructure (TI) in German pharmacies starts in March 2019. For this purpose, CGM has in 2018 recruited the required number of pilot customers and equipped 16 pharmacies in the district of Westphalia-Lippe with the associated technology to support the customer trials.

Insured person's master data (VSDM), emergency data, and the eMedication plan are the first functions that pharmacists will be able to access after the introduction of the TI. Importing the insured master data from the electronic health card (eGK) makes it easier to create a new regular customer in the pharmacy's database. Furthermore, the emergency data and the eMedication plan support the pharmacist's advisory function so that pre-existing diseases and allergies can be considered; adverse interactions recognized and corresponding warning messages automatically displayed in the CGM software. In addition, the telematics infrastructure includes a highly secure ID function - an essential component for future technologies such as the electronic prescription and personal health records such as CGM LIFE.

The nationwide rollout of the TI for pharmacies in Germany is expected to start in mid-2019.

German pharmacy customers ready for securPharm

The risk of falsified medicines is growing on a global scale. As a result, the European Union has stipulated a catalogue of measures in Directive 2011/62/EU to prevent falsified medicines from entering the supply chain. The German legislature has transposed this directive into national law and from February 2019, nearly every prescription medicine packet and some OTC packets will need to be electronically inspected prior to sale to identify counterfeit medicines. For this purpose, the two-dimensional code (DataMatrix code) of the packages is read out and sent to the securPharm server. The pharmacies will then immediately receive feedback on whether the drug may be dispensed.

As one of the first software houses in Germany, CGM already in 2018 rolled out the new functions for securPharm to all users. In this software update, all routines were included in order to carry out the legally required security checks by February 2019. CGM has been offering securPharm-enabled scanners for several years and most of CGM's customers do not need hardware upgrades to comply with the new regulation.

Continued government incentives for investments in Italian pharmacies

In 2017, the Italian Ministry of Economic Development launched the Industria 4.0 national plan with an objective to boost the investment in new technologies, research and development, and revitalize the competitiveness of Italian companies.

The original program was scheduled to expire at the end of 2017 but was subsequently prolonged for the complete duration of 2018. As a consequence, the advantages of the "hyper" and "super" depreciation rules have been valid throughout 2018, giving pharmacists the opportunity to amortize the costs for investments in technology to an extent above the original investment. Specifically, purchases of technological goods (e.g. PCs, servers, IT security, etc.) benefit from 130 percent depreciation, while some special innovative solutions foreseen by the initiative, such as vending machines, electronic label systems and robotic warehouse automation, can be depreciated for tax purposes with 250 percent of the initial investment.

The R&D tax credit introduced by Industria 4.0 applies until December 31, 2020 and is 50 percent of the annual R&D incremental expenditure (of any eligible type, subject to an annual cap of EUR 20 million) exceeding the average spending of fiscal years 2012, 2013 and 2014. During 2018, CGM Italy helped customers (pharmacists, doctors and dentists) to prepare the forms and assisting them in the procedures required to obtain the incentives. Over 160 CGM customers got the incentive in 2018, for about EUR 1.4 million total amounts of orders and EUR 280,000 of incentives.

Mandatory electronic invoicing implemented for Italian customers

With the Budget Law for Fiscal Year 2018, Italy introduced a mandatory e-invoicing system for domestic invoices. Such e-invoicing obligation already exists for so-called "Business to Government" supplies and per January 1, 2019, this obligation has been extended to general "business-to-business" (B2B) and "business-to-consumer" (B2C) invoices. The e-invoicing system entails the obligation for companies to issue digital invoices through a platform of the Italian tax authorities.

To help customers comply with the new regulations, CGM in 2018 introduced solutions to create, send, receive, manage and share electronic invoices between manufacturers, Intermediates distributors, customers, accountants and public administration. All electronic invoices are loaded directly into the pharmacy information system without the need for export of data or files.

Hospital Information Systems (HIS)

In the 2017 Management Report, the expected 2018 full year HIS revenue was forecasted between EUR 98 million and EUR 100 million. The revenue outcome of EUR 101.3 million is above this range with most markets delivering results above expectations. The hospital business is currently dominated by the activities in the DACH region with Germany, Austria and Switzerland currently making up 70 percent of the revenue in the segment.

Rollout of CGM CLINICAL successfully completed in five Austrian provincial hospitals
2018 marked the completion of the first phase rollout of the new G3-based hospital information system CGM CLINICAL in the five regional hospitals in the Vorarlberg region (project name "elvis" – electronic administration and information system of the Vorarlberg hospitals). This is the largest and most important change process that CGM has carried out in the group of regional hospitals – involving employees from all professional groups across all hospitals and with years of preparation.

The new hospital information system serves as the leading data hub for supplying various clinical subsystems with necessary data. The ELGA-relevant documents (ELGA = state electronic health record) are transferred and adopted in compliance with the relevant standards), Electronic fever curves and electronic medication arrangements, documentation and interaction controls replace existing paper-based records. Mobile solutions are also used in numerous defined departments to support medical and nursing staff directly on site.

The successful implementation of the first project phase, in which the old systems were replaced and the rollout was completed in all five hospitals in 3-month steps, was followed by the rollout of the electronic fever curve to ten wards. An expert oncology system completes the catalogue of requirements. The new IT system is provided centrally from the computer center in Feldkirch hospital for all locations. A shared and consolidated HIS system for all 5 hospitals means a further step towards standardization and quality improvement, towards the goal of 'one hospital' – and, above all, supports the patient and patient safety.

CGM CLINICAL at conhIT 2018
The conhIT, Europe's top industry event for Health IT, was held for the eleventh time in mid-April 2018 at the Berlin Exhibition Grounds. CGM units from Germany, Austria and Switzerland used the fair to jointly boost the success of the CGM CLINICAL HIS suite, launched last year. The seamless patient journey was showcased for the first time as well as a concrete roadmap for the successful entry of clinics into the Telematics Infrastructure in Germany. The CGM stand was one of the most visited and the new HIS- Suite CGM CLINICAL obviously struck a chord among hospital managers, medical and nursing staff. Networking plays a key role in the health care system and the issue is meanwhile a trend that has been adopted by nearly all HIS providers. But CGM CLINICAL goes far beyond the networking approach and it is the only HIS on the market that supports the entire digital patient journey so the patient can be followed from outpatient care, referral to hospital and inpatient treatment to discharge or transfer to the post-clinical care processes. This is facilitated by a seamless patient support that is part of an integrated overall solution from a single source. Another advantage: patients and their authorized relatives are actively involved in the treatment and recovery process.

The patient journey clearly shows how far the development of CGM CLINICAL has progressed in the last 12 months. The most important process highlights such as medication/fever curve and care management are mature and already in the first customer installations in real operation. The presentation of Resource and OR Management, which also began deployment with customers in 2018, received a highly positive response from visitors at the conhIT. With continued high product investments, CGM CLINICAL increasingly offers a cross-sector, fully process-oriented hospital information system that is not only the technological leader, but also meets the communication and collaboration requirements of tomorrow's clinical systems.

Telematics Infrastructure financing available for German hospitals
In September 2018, a financing agreement became available also for hospitals with over EUR 400 million available for hospitals to cover investments in card terminals, connectors and the necessary digital certificates as well as the required changes to hospital software, infrastructure and operating concepts that accompany the TI. Compensation for annual operating costs has also been set at lump sums totaling around EUR 18 million per year. Even if dedicated hospital connectors are so far not available, the CGM connector can be used if it supports NFDM (Emergency Care Data Set), eMP (Electronic Medication Plan) and KOM-LE (Electronic Letters). The support for these applications in the CGM Connector is currently planned for certification and release in August 2019.

First German hospital connected to the Telematics Infrastructure
In addition to the on-going rollout of Telematics Infrastructure in office-based practices, CGM also connected the first German hospital to the new digital data highway for healthcare in 2018. Just a few weeks after the signing the contract, St. Marien Hospital in Ratingen, including its five ambulances, was successfully connected to the TI network. Sankt Marien Hospital has been using CGM CLINICAL for a long time as a hospital information system in inpatient and outpatient care. Thanks to the gematik-certification of CGM CLINICAL, the compatibility with the TI was ensured from the start. Since the development of the technical components and connectivity placed the highest emphasis on maintaining the familiar user interface in CGM CLINICAL, the training required was also correspondingly low.

Health Communication Services (HCS)
In the 2017 Management Report, the expected 2018 full year Health Connectivity Services revenue was forecasted between EUR 42 million and EUR 44 million). The revenue outcome of EUR 40.4 million is below this range, mainly due to a negative currency effect of EUR -1.1 million and slightly lower than planned sales to pharmaceutical companies.

New GP-Centered care contract in Lower Saxony

Doctors in Lower Saxony can now comfortably document GP-centered care services in their CGM ambulatory information system. The contract concluded in 2018 between CGM and AOK Niedersachsen ensures attractive remuneration for participating doctors directly from the ambulatory information system and with significantly reduced documentation efforts. A total of approximately 2,500 doctors were supplied with the new module during 2018.

First digital certificate of incapacity for work

CGM and the statutory health insurance company BKK Linde together launched the first digital certificate of incapacity for work in Germany (eAU) in 2018 based on the CGM LIFE personal health record. The project comprises the Aschaffenburg and Darmstadt areas with more than 20,000 insured persons of BKK Linde. With the new solution, the insured person receives the digital certificate of incapacity for work directly from the doctor's information system into his or her personal health record. The integration of the employer is the second stage of the project and the affiliated company of BKK Linde accompanies the project and talks with other employers are ongoing. The patient then has the option of making the eAU directly and electronically available to the employer. As with the paper-based certificate, the digital eAU does not contain any medical data.

Intermedix South Africa launches a fully digitized e-prescribing solution

The launch of an Automated Electronic Signature (AES) within the iCanScript e-scripting platform allows doctors to create a digital script and sign it using their personal AES. iCanScript is the first e-scripting platform in South Africa to use AES and uses an accredited, highly secure user authentication (AES) which ensures trust and legal status in electronic transactions.

With the new solution, a doctor is able to generate a digital prescription and store the prescription against the patient's profile for easy future repeats or review of medicine history. Subsequently, the patient selects an e-script-enabled pharmacy for the script to be routed to. The doctor then inserts their personal AES onto the digital prescription and the prescription is submitted to the selected pharmacy and the pharmacist is able to prepare for collection by the customer when visiting the pharmacy. At the end of the process, the doctor receives an electronic notification once the medicine has been dispensed.

Results of Group operations

EUR m	2018	2017
Group sales	717.0	582.4
Other income	8.0	10.6
Capitalized in-house services	18.5	16.8
Expenses for goods and services purchased	–151.4	–107.1
Personnel expenses	–286.8	–269.5
Other expenses*	–122.9	–104.7
EBITDA	182.5	128.4
in %	25.5%	22.1%
EBIT	137.9	90.1
in %	19.2%	15.5%
EBT	128.8	65.6
in %	18.0%	11.3%
Consolidated net income	92.6	31.7
in %	12.9%	5.4%

* Contrary to the income statement, the item for Net impairment losses on financial assets and contract assets in the amount of -2,6 EUR million in the actual year was reclassified to other expenses

Revenue

Consolidated revenue in 2018 was EUR 717.0 million compared to EUR 582.4 million in 2017. This represents an increase of EUR 134.6 million and 23.1 percent respectively. Acquisitions contributed 0.7 percent to growth and organic growth was 22.4 percent for the year. The weakening of non-EURO currencies decreased revenue with EUR 5.4 million compared to last year and organic growth at constant exchange rates was 23.3 percent in 2018.

Sales to third parties in Ambulatory Information Systems grew 38.2 percent, of which 38.6 percent is organic growth at constant exchange rates. In Pharmacy Information Systems, sales to third parties grew 8.3 percent, of which 7.7 percent is organic growth with no currency exchange effect. Sales to third parties in Hospital Information Systems were stable year-on-year. Third-party revenue in the Health Connectivity Services segment was down -5.0 percent year-on-year. After adjustments for acquisitions and currency effects, organic growth in HCS was -3.4 percent.

Segment sales to third parties (including acquisitions, divestitures and currency effects):

EUR m	2018	2017	Change
Ambulatory Information Systems	461.9	334.1	38.2%
Pharmacy Information Systems	113.4	104.8	8.2%
Hospital Information Systems	101.3	100.8	0.5%
Health Connectivity Services	40.4	42.5	–5.0%
Segment sales to third parties	717.0	582.2	23.1%

Profit

Consolidated EBITDA amounted to EUR 182.5 million compared to EUR 128.4 million in 2017. The corresponding operating margin (EBITDA margin) was 25.5 percent compared to 22.1 percent in 2017.

+ In the AIS-Segment, the EBITDA increased from EUR 100.4 million in 2017 to EUR 158.7 million in 2018.
+ In the PCS segment, the EBITDA was EUR 33.5 million in 2018, up from EUR 25.9 million in 2017.
+ In the HIS segment, the EBITDA went from EUR 10.1 million last year to EUR 11.6 million in 2018.
+ In the HCS segment, the EBITDA went from EUR 19.7 million last year to EUR 13.5 million in 2018.

On Group level, main developments in operating expenses in 2018 were:

+ Expenses for goods and services purchased went from EUR 107.1 million to EUR 151.4 million. The gross margin of 78.9 percent is almost three percentage points lower than in the previous year. The increase in cost of goods and the change in gross margin resulted from the purchase of card readers, the production of connectors and the outsourcing of installation and training services in connection with the introduction of the Telematics Infrastructure in Germany.
+ Personnel expenses increased from EUR 269.5 million in 2017 to EUR 286.8 million in 2018. The increase in personnel expenses is attributable to employees in newly acquired companies, minor changes in staff numbers and general salary increases.
+ Other expenses increased from EUR 104.7 million in 2017 to EUR 122.9 million in 2018. This increase is due to higher utilization of external development capacity in connection with faster completion of new modules for CGM Clinical (new G3-based hospital information system) and more marketing expenditure in connection with the rollout of the Telematics Infrastructure in Germany.

Depreciation of tangible fixed increased from EUR 9.1 million in 2017 to EUR 9.1 million in 2018, mostly driven by more assets related to the Telematics Infrastructure in Germany. Amortization of intangible assets in 2018 in the amount of EUR 29.2 million is EUR 6.2 million lower than in 2017 mainly due to lower amortization of purchase price allocations due to assets now fully amortized as well as effects from goodwill impairments in 2017.

Depreciation of tangible fixed assets increased in 2018 from EUR 9.1 million to EUR 11.4 million. This is due to further property, plant and equipment related to the Telematics Infrastructure in Germany. Amortization of intangible assets increased in 2018 from EUR 28.2 million to EUR 33.2 million. This is mainly due to higher amortization of self-developed software as well as unscheduled goodwill impairments of EUR 2.9 million.

Financial income decreased from EUR 3.8 million in 2017 to EUR 2.0 million this year, largely due to non-cash gains on non-EURO group internal debt in 2017. The financial expense decreased from EUR 27.1 million in 2017 to EUR 10.8 million in 2018, also due to special currency exchange rate effects last year. Interest expenses for liabilities to banks fell slightly from EUR 8.4 million in the 2017 financial year to EUR 7.1 million in the reporting period. Other financial expenses resulted mainly from non-cash items, such as losses from intragroup liabilities denominated in foreign currencies and changes in the value of purchase price liabilities. For further information on financial income and expenses, please refer to the notes to the consolidated financial statements, item 69.

The effective tax rate was in 2018 28 percent, down from 52 percent in 2017. The higher tax rate in 2018 is mostly due to tax adjustments from prior years' tax audits. Due to tax adjustments from the results of tax audits in previous years, the Group tax rate in 2017 was at a high level. Consolidated net income for the reporting year amounts to EUR 92.6 million in 2018 compared to EUR 31.7 million in 2017.

Financial position

Total assets rose by EUR 23.3 million to EUR 848.3 million compared with the balance sheet date of the previous year (December 31, 2017). Intangible assets represent the largest asset item in terms of value and amount to EUR 536.6 million as of December 31, 2018 compared to EUR 534.6 million at December 31, 2017. As of the balance sheet date, the proportion of total assets was 63.2 percent (previous year: 64.8 percent). The intangible assets mainly include the hidden reserves from company acquisitions disclosed in the context of purchase price allocations. These disclosed intangible assets mainly relate to customer relationships, order backlog, software, brand values and remaining goodwill. Property, plant and equipment remained almost unchanged on the previous year at EUR 83.7 million (previous year: EUR 82.8 million). In the area of current assets, inventories increased from EUR 12.5 million as at December 31, 2017 to EUR 19.6 million as at December 31, 2018. This mainly results from additional connectors and card readers for the Telematics Infrastructure rollout. All other assets were subject to only minor changes in the 2018 financial year.

After consolidating EUR 92.6 million in net profit for the period from January 1, 2018 to December 31, 2018 and the payment of the dividend of EUR 17.4 million as well as the purchase of own shares in the amount of EUR 25.0 million, consolidated equity increased from EUR 236.1 million as at December 31, 2017 to EUR 273.0 million as at December 31, 2018. In addition, changes in first-time adoption of new standards IFRS 15 and IFRS 9 with a total value of EUR -15.1 million and changes in exchange rates and interest rate changes (actuarial losses) with a total value of EUR 1.8 million had an impact on equity in the 2018 financial year. The equity ratio increased from 28.6 percent as of December 31, 2017 to 32.2 percent as of December 31, 2018.

Short-term and long-term liabilities decreased from EUR 588.9 million as of December 31, 2017 to EUR 575.1 million as of December 31, 2018. Significant individual changes were the increase in contract liabilities by EUR 13.1 million, the increase in other liabilities financial liabilities of EUR 8.1 million in connection with the expansion of leases and changes in deferred taxes of EUR 6.4 million. Current and non-current liabilities to banks declined by EUR 43.9 million as a result of net loan repayments.

Cash flow

Cash flow from operating activities during 2018 was EUR 136.3 million compared to EUR 85.9 million in 2017. The changes compared to 2017 mainly come from the following positions:

Adjusted for non-cash earnings/expenditures and cash taxes, the gross cash flow from operations before change in working capital increased from EUR 88.9 million in 2017 to EUR 151.9 million in 2018. This increase is mainly related to non-cash changes in income tax liabilities and deferred tax and non-cash financial expenses in 2018.

The changes in working capital led to a reduction in operating cash flow of EUR -15.5 million compared to EUR -4.1 million in 2017. This change is mainly due to changes in trade receivables, other receivables and trade accounts payable.

The negative cash flow from investing activities amounted to EUR -47.5 million in 2018, compared to EUR -54.9 million in the same period of the previous year. This change is mainly due to lower cash outflows for investments in property, plant and equipment and lower investments in joint ventures in the 2018 fiscal year compared to 2017.

Cash flow from financing activities amounted to EUR -93.4 million in the financial year 2018 (previous year: EUR -24.4 million). It essentially consisted of a dividend payment of EUR 17.4 million, the acquisition of own shares of EUR 25.0 million and net proceeds from borrowing and repayment of loans and finance leases of EUR 50.9 million.

Principles and objectives of financial management

As a general principle, CGM strives to hold as little cash and cash equivalents as practically possible, both on Group level and in the operating subsidiaries. International cash-pooling services are used throughout the Group to manage bank accounts and to optimize and use surplus cash in all group companies to reduce external debt and increase overall liquidity. The main principle of cash-pooling is to hold the top-mother account (pool-leader) in CompuGroup Medical SE – the parent entity of the Group. It is also this entity that generally holds all external debt, including flexible revolving credit facilities and short term credit lines used to manage daily liquidity across the Group.

The external debt in CompuGroup Medical SE is usually held in EURO currency and on the basis of variable interest rates. Due to the international focus of the Group, incoming and outgoing payments are performed in various currencies. The Company generally strives to achieve natural hedging by its choice of locations and suppliers and at present the Company does not use any derivative financial instruments to hedge the foreign currency exposure. The development of the relevant positions is monitored regularly to ensure adequate response to significant changes in the positions.

Dividend policy: CGM considers dividends to be tied to long-term sustainable earnings and aims to steadily increase in steps, or at least maintain, the dividend paid per year. Dividends declared and approved by the shareholders are paid annually in conjunction with the general meeting usually held in May.

Capital structure

CGM primarily uses debt and internally generated cash flows to finance acquisitions. In terms of equity, the goal is to manage consolidated profits, dividends and share buy-backs to keep the equity ratio above 25 percent.

As at December 31, 2018 the Group had gross debt of EUR 308.4 million and held EUR 25.3 million in cash. For more information about the liabilities to banks and the structure of debt, see the Notes to the Consolidated Financial Statements section, Note 54.

In June 2018, CGM SE signed an agreement for a new syndicated loan with a consortium of 8 banks. The new credit agreement is a revolving loan facility of EUR 400 million with a 5 year tenor. The facility includes an increase option for additional EUR 200 million and extension options for two times one year, both options which are currently uncommitted. The new loan was used to refinance the syndicated loan facility from September 2014 and provides additional financial scope for further acquisitions. With this refinancing, CompuGroup is able to benefit from the favorable conditions in the credit markets which existed in 2018. The positive feedback from the investing financial institutions confirms that CGM is a powerful and well-positioned growth company in an attractive industry.

As of December 31, 2018, EUR 275 million of the revolving loan facility was utilized. Loan origination fees totaling EUR 1.6 million were incurred related to this facility. These fees will be charged as a financial expense over the term of the loan agreement. For this syndicated loan facility no interest rate hedge has been concluded as of the reporting date. The grant of the loan is linked to the compliance of one financial covenant (leverage ratio). The loan agreement includes joint and several guarantees for payment by a number of CGM's German subsidiaries (contingent liability in case of non-payment of CompuGroup Medical SE).

Investments

The investments of CGM during 2018 are composed of:

EUR Mio.	01.01. - 31.12.2018	01.01. - 31.12.2017
Company acquisition	4.8	7.7
Purchase of minority interest and past acquisition	3.6	2.5
Capitalized in-house services and other intangible assets	27.1	22.8
Cash outflow for capital expenditure in joint ventures	0.0	5.5
Office building and property	1.3	3.0
Other property and equipment	10.9	15.1
Sale of subsidiaries and business operations	0.2	0.5
Sum	47.5	56.1

Liquidity

The Group is in a favorable position in terms of liquidity with a strong and stable cash flow from operations and limited need for capital expenditure to sustain the current business and organic growth. The majority of recurring revenue is based on pre-payments with a significant reduction of working capital at the beginning of the annual, quarterly and monthly periods. The company increasingly uses direct-debit for such recurring revenue payments to further increase the visibility and security of incoming liquidity. In the past, the Group has always been able to meet its payment obligations in a planned and orderly manner and the Company does not expect any liquidity problems in the future.

The strong liquidity profile of the Group has led to the principle of holding as little cash as practically possible. To absorb normal everyday cash fluctuations, and also buffer the period pre-payments from customers, the Group held as at December 31, 2018 a revolving credit facility of EUR 400 million and other short term credit lines of EUR 26.0 million that are used in conjunction with the cash-pooling instruments. The unused portion of these credit facilities was EUR 149.1 million as at December 31, 2018.

One financial covenant has been agreed for essentially all credit facilities. If the Group breaches this covenant, the loans can be recalled immediately. This creates liquidity and refinancing risks, which are further described in the risk report section. To date, the Company has never breached any financial covenant in any credit agreement and has always been able to refinance its credits in a timely manner.

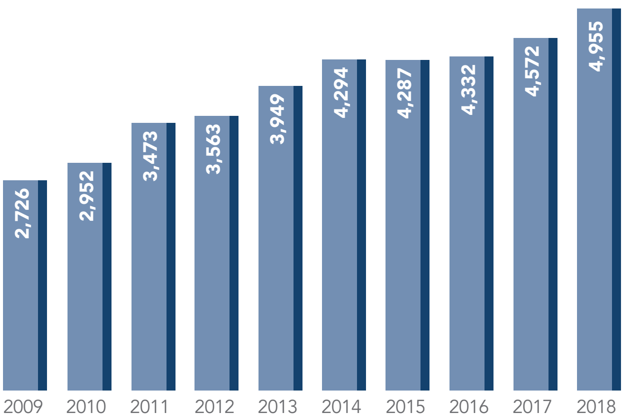
Financial and non-financial key performance indicators
The financial and non-financial KPIs of the internal management system for the Group are shown in the table below for 2018 and 2017.

EUR m	2018	2017	Change
Sales revenue	717.0	582.4	134.6
Revenue growth (%)	23.1%	4.0%	19.1%
Organic growth (%)	22.4%	2.8%	19.6%
Recurring revenue	420.3	392.8	27.5
Growth in recurring revenue (%)	7.0%	3.4%	3.6%
EBITDA	182.5	128.4	54.1
EBITDA-margin (%)	25.5%	22.1%	3.4%
Cash Net Income	121.1	58.1	63.0
Leverage (ratio)	1.55	2.51	–0.96
Return on Capital (%)	14.9%	9.8%	5.1%
Customer reach (SW maintenance)	326.7	319.2	7.5

Based on these indicators, the performance in 2018 represents a positive development from 2017. In terms of the growth indicators, the business grew strongly in 2018 from the revenue contributions from the roll-out of the Telematics Infrastructure in Germany. In terms of sustainability, the development in 2018 continues in a positive direction. Solid additions to the provider reach and recurring revenue base shows that growth is created in a consistent way in accordance with the business model and strategic goals of CGM, i.e. revenue based primarily on long-term customer relationships and recurring revenue.

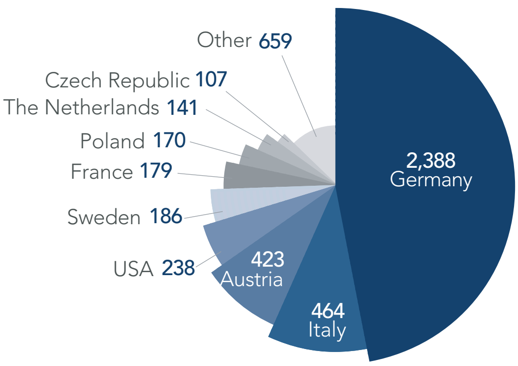
Employees

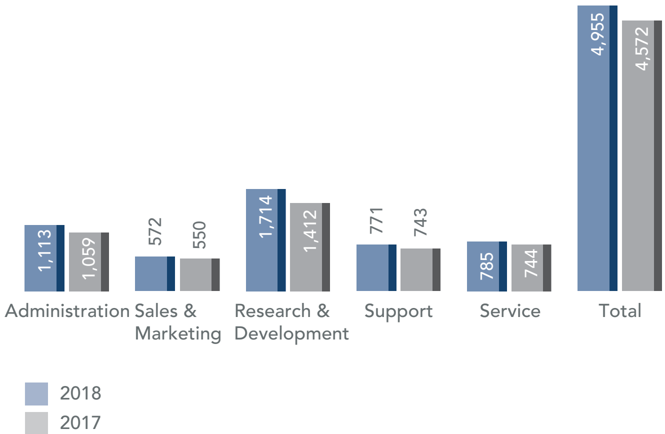
At year-end 2018, CGM employed 4.955 persons worldwide which is 8 percent more compared to last year (4,572). With regard to the development in the number of employees over the last 5 years (2014 - 2018), the average annual increase was approximately 5 percent per year.



In Germany alone, which is currently the largest market, CGM had 2,388 employees in the 2018 financial year, representing 48 percent of the total number of employees worldwide.

Within the Group, employees work in Administration, Sales & Marketing, Research & Development, , Support and Services. The graph below shows the number of employees per area at the end of the reporting year in comparison to the year before:





Corporate Social Responsibility reporting
CGM's reporting on non-financial information and diversity information (Corporate Social Responsibility - "CSR") will be published separately on the company's website at http://www.cgm.com. The CSR reporting will comply with the EU Directive 2014/95/EU and its application under the German company code.

ANNUAL FINANCIAL STATEMENTS OF COMPUGROUP MEDICAL SE

Profit and financial position of CompuGroup Medical SE

The figures shown are based on the statutory financial statements of CGM SE.

EUR m	2018	2017
Operating income	–18.5	–18.0
Investment income	118.2	71.8
Depreciation of financial assets	–26.5	–2.0
Net interest result	–3.2	–1.8
Tax result	–22.1	–18.4
Profit before tax	47.9	31.6
Other taxes	–0.2	–0.2
Annual result	47.7	31.4

The decrease in operating income by EUR 0.5 million to EUR -18.5 million mainly results from increased costs in the area of consulting for the new General Data Protection Regulation (GDPR) as well as strategy consulting and recruiting services.

As a holding company, the profitability of the CGM SE depends largely on the development of its operating subsidiaries and the corresponding investment income, which is comprised of the net income from profit and loss pooling agreements plus other income from investments such as capital gains and dividends. Compared with the previous year, the investment result increased by EUR 46.4 million to EUR 118.2 million.

In particular, the significantly higher earnings of CGM Deutschland AG and the higher result of CompuGroup Medical Dentalsysteme GmbH have a significant positive impact on the development of the overall result due to the transfer of the profits achieved in the 2018 financial year.

The development of investment income from 2017 to 2018 is made up as follows:

EUR m	2018	2017
CompuGroup Medical Deutschland AG	65.0	21.4
Lauer-Fischer GmbH	12.7	12.7
CompuGroup Medical Dentalsysteme GmbH	20.5	18.6
Ifap Service Institut für Ärzte und Apotheker GmbH	4.1	5.9
CGM Clinical Deutschland GmbH	1.2	1.8
Net income from profit and loss pooling	103.5	60.4
Other income from investments	14.7	11.4
Investment income	118.2	71.8

The improved result of CompuGroup Medical Dentalsysteme GmbH is mainly due to Telematics Infrastructure installations for German dentists. In addition, the increase results from the year-on-year increase of EUR 0.6 million in software maintenance, increases in other revenues as well as the services provided in the integrated area. After last year's delayed start of the Telematics Infrastructure roll-out, the operating result of CGM Deutschland AG increased significantly in the financial year 2018, resulting in a considerably higher investment income compared to the previous year.

The operating result for 2018 of Lauer-Fischer GmbH is on a par with the previous year after a stable course of business in 2018.

The result of ifap GmbH declined by EUR 0.6 million. In addition, the profit transfer from CGM Mobile GmbH decreased by EUR 1.2 million compared to the previous year.

The earnings performance of CGM Clinical Deutschland GmbH in 2018 is slightly declining, which is attributable to lower project business and an almost constant cost base.

The increase in income from investments results from profit distributions of the subsidiaries Profdoc AS in the amount of EUR 9.3 million, CompuGroup Medical CEE GmbH in the amount of EUR 3.5 million and CompuGroup Medical Ceská republika s.r.o. in the amount of EUR 1.9 million.

In the financial year 2018, write-downs on financial assets amounting to EUR 26.5 million were made for the impairment of both the investment book values of Intermedix España S.L., CompuGroup Medical Singapore PTE.LTD. as well as on loans to the subsidiaries Turbomed Sales and Service GmbH, CompuGroup Holding USA, Medigest Consultores SL and CompuGroup Medical Bilgi Sistemleri A.S, Turkey.

Net interest expense in the year under review was as follows:

EUR m	2018	2017
Interest income from loans granted	5.3	6.8
Other interest and similar income	3.5	2.2
Interest and similar expenses on loans taken	–12.0	–10.9
Net interest result	–3.2	–1.8

Income from long-term loans decreased by EUR 1.5 million in 2018 compared to the previous year. Other interest and similar income increased by EUR 1.2 million to EUR 3.5 million due to higher receivables from affiliated companies. Interest and similar expenses increased by EUR 1.1 million compared to the previous year. The main reason for the increase in interest and similar expenses is the one-time transaction costs of 1.4 million for the inclusion of the new syndicated loan, which was taken up in June 2018. Income taxes amounted to EUR 22.1 million for the reporting period (previous year: EUR 18.4 million). This corresponds to a tax burden of around 32 percent.

Payment transactions are mainly managed by the central treasury department based in Koblenz via a cash management system. In the operating business, the capital requirements of the Group companies are covered by cash flows from operating activities.

Net assets of CompuGroup Medical SE.
With a share of approx. 66 percent (previous year: approx. 75 percent), the financial assets is the most important item in the balance sheet by value. This corresponds to the holding function of the company. The intangible assets include almost exclusively capitalization in connection with the group-wide SAP implementation project “OneGroup”.

Compared with the previous year, the carrying amount of financial assets decreased by EUR 41.1 million to EUR 523.2 million. This is due to write-downs on financial assets of 26.5 million as well as the change in long-term loans to affiliated companies in Amount of EUR -15.5 million. The reduction in loans to affiliated companies mainly relates to repayments of the loan granted to KoCo Connector GmbH in the amount of EUR -21.3 million and the raising of loans by CompuGroup Holding USA (EUR +2.3 million) and CompuGroup Medical Inc. (EUR +2.9 million). In addition, a large number of Group companies took on or repaid smaller loans in the financial year.

In financial year 2018, CompuGroup Medical SE made share buy-backs. As at the reporting date December 31, 2018, the Company holds 4,013,458 treasury shares, which are deducted from equity at the balance sheet date with their imputed value (nominal value per share EUR 1.00) in a separate column. The issued capital is reported correspondingly lower. The share corresponding to the notional value is shown as a reserve in accordance with Section 237 (5) AktG (analogous).

At 26.1 percent, the equity ratio in the reporting period was slightly below the previous year’s level (previous year: 27.0 percent).

In June 2018, a syndicated credit facility totaling EUR 400 million and a term of five years (until June 2023) was completed. The credit facility was utilized at the balance sheet date December 31, 2018 with EUR 275.0 million. In addition to the syndicated loan, IKB also has an innovation loan and other loans amounting to a total of EUR 24.3 million (previous year).

In addition, the sale and leaseback contract for the SAP OneGroup project involved additional funding of EUR 16.0 million.

Like the receivables from affiliated companies, the liabilities to affiliated companies also result from the intragroup cash management system.

With regard to liabilities to banks, we refer to the comments made on the interest and similar expenses in the section “Earnings and Financial Position of CompuGroup Medical SE”.

Post balance events
Acquisition of AIS sales and service partners, Germany
In January 2019, CGM acquired 95 percent of the business of CoSi Medical IT GmbH (CoSi) through an asset deal. CoSi is a sales and service partner specializing in a CGM product line and supporting and selling medical practices in their region. The company is headquartered in Sigmaringen and has a branch in Eching near Munich. Currently, around 1,000 medical practices are serviced in Baden-Württemberg and Bavaria.

Also in January 2019, CGM increased its stake in the sales and service partner Gotthardt Informationssysteme GmbH (GIS) from 28 percent to 100 percent by acquiring all remaining shares. The company has a total of 200 employees and its headquarters in Koblenz with 12 branches in Germany. Currently, more than 6,000 medical practices are being cared for by GIS.

Consolidation of Fablab S.r.l, Italy
In 2017, the merger of Intermedix Italia S.r.l. in Fablab S.r.l., both in Italy, resulted in a de-consolidation from the Group. Because of the lack of control on the closing date, Fablab was considered an associate and valued at equity. As of January 1, 2019, CGM has taken control of Fablab through a change in its governance structure, and the company is consolidated in the Group as of January 1, 2019. Fablab provides communications and data services to pharmaceutical companies in Italy and is reported in the HCS segment.

Report on Expected Developments
The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. For the period 2018 to 2022 the Economist Intelligence Unit (EIU) expects healthcare spending to rise at a compound annual growth rate of 5.4 percent in US dollar terms. All regions apart from North America will see spending growth accelerate compared with 2013 to 2017. Health spending in Western Europe will accelerate, increasing by 5.5 percent a year on average in US dollar terms as the euro revives. The focus will remain on promoting efficiency in healthcare services and ensuring competition in pharmaceutical markets. The UK market will be affected by its departure from the EU, regardless of whether it secures a Brexit deal. In the US, the Trump administration has so far failed to repeal and replace Obamacare, but has instead used tax reforms and presidential decrees to undermine its rollout. Overall, spending in the North American region is expected to rise at a compound annual growth rate of 3.5 percent in 2018 - 2022, down from 4.4 percent in the previous five years[11].

The primary source of revenue is annual software maintenance and other recurring service fees from existing customers, with an expected amount of EUR 443 million in 2019, compared to EUR 420 million in 2018. This corresponds to a 5 percent increase and subscriptions for the Telematics Infrastructure network connections have accelerated recurring revenue growth over the last two years. Similar to 2018, a larger and more dynamic component on top of the recurring revenue is expected also in 2019 as a consequence of the continuing Telematics Infrastructure roll-out.

Total Group revenue is in 2019 expected to be in the range of EUR 720 million to EUR 750 million, corresponding to an organic growth rate of 1-5 percent. The following revenue details are based on the four reporting segments:

+ AIS revenue is expected to be in the range of EUR 464 million to EUR 488 million including a growth contribution of approximately EUR 19 million from acquisitions. This represents a plus-minus flat organic revenue trend in 2019, coming from less expected revenue from the TI rollout, offset by normal organic growth in the rest of the business. This outlook reflects all currently available information and management's forecasts regarding speed of market penetration, market share developments and price evolution related to the further roll-out of the Telematics Infrastructure in Germany in 2019.
+ PCS revenue is expected to be in the range of EUR 109 million to EUR 111 million with only a minor growth contribution from acquisitions. This represents a slightly negative revenue trend in 2019 after the exceptional growth in 2018. Some 2018 opportunities, particularly tax incentives in Italy, will not be repeated in 2019.
+ HIS revenue is expected to be in the range of EUR 104 million to EUR 106 million including a growth contribution of approximately EUR 1 million from acquisitions. The corresponding organic growth rate is forecasted at 2 to 4 percent.
+ Revenue in the HCS segment is expected to be in the range of EUR 43 million to EUR 45 million in 2019 including a growth contribution of approximately EUR 3 million from acquisitions. The corresponding organic growth rate is 0 to 3 percent.

In terms of profitability, the new accounting standard IFRS 16 (leases) is mandatory from January 1, 2019. Based on this new standard, all leases become a finance lease (right-of-use assets) and have to be recognized on-balance. For CGM, the effect for 2019 is expected to be a decrease in operating costs (predominantly office buildings and car leases) by EUR 15 million and thereby an increase in EBITDA also by approximately EUR 15 million. Correspondingly, depreciation will increase with about EUR 14 million and interest expenses by approximately EUR 1 million and there will be no effect on net income. With these effects, operating margin (EBITDA margin) is in 2019 expected to be in the range of 26 to 27 percent and the corresponding EBITDA is expected to be in the range of EUR 190 million to EUR 205 million.

[11] *The Economist Intelligence Unit World Healthcare Outlook September 2018*

Depreciation of fixed assets is on Group level expected to be approximately EUR 26 million in 2018 (including the effects from IFRS 16) and amortization of intangible assets is expected to be approximately EUR 32 million, of which approximately EUR 26 million will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2018 expected to be in the range of EUR 132 million to EUR 147 million.

Assuming a consistent investment volume in the 2019 financial year, CompuGroup Medical SE assumes that the leverage ratio will continue to sink.

The 2019 forecast of the most important financial KPIs of the internal management system are shown in the table below.

EUR m	2019 forecast	2018 outcome	Change
Sales revenue	720-750	717.0	18
Revenue growth (%)	0-5%	23.1%	–20.6%
Organic growth (%)	-3% - +2%	22.4%	–22.9%
Recurring revenue	443	420.3	23
Growth in recurring revenue (%)	7,0%	7.0%	0.0%
EBITDA	190-205	182.5	15
EBITDA-margin (%)	26-27%	25.5%	1.0%
Cash Net Income	108-118	121.1	–8.1
Leverage (ratio)	1,0-1,5	1.55	–0.30
Return on Capital (%)	14,1-15,7%	14.9%	–0.0%
Customer reach (SW maintenance)	334	326.7	7.3

For the 2020 financial year and longer term, CGM expects continued revenue growth with Group EBITDA and Group earnings after taxes expected to record higher growth rates compared to revenue. As a market leader in Europe, and with a significant business in the United States, the company is ideally positioned to benefit from changes in healthcare systems all over the world with demand for software solutions and IT services less sensitive to economic climate. As such, CGM does not expect permanent or long-lasting deterioration of the market conditions in the future. Our strategy is based on a resilient business model with a high proportion of recurring revenue from software maintenance and related services.

Overall assessment CGM group (guidance)
In summary, CompuGroup Medical offers the following guidance for 2019:

+ Group revenue is expected to be in the range of EUR 720 million to EUR 750 million.
+ Group operating income (EBITDA) is expected to be in the range of EUR 190 million to EUR 205 million.

The foregoing outlook is given as at March 2019 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2019. The outlook for 2019 represents management's current best estimate of the market conditions that will exist in 2019 and how the business segments of CompuGroup Medical will perform in this environment.

Outlook for CompuGroup Medical SE
Investment income is expected to develop in line with the planned positive growth in the Group. Net interest income is expected to remain at the 2018 level. The Company therefore expects a pre-tax profit from ordinary activities between EUR 35.0 million and EUR 38.5 million for the local GAAP (HGB) financial statements for 2019. For 2020, no significant changes are expected.

Risk Report
As an internationally operating Company, CompuGroup Medical is subject to a variety of different risks. CompuGroup Medical is aware of the necessity to enter into risks, which also enable the Company to capitalize on opportunities.

The risk management system of CompuGroup Medical is implemented in all Group companies and in all the individual business units. A significant component of the risk management system is the Group-wide early warning system, for example in the form of internal benchmarking, cost efficiency analysis and performance gap analysis related to Key Performance Indicators. An Internal Audit function was created during 2014, of which responsibility includes the review of the adequacy, effectiveness and efficiency of risk management. Within the framework of good corporate governance, the internal control system also operates alongside and in support of the risk management system.

The risk reporting system encompasses the systematic identification, quantification, documentation and communication of risks. Corresponding foundations, processes, and responsibilities within risk management are documented in guidelines distributed and used throughout the Group. New and relevant experience gained during risk management work is being used to update the guidelines and processes to ensure continuous improvement of the risk management system. One of the important objectives of the risk management system is to give management the ability to identify and assess risks that endanger the growth and going concern of CGM at an early stage and to support in the design of corrective measures to minimize the impact of risks.

The deliberate taking of calculated risk positions within our risk management system is an unavoidable part of running our business. Risks that endanger the going concern of the Group may not be taken and the risk management system helps management avoid such risk positions. If this is not possible then such critical risks must be minimized or proactively transferred, for example by obtaining appropriate insurance. Risks are controlled and monitored at the level of individual companies, at business area level and at Group level.

We see potential future developments or events that could lead to a negative impact on the financial results and the current year earnings forecast of CGM as part of our risk picture. The assessment of the identified risks in this area is essential for the one-year forecast horizon of CGM.

The annual risk reporting process begins by using checklists to identify all major risks within defined risk areas. CGM has defined ten risk areas as follows:

+ Strategic risks
+ Economic and political risk
+ Operational risks
+ Financial risks
+ Regulatory risks
+ Personnel risks
+ Data processing risks
+ Project risks
+ M&A risks
+ Tax risks

We evaluate the identified risks in a two stage process according to probability of occurrence and potential loss. Here, the gross loss is initially estimated by the responsible risk manager of individual Group companies. Furthermore, measures for risk prevention and minimization as well ways of risk transfer are proposed by the risk managers. Risk identification and risk assessment is supported by senior management in the relevant company or business area and also by the responsible regional financial officer "Vice President Finance". The locally collated risks are then analyzed by the Group-level controlling function. After completion of the analysis of identified, reported and rated risks, risk aggregation and overall assessment is performed by the Group controlling function. The analytical procedures used for the aggregation and analysis of risks are based on a method similar to Monte Carlo simulation and an Operational Value-at -Risk analysis.

The risk aggregation resulting from the Monte-Carlo type simulation provides potential damage value for each risk class, each risk category and for the summary of all risks to the Group. The damage value is understood as the potential expected annual loss (at-risk entry). The Operational Value-at-Risk method provides information on the potential maximum annual loss for each risk class, each risk category and for the summary of all risks to the Group.

The subsequent risk reporting is done directly to the Chief Financial Officer of CGM SE, who again informs the Management Board and the Supervisory Board about the risk situation of the Group. In the event of unforeseen material changes, the CFO will be informed immediately and he in turn has the task to inform the Management Board and the Supervisory Board about such unforeseen developments. The coordination of the whole process and the analysis of the inventoried risks is the responsibility of the Group Controller.

A comprehensive risk report is submitted from the Group Controller to the Management Board on a quarterly basis. For the period from January 1, 2018 to December 31, 2018 the risks within the ten areas were reported to the Management Board. According to the quantity of the reported risks, the following ranking shows the risk areas in order of importance for the Group:

1. Operational risks	(1)
2. Strategic risks	(3)
3. Regulatory risks	(6)
4. Personnel risks	(7)
5. Financial risks	(2)
6. Data processing risks	(4)
7. Project risks	(8)
8. Macroeconomic and political risk	(5)
9. Tax risks	(10)
10. M&A risks	(9)

The numbers in parenthesis show the importance ranking of the risk areas for 2017. As a result of the reassessment of potential risk areas and individual risks the ranking of the risk categories have changed since 2017. Overall, the risk position has decreased during 2018 in terms of possible annual maximum damage. The same applies to the anticipated potential annual damage. From the individual risk categories, the higher risk positions are driven by changes in market conditions and are predominantly found within financial risks, data processing risks and regulatory risks.

The risk areas apply to all operating segments and the Group does not report or differentiate the risk picture between the segments. All segments essentially operate in the same macro environment and markets (exclusively in healthcare) and the nature of products and services are also fundamentally the same (based on software and related services).

The risk reporting process is supported by an intranet-based database which ensures transparent communication throughout the Group. During the 2018 financial year, the Internal Audit function periodically assessed the quality and function of our risk management system. As part of the annual audit in 2018, an external audit of the structure and function of our risk management system in accordance with section 317, paragraph 4 German Commercial Code (HGB) was performed, confirming that it is suitable to detect ahead in time developments that threaten the going concern of the Group.

Operational risks

This risk area includes risks associated with research and development, markets and customers. The analysis of expected potential annual loss for all identified operational risks is approximately EUR 6 million (previous year: EUR 8 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 26 million (previous year: EUR 39 million), with a 5 percent probability that there may be a higher, unexpected damage.

Research and development

Generally, there is always a risk that products and modules will not be able to be realized within the specified time frame as well as the adequate quality and cost budget constraints. To avoid this risk, the Group conducts systematic and regular reviews of project progress and compares the results at hand with the initially set targets. In case of deviations, measures can then be taken to compensate for impending damage. Due to the broad range of our research and development activities, it is not possible to identify a risk concentration on specific products, patents or licenses.

Market and customer risks

Due to the complexity and significant legal requirements of our products, the distribution of sales and service partners entails certain risks. To also ensure that quality requirements are also complied with by the sales and service partner, special trainings will be offered. The selection of the sales and service partners is subject to strict requirements.

The e-health market is characterized through strong competition and extensive saturation of the market. This intensive competition can lead to price erosion for our products and services as well as to increasing expenses to ensure customer loyalty and attraction. In the current financial year, CompuGroup Medical expects, as in the past financial year, consistently good business development with manageable risks which could have an impact on the profit situation.

Strategic risks
This risk area includes risks which can endanger the target achievement due to an insufficient orientation of the Company to the respective market environment. The analysis of expected potential annual loss for all identified strategic risks is approximately EUR 4 million (previous year: EUR 4 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 22 million (previous year: EUR 18 million), with a 5 percent probability that there may be a higher, unexpected damage.

Strategic risks may result from an inadequate strategic decision-making process, from unforeseen market developments or from a faulty implementation of the chosen corporate strategy. For CGM, the strategic direction of the Group is set at board level and subjected to regular reviews.

- Essential for CGM are risks associated with changes in the healthcare market. This mainly concerns the development of new products and services by competitors, the financing of health care systems and reimbursement in the health care sector.

- The e-health market is characterized by rapidly changing technologies, the introduction of new industry standards and new software introductions and new functionalities. This can lead to existing products and services becoming obsolete and therefore losing their competitiveness.

- Regulatory changes or the introduction of new industry standards, could affect the market positioning of CompuGroup Medical to the extent that the offered products and services no longer completely adhere to these new statutory requirements or industry standards.

The future success of CompuGroup Medical will partially depend on the ability to improve existing products and services to respond in a timely manner to the introduction of new products from competitors, and to meet changing customer and market requirements.

Furthermore, CompuGroup Medical would be saddled with additional costs for product development as a result of products and services quickly becoming obsolete, which could lead in adverse effects on net results.

Due to potential new business opportunities related to the introduction of the telematics infrastructure in Germany, CGM is manufacturing Konnektor-technology with the help of subcontractors. Due to the resulting first-time status as a hardware producer, CGM may enter into risk areas typical for a production company.

Regulatory risks
This risk area includes risks related to law and politics. The analysis of expected potential annual loss for all identified regulatory risks is approximately EUR 2 million (previous year: EUR 3 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 12 million (previous year: EUR 14 million), with a 5 percent probability that there may be a higher, unexpected damage.

Risks related to law and politics
CGM's business activities are strongly influenced by the regulatory environment in the public healthcare systems of the individual national markets and thus also by the market structures that are formed by these regulations. The regulatory structure of the European healthcare sector, which is the Company's primary market at this time, is based on regulations, such as the laws and directives issued by the respective national states and/or by supra-national structures, the latter primarily enacted by the European Union and/or quashed or amended by court decisions. In particular, CGM hereby faces the risk that amendments to existing or the adoption of new regulations at a national or supra-national level (the latter primarily referring to the EU level) may adversely affect market conditions relevant to CGM and thus have a detrimental impact on the business activities of the Group or its individual subsidiaries. Exact projections with regard to the introduction and extent of potential amendments to national and supra-national regulations or their impact on the markets that are important for CGM cannot be made as the introduction and extent of such regulations depend on the political process in the individual countries, and the subsequent impact of such regulations is strongly influenced by the reaction of the respective, affected market participants.

There are currently no known or threatened legal disputes in existence that might have a significant impact on the financial situation of the Group.

CGM is greatly dependent on its proprietary information and technology. However, risk that may arise from the illegal use of intellectual property cannot be fully eradicated. CGM believes that the currently available options are sufficient to protect its intellectual property rights in order to prevent illegal use, which could lead to significant quantitative and qualitative damaged.

Personnel risks

This risk area includes risks arising from the concentration of business-relevant expertise to individual employees, staff turnover, staff over-and-under utilization, poor working environment, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 2 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 9 million (previous year: EUR 11 million), with a 5 percent probability that there may be a higher, unexpected damage.

To a large degree, the economic success of the Group is related to the management and strategic leadership of previous and current Management Board members as well as to a few Company employees in key positions. Despite the fact that there are, aside from Management Board members, additional employees who perform management tasks, it can be safely assumed that in the event of individual persons leaving the circle of key position holders, the business activities of the Company as well as the results and financial position would be negatively impacted.

The Group considers the performance of its employees to be essential for its growth and development. Thus, the Group is in competition with other companies for highly qualified specialists and executives. As a result, the Group offers an attractive compensation system as well as individually tailored continuing education to win employees and retain them over the long term. Currently, no significant risks are known that may have an impact on the recruitment of specialists and executive personnel, and that could thus endanger the growth targets we have set.

CGM considers its employees to be an integral part of the Group's public image. In the event of non-compliance with the ethical principles firmly anchored in CGM's management culture, risks may arise through possible negative effects on the image and good reputation of the Company. A temporary higher probability of risk by non-compliance with CGM's principles may arise in the case of newly-acquired companies.

Financial risks

This risk area includes risks associated with liquidity and refinancing risks, currency risks, acquisition risks and control risks. The analysis of expected potential annual loss for all identified financial risks is approximately EUR 3 million (previous year: EUR 5 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 9 million (previous year: EUR 24 million), with a 5 percent probability that there may be a higher, unexpected damage.

Liquidity and refinancing risks

Business models that are not exclusively financed through equity capital generally face the risk that the leveraged portion of the business is dependent on the given refinancing situation in the capital markets. As a precaution against this specific risk factor, CompuGroup Medical implemented a support structure that is based on credit lines with national and international Company-affiliated banks.

The revolving credit facility (volume of EUR 400 million - see Notes to the Consolidated Financial Statements for more information) covers the Group's basic capital requirements. For additional capital requirements, the CGM Group has further credit facilities available (credit lines of EUR 26.0 million), which serve to cover the short and medium-term liquidity needs arising from operating business and the expenses resulting from the restructuring of the Group.

A financial covenant has been agreed in the revolving credit facility. In the event of a breach of the Financial Covenant, the loan can generally be called immediately due. This creates liquidity and refinancing risks. An additional short-term liquidity risk results from the risk of misjudgments during working capital planning that could mean that trade receivables and liabilities may not be collected or paid on time.

Corporate Treasury prepares a rolling one-week liquidity plan to monitor and manage short-term liquidity risks. Short-term fluctuations in working capital requirements are monitored on a daily basis and can be offset with bilateral credit lines. Short and medium-term structural liquidity requirements can generally be met by drawing on the revolving credit line.

Strict working capital management, whose methods and targets are regularly evaluated and adjusted, if necessary, also serves to manage short-term liquidity risks.

The medium-term liquidity risk is monitored and managed with the help of 12-month liquidity planning. Compliance with the financial covenants is consistently monitored as part of planning and the results are regularly reported to both management and the banks. For details on the financial covenants, please refer to the respective sections in the Group notes.

Essentially, CompuGroup Medical considered changes in interest rates as the primary market risk. The risk management strategy therefore aims to balance out all relevant fair value and cash flow risks. Keeping in mind that most of the long-term financial liabilities of the Company are closed on the basis of variable interest rates, an interest rate risk occurs, especially for cash flows.

Despite all the preventive measures taken, it is not possible to entirely prevent certain refinancing interest rates that the Company must pay from undergoing unfavorable developments or refinancing through leverage from being refused in the medium term. Considering our current situation, there is no evidence that future refinancing or, generally, an increase in leverage might be subject to risk out of the ordinary.

Further financial risks refer to the risk of bad debt losses. Due to the diversified markets and customer structure of the Group, no agglomeration risks are evident. Given the high creditworthiness of the majority of our customers, the long-term average of bad debt risk is generally low.

Currency risks

Due to the international focus of the Group, incoming and outgoing payments are performed in various currencies. The Group conducts a comparison and balancing of payment streams in the individual currencies. The Company generally strives to achieve extensive natural hedging by its choice of locations and suppliers. At present, the Company does not use any derivative financial instruments to hedge the foreign currency exposure. The development of the relevant positions is monitored regularly to ensure adequate response to significant changes in the positions.

Data processing risks

This risk area includes risks arising from a lack of coordination and alignment of IT strategy with corporate objectives, insufficient data in IT systems, inadequate documentation, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 2 million (previous year: EUR 4 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 8 million (previous year: EUR 18 million), with a 5 percent probability that there may be a higher, unexpected damage.

CGM's customers use the Company's products and services to store, process and transmit highly confidential information about the health of their patients. Due to the sensitivity of this information, security features are very important as an integral part of our products and services. If despite all efforts the security features offered by CGM's products do not work in an orderly manner, claims for damages, fines, penalties and other liabilities due to a violation of applicable laws or regulations could arise. Also, extensive costs to rectify any deficiencies and re-engineering to prevent such vulnerabilities in the future could arise. Moreover, the image of CGM as a trustworthy business partner could suffer severe damage.

GDPR

On May 25, 2018, the General Data Protection Regulation (GDPR) came into force. It sets out requirements and mandatory measures for all companies worldwide that process personal data of people who are in the EU. In addition to standardizing European data protection laws, the regulation also provides for severe fines for non-compliance of up to EUR 20 million or 4 percent of the company's worldwide turnover (whichever is higher).

Risk from project business

This risk area includes risks arising from non-compliance with agreed time lines, missing or inadequate staff resources, lack of or inadequate material resources, lack of customer acceptance of the project deliverables etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 7 million (previous year: EUR 7 million), with a 5 percent probability that there may be a higher, unexpected damage.

The Company makes part of its sales in the project business. There are longer time periods between the order assignment and the payment for the order, during which the Company has to take care of advance payments. The risk the Company faces in these periods is specifically the credit risk of its customers. Furthermore, the risk the Company faces in the project business is the continuous need for new orders/projects to be able to generate the necessary sales volume or sales volume growth. Resulting from the extremely high initial implementation costs of software solutions and the resulting long-term product life cycle, the HIS segment is especially exposed to the risk that profitable new business may take a long time to materialize. Hence, the Company strives to establish long-term business relationships with its customers, often by taking over software maintenance, in order to be a contact partner and to be able to participate in the bidding process when new orders/projects are awarded. Risks may also arise when the market is not sufficiently monitored, resulting in an inadequate bidding and order pipeline. In the absence of new business and the expiration of software maintenance contracts, the Company may suffer a loss in sales, which would have a negative impact on the Group's results.

In the reporting period, CGM has continued the largest internal IT and organizational project in the history of the Group. The project is named 'OneGroup' and entails the standardization and optimization of roles, structures and processes in all our companies and business areas world-wide based on a centralized SAP IT platform and other integrated IT solutions. All existing internal IT solutions will be migrated to this platform once the new solution is finished and proven. From this project, there are risks of non-compliance with agreed timelines, start-up problems, etc. that can result in corresponding financial risks.

Macroeconomic and political risks
This risk area includes risks arising from political changes and the influence of macroeconomic developments. The analysis of expected potential annual loss for all identified macroeconomic risks is approximately EUR 2 million (previous year: EUR 3 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 6 million (previous year: EUR 14 million), with a 5 percent probability that there may be a higher, unexpected damage.

The products and services offered by CGM are currently marketed in 56 countries. Both the development of business relations in these countries as well as the business activity itself is associated with the usual risks for international business dealings. This is in general and in particular related to the existing general economic or political situation of the single countries, the diversity of different tax systems, legal barriers in terms of import and export restrictions, competition regulations and laws for the use of the Internet or restrictions for the development and deployment of software products and services.

CGM counteracts these risks by regularly consulting with local lawyer's offices and tax advisors in countries where it is entering the market or conducting further business activities and by communicating with local public authorities. In general, risks that may arise from changes in macroeconomic factors can never be excluded completely. CGM has no material business activity in the United Kingdom and is therefore not directly affected by the UK's decision to leave the EU (so-called "Brexit").

Tax risks
This risk area is related to risks for additional tax payments (also in acquired businesses), pricing of goods and services between affiliates and inaccurate legal structure as a result of inaccurate tax planning. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 6 million (previous year: EUR 2 million), with a 5 percent probability that there may be a higher, unexpected damage. In terms of general risks from ongoing tax audits the group has from today's perspective made sufficient provisions. However, it cannot be completely excluded that tax authorities will levy additional claims for which the company has made no or insufficient provisions.

M&A risks
This risk area concerns risks related to the acquisition and integration of new companies and business assets. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 5 million (previous year: EUR 5 million), with a 5 percent probability that there may be a higher, unexpected damage.

Going forward, CGM plans to further expand its presence in the national and international market. These plans include further company acquisitions and such transactions are always carried through with utmost care and diligence. Nevertheless, a certain risk is always associated with every acquisition, which again may impact the Group's results.

A substantial part of the assets of CGM consists of intangible assets acquired as part of acquisitions. Under the Group's accounting principles, these intangible assets are subject to an annual value test in particular to verify that the value of the goodwill in the balance sheet is still present. Here, various factors such as changes in legislation or the competitive environment can have a significant impact on the value of intangible assets. Such testing may lead to an impairment of goodwill values with a corresponding adjustment of the book value of these assets. Any goodwill impairment will lead to a commensurate lowering the Group's results.

Representation of the overall risk position
Adding all risk areas together, the level of potentially expected total annual loss for the Group is EUR 25 million (previous year: EUR 34 million). The potential annual peak damage at Group level within a 95 percent confidence interval is EUR 110 million (previous year: EUR 153 million), with a 5 percent probability that there may be a higher, unexpected damage.

After evaluation of the currently identified existing risk positions, the continued existence of CGM SE and the Group is not compromised. The resulting accumulated potentially expected annual total damage could be covered by the anticipated operating cash flows of the Group.

Internal control system and risk management system relevant for the consolidated financial reporting process
In our financial reporting, there is a risk that the consolidated annual and interim financial statements contain errors and misrepresentations that may have a significant influence on the decisions of their addressees. Our accounting-related internal control system (ICS) aims to identify possible sources of error and to minimize the resulting risks. It encompasses the financial reporting throughout the Group.

In this way, we can provide assurance that the consolidated financial statements are prepared according to statutory rules. The following disclosure of the financial reporting process conforms to Section 289 (5) and Section 315 (2) No. 5 of the Handelsgesetzbuch (HGB – German Commercial Code) in accordance with the German Accounting Modernization Act (BilMoG), effective May 29, 2009. The main features of CompuGroup Medical SE's existing internal control system and the risk management system in relation to the (Group) financial reporting process can be described as follows:

- Within CGM, a clear management structure and enterprise structure is implemented. Key regional and sector functions are controlled centrally through CompuGroup Medical SE. Operationally active subsidiaries have a high level of individual responsibility. A clear separation of functionalities is ensured in the areas of "Accounts Payable/Accounts Receivable Services (AR/AP Services)", "Financial Reporting", "Treasury", "Human Resources", "Group IT", "Risk Management", "Procurement" and "Investor Relations". Responsibilities are clearly defined.

- The departments involved in the financial reporting process are in line with the quantitative and qualitative requirements defined by the Group.

- Financial accounting is centrally organized and centrally managed by CompuGroup Medical SE. In 2018, the Shared Service Center (SSC) in Koblenz was put into operation with regard to the bookkeeping of several subsidiaries. As of December 2018, the SSC is responsible for accounting in Germany, Switzerland, France, Belgium, Sweden, Norway, Denmark, South Africa, Poland and Romania. Subsidiaries in other countries are decentralized. The local subsidiaries sometimes in turn provide bookkeeping and other financial functions for its subsidiaries or affiliates. As the parent company of the Group, CGM SE performs key tasks in the field of accounting and finance, e.g. the Group consolidation, the accounting treatment of pension provisions in Germany, accounting for business combinations and the impairment tests of recognized goodwill. CGM SE furthermore performs the administration, accounting and monitoring of financial instruments, transaction banking, cash management and the calculations and disclosures related to the German tax group. External service providers and advisors are consulted in this respect.

An internal directive written according to Company requirements is implemented (among other things a Group-wide accounting directive, risk management directive and research and development directive). The financial systems used are protected against unauthorized access by adequate security mechanisms. The financial systems used are mostly standard software.

To ensure a Group-wide analysis and control of income relevant risk factors and risks that endanger the continuing operations of the Company, the Group uses standardized planning, reporting, control and early warning systems and processes.

Financial Reporting, in particular, is centrally organized and pools the Group's (global) information in one place. The subsidiaries' segment managers/company managers, and ultimately the Management Board, continuously monitor Group Accounting's reporting activities.
CGM SE uses a Group-wide reporting system for the preparation of financial statements. This system is also used for the preparation of budgets and forecasts. All consolidated subsidiaries use this system which forms the basis for a standardized data reporting process in the Group.

The members of the Board of CGM SE make an internal balance-sheet representation for the external full-year reporting and sign the Responsibility Statement. They thus confirm that the prescribed accounting standards have been complied with and that the figures give a true and fair view of the assets, financial and earnings position. A review of the financial reporting process is performed by the Internal Audit function.

Required financial reporting processes are subject to regulated analytical tests. The Group-wide risk management system is regularly updated in line with current developments and its adequacy reviewed in terms of quantity and quality. To comply with the standards for the Group financial reporting processes, the function of regional responsibility through the position "Head of Finance" is implemented Group-wide. These regional financial managers report in all finance-related and accounting-related areas directly to the Chief Financial Officer of CGM SE. The Chief Financial Officer shall inform the Management Board and the Supervisory Board on critical or high-risk subjects and advises on corrective measures as needed. Other special departments involved in the financial reporting process to implement the activities and/or tracking of actions involved are "Accounts Payable/Accounts Receivable Services (AR/AP Services)", "Financial Reporting", "Treasury", "Human Resources", "Group IT", "Risk Management", "Procurement " and " Investor Relations". Furthermore, a regular review of complex and significant changes in underlying accounting-related topics (e.g. receivables management, impairment test, balance sheet analysis for compliance with the financial covenants and the sustainability of further acquisitions and initial consolidation of subsidiaries). The impact of accounting-related risks is evaluated for their influence on financial reporting by means of impact analysis (e.g. forward looking balance sheet simulation). This also includes the analysis of the measures introduced to limit identified risks, including the effectiveness of the measures.

For key issues in accounting, risk management and the audit mandate of the auditor, the Supervisory Board has established an Audit Committee.

For all main financial reporting processes, a "four-eye principle" is applied.

The accounting-related internal control and risk management system, whose main features have been described earlier, ensures that corporate balance sheet issues are properly recorded, processed, assessed and incorporated in the external accounts. Group Accounting is a central function and as such monitors all these processes. It is monitored in turn by the CFO and Audit Committee.

A strict organization, Company, control and monitoring structure forms the basis for efficient work processes. The staffing and equipment of the accounting-related areas in accordance with the requirements of the Group ensure effective and accurate work, in terms of both personnel and material. Legal and corporate directives and guidelines ensure that a unified and proper financial reporting process is implemented within the accounting-related areas. The clear delineation of responsibilities and various control and verification mechanisms ensure correct accounting and reliable handling of potential Company risks. Here, the task of the Group-wide risk management system, which is in accordance with the statutory requirements, is to identify risks at an early stage and to assess and communicate them appropriately.

Report on Opportunities

More and more data is being recorded in the health care system – in hospitals, at the family doctor, within health insurance companies and elsewhere. Patients are documented, classified and categorized according to their medical issues. At the same time, doctors want to share accurate, detailed findings from their colleagues. Everything done with the aim to provide patients with optimal, case-specific treatment. At the same, indications and treatment options are more differentiated and therefore more complex than ever before. The "human memory capacity" is inherently limited and it is increasingly difficult to always for healthcare providers to have all necessary information readily available.

For over 25 years, CGM has helped its customers to get rid of annoying bureaucracy and paper work and made important medical information available when and where needed. In this way, physicians and health care professionals are relieved and more time is created for what matters most: the patient. For this purpose, information exchange and interaction between general practitioners and specialists, hospitals, pharmacies and other participants in health care is of paramount importance.

Operative opportunities

Technological leadership and innovation

CGM is well positioned to remain at the forefront of technology and innovation going forward. As an experienced first-mover, market leader and constant innovator, CGM's level of technical expertise is considered the highest in the industry. In addition to customer retention, technical expertise acts as another high barrier to entry. This is particularly true for hospital systems where technical implementation is highly complex and only trusted to those with the requisite expertise, resources and track record. Switching costs for hospitals are also particularly high given the high execution risks in term of technical changes, data migration and user re-training.

G3 technology

CGM's product strategy is based on a strategic R&D program named 'G3'. The goal with G3 is a common technology for all markets and segments. The architecture of G3 is based on a high degree of service-orientation and flexibility and the product is fully ready for SaaS offerings, including the ability also to power mobile applications, and can be deployed in almost any provider setting from single clinic use to regional and even national solutions. With the implementation and delivery of the new hospital information system for Vorarlberg Hospital Organization in Austria, CGM now has the first truly comprehensive and productive reference for the new G3-based technology. The first pilot customers were also installed in office-based practices in Germany. Going forward, CGM expects to increase its competitive advantages based on G3 technology.

Organizational and process-related improvements

"OneGroup" is the largest internal IT and organizational project in the history of CGM. Behind this project lies the standardization and optimization of roles, structures and processes in all our companies and business areas world-wide, based on a single centralized IT platform. All other existing internal IT solutions will be migrated and phased out once this standardized solution is ready and proven.
In this way, we can create a synthesis of all our collective knowledge with perfect industry benchmarks and represent this in one single place in the form of an IT solution. We will use the power of information technology to organize, automate, and synchronize our business processes in a live global system. In this way we ensure that we ultimately address our markets with one unique, uniform and highly customized approach in areas like marketing, sales, support, professional services and other customer facing activities. In the background, the finance, HR and other back-office functions provide perfect support with perfect transparency for managers to make qualified decisions and assist the front-line colleagues to improve even further. Through a fully standardized IT-based organization, we can increase our operational efficiency, improve profitability, grow faster and enhance our customer satisfaction.

Strategic opportunities

Leading market position for Ambulatory Information Systems (AIS)

CGM is the leader in the German market for Ambulatory Information Systems, as well as one of the leading AIS providers in Denmark, France, Sweden, Norway, Austria, Italy and the Czech Republic. As a result of the scale achieved in the AIS business, CGM has broad and central access to a large pool of doctors in private practice, which has a number of significant benefits. It places CGM in a key strategic position where it can be a first-mover in other efficiency-improving areas of healthcare. One such example is in the connectivity market, where the value and success of connecting doctors, hospitals and other healthcare participants is closely related to the number of participants.

The more participants a network has, the more attractive it will become for other potential participants to join and subsequently pay for services. CGM's ability to access its existing doctor base provides it with a substantial competitive advantage in this area. Also, the AIS business is predominantly marked by long-term service and software maintenance agreements and is therefore distinguished by stable, mostly recurring revenues. These regular revenues form a stable basis for financing investments and developing new products and services.

Telematics Infrastructure in Germany

The Telematics Infrastructure is a long-term growth opportunity for CGM. With a full national rollout now written into German law, CGM has the opportunity to sell new eGK-compliant online access products to up to 200,000 provider locations in Germany and in particular to all existing customers in Germany. Even more important; the Telematik Infrastructure fits perfectly with CGMs strategy to provide more products and services to its customers, such as eServices, ePrescriptions, eLabOrder, physician networks, online clinical pathways, hosting services etc.

Consumer Engagement

Consumers do many things online because it is convenient and saves time. CGM is shaping the healthcare revolution: with us, doctors and patients are in direct contact with each other – whether it is about an appointment request, a prescription renewal, an online consultation or requesting findings. More and more patients would like to be familiar with and manage their own medical data. We design solutions which allow patients to electronically merge and manage information from all treating physicians. The patient then decides which doctor(s) he makes his medical data available to. Confidential remains confidential – here, only CGM offers the highest safety standard.

Software Assisted Medicine

Our response to the increasingly more extensive demands on the "Healthcare System" is: Software Assisted Medicine (SAM). SAM links physicians, patients and payers and assists in the implementation of crucial initiatives into practice. The physician receives information about signs of a rare disease earlier – and he receives it precisely at the moment the patient is sitting in front of him. SAM helps in viewing the whole patient at the decisive moment, and thereby ensures optimal care.

Financial opportunities

Acquisitions are essential for both strengthening existing market positions and entering into new markets. In the last five years CGM acquired and successfully integrated more than 30 companies. This proves the Company's strong track record in acquiring new businesses.

Opportunities related to law and politics

The demand for IT solutions is universal across all healthcare systems in Western industrial countries given the same challenges being faced of aging populations and increasing treatment costs. Accordingly, CGM's business model is transferable to many different international markets, particularly given its long-standing experience. As a result of this, CGM has been able to increase its geographical diversity and currently is present with offices in 19 countries and installations in 56 countries world-wide.

Personnel opportunities

Successful and experienced management team

CGM benefits from a strong team of managers that are well respected as leaders in the e-Health industry. The team is led by Chairman and CEO Frank Gotthardt who founded CGM in 1987 and has grown it into a worldwide leading enterprise. Supporting Mr. Gotthardt is a strong, experienced cadre of managers, all who have been active in the industry for more than a decade. This includes Frank Brecher (Chief Process Officer), Uwe Eibich (Executive Vice-President), Hannes Reichl (Board Member Clinical & Social Care) and Christian B. Teig (Chief Financial Officer).

Attractive employer

The strong motivation, skills and creativity of our employees are the main sources of our success. Therefore, a sound education and the regular development of each individual are critical factors for our future. In 2018, CGM employed 88 trainees in Germany in areas ranging from office assistants to IT-specialist. Two thirds of all apprentices in 2018 were given a job offer from CGM after successful completion of final exams. The staff development concept of CGM includes seminars, language courses, on-the-job training and a modular development program for young professionals. A good balance between work and private life is a crucial basis for employee satisfaction and performance

– to the benefit of employees and the company. With a day care center being operated at the office campus in Koblenz CGM is actively promoting the reconciliation of work and family. In this center, up to 43 children are cared for by experienced educators since 2009.

Data processing opportunities
Every day, our customers are faced with new technology requirements: they must implement necessities such as electronic patient records or increase the electronic exchange of information with colleagues. To save costs, for example, many doctors outsource administrative tasks to external service providers. All with the same result: the healthcare sector is increasingly demanding of them to network. This, however, increases the risk of data protection. With CGM doctors act safely and responsibly. Patient data is already encrypted inside the practice and hospital – before transmission to external networks. Any personal identification reference is removed and the data is encrypted so that unauthorized access is impossible. The security technologies from CGM are TÜV-certified and often patented.

Overall picture of opportunities
CGM is in a perfect position. In CGM, we use the power of modern information technology to improve efficiency, reduce costs, optimize workflows and increase the quality of care. Healthcare is a market in growth – even when times are bad – and CGM is one of the leading eHealth companies in the world. With our unique customer base, we serve hundreds of thousands of doctors, dentists, hospitals and pharmacies world-wide we get the best of both worlds: Structural, long-term growth opportunities and strong and robust defensive properties. eHealth truly is the 'cherry on the cake' when we talk about an early stage business with a big potential.

Outside this, no significant changes in the Group's opportunities happened during the reporting period compared to the previous year.

TAKEOVER-RELATED DISCLOSURES
Information Pursuant to Section 315 (4) Commercial Code

Composition of subscribed capital
The share capital of CompuGroup Medical SE amounts to EUR 53,219,350 and is composed of 53,219,350 no-par bearer shares with the security identification code 543730 (ISIN: DE0005437305). Since May 4, 2007, the shares have been traded on the regulated market on the Frankfurt Stock Exchange (Prime Standard) During 2018, the stock exchange performed an index reform and against the backdrop of market capitalization and trading volumes, decided to keep CGM in the TecDAX index, which tracks the performance of the 30 largest German companies from the technology sector. The stock exchange also included CGM in the SDAX index composed of 50 small and medium-sized companies in Germany. Taking into consideration the treasury shares held by the Company in the amount of 4,013,458 shares, the voting capital comes to 49,205,892 common shares.

Restriction pertaining to voting rights or the transfer of shares
Restrictions of voting rights of the shares can result from the provisions of the German Companies Act (Aktiengesetz, hereinafter AktG). This primarily results in shareholders being subject, under certain conditions, to a voting prohibition and, in accordance with Section 71b AktG, the Company is not entitled to vote on the basis of its treasury shares.

The shareholder group of the "Gotthardt family/Dr. Koop" consisting of the natural persons Frank Gotthardt, Dr. Brigitte Gotthardt, Prof. Dr. Daniel Gotthardt and Dr. Reinhard Koop as well as the affiliated legal entities attributable to them hold a total of more than 50 percent of the voting shares.

Two effectively separate concluded pooling agreements, first between Frank Gotthardt, GT1 Vermögensverwaltung GmbH, Dr. Brigitte Gotthardt and Prof. Dr. Daniel Gotthardt, and secondly between GT1 Vermögensverwaltung GmbH and Dr. Reinhard Koop, result in the attribution of 21,621,177 shares to the share pool, reflecting 43.94 percent of shares with voting rights. The purpose of both pooling agreements is, among other things, to safeguard a consistent exercise of voting rights with respect to the shares of CompuGroup Medical SE. Frank Gotthardt as well as GT1 Vermögensverwaltung GmbH hold additional shares which are not attributable to the share pool.

The treasury shares reported in the Company assets do not have voting rights.

Interests in capital exceeding 10 percent of the voting rights
In addition to the major shareholder group Gotthardt family/Dr. Koop mentioned above, no further investors held more than 10 percent of voting rights as of the reporting date.

Shares with special rights that confer control powers
No shares with special rights that confer control powers have been issued by the Company.

Nature of voting-right controls in the event of employee participations
The Management Board is not aware of any Company employees holding interests in the Company in some manner in which they do not exercise their control rights directly for themselves.

Legal provisions and provisions of the articles of association concerning the appointment and dismissal of members of the Management Board and concerning amendments to the articles of association
Sections 84 and 85 AktG apply to appointments and dismissals of members of the Management Board. Sections 179 to 181 AktG are to be applied to amendments to the articles of association.

Powers of the Management Board for issuance and repurchase of shares
Authorized capital
Pursuant to the resolution of the Annual General Meeting on May 18, 2016, the Management Board with the approval of the Supervisory Board is until May 17, 2021 authorized to increase the equity of the Company by up to EUR 26,609,675.00 through a one-time or multiple issuance of new shares for cash and/or in-kind capital contributions (approved capital). In utilizing approved capital, the shareholders must in principle be granted a subscription right; however, the Management Board is also authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of the shareholders under certain conditions. Furthermore, the Management Board was authorized, with the approval of the Supervisory Board, to determine the further details for capital increases from authorized share capital.

Authorization to purchase and use (including cancellation) of treasury shares
Pursuant to the resolution of the Annual General Meeting on May 20, 2015, the company was authorized to acquire treasury stock up to a total of 10 percent of the value at the time of the resolution or, if this value is lower, exercise of this authorization. The authorization is valid until May 20, 2020. The shares acquired together with other treasury shares owned by the company or attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time account for more than 10 per cent of the capital stock at the

time of the resolution. The acquisition may also be carried out by third parties dependent on the company within the meaning of Article 17 of the German Stock Corporation Act (AktG) or by third parties for its account. The authorization may not be used for the purpose of trading treasury shares.

At the discretion of the Management Board, the purchase will be made via the stock exchanges or by a public buy offer made to all shareholders or by a public request to all shareholders to issue offers for sale.

If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the purchase date.

If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit sales offers, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the public notification of the invitation to submit such an offer.

The purchase offer or invitation to submit sales offers may stipulate further conditions. If the purchase offer is oversubscribed or, in the case of an invitation to submit sales offers of several equivalent offers, not all offers are accepted, the shares must be allocated proportionately to the shares respectively offered. A preferential acceptance of low numbers of tendered shares up to 100 shares per shareholder and rounding in accordance with commercial principles could be foreseen.

The Management Board is entitled to utilize the purchased treasury shares as follows:

(1) With the approval of the Supervisory Board they may be sold on the stock exchange or offered to all shareholders. In addition, with the approval of the Supervisory Board they may be sold by another means provided the consideration for the sale is in cash and the sales price at the time of the sale is not significantly lower than the share price for the same class share on the stock exchange. The total proportion of the shares sold under this authorization in relation to the total share capital, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since May 21, 2015, due to any authorizations for share issues from authorized capital in accordance with Section 186 (3) Sentence 4 AktG, may not exceed 10 percent of the Company's share capital.

(2) With the approval of the Supervisory Board they may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, Company shares or equity investments in companies.

(3) With the approval of the Supervisory Board they may be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third party intellectual property rights by third parties, particularly patents or brands, or licenses to such rights, for the marketing and development of CGM products.

(4) The shares may also be utilized to exercise options arising from share options granted by the Company or affiliated companies.

(5) They may be used to service or hedge acquisition or purchase rights on CompuGroup shares, in particular from and in connection with convertible bonds or bonds with warrants issued by the Company or affiliated companies.

(6) In addition, with the approval of the Supervisory Board, they may also be cancelled without the need for an additional Annual General Meeting. The proportion of the remaining shares in relation to share capital will not be increased by a cancellation. Notwithstanding the above, the Management Board can determine that equity is not reduced, but instead the percentage of the other shares in equity is raised in accordance with Section 8 (3) AktG. In this case, the Management Board is entitled to amend the number of shares stated in the articles of association.

The authorizations previously issued in accordance with (1) to (6) may be used on one or more occasions, in full or in part, individually or collectively, and the authorizations in accordance with (1) to (5) may be used pursuant to instructions issued by the Management Board but also by dependent companies or companies in which the Company holds a majority stake, or third parties acting on the Company's account.

The subscription right of the shareholders to treasury shares is excluded insofar as these shares are used according to the above authorizations in numbers (1) to (5).

Authorization to issue convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) with the option of excluding subscription rights pursuant to Sections 221 (4) and 186 (3) Sentence 4 AktG and the creation of corresponding conditional capital (amendment to the articles of association)

According to the resolution of the Annual General Meeting of May 10, 2017, the Management Board was given the authorization to issue convertible bonds (and similar instruments) and corresponding conditional capital. The authorization is limited to a volume of EUR 500 million.

The Management Board of CompuGroup Medical SE was authorized to exclude shareholders' subscription rights on convertible bonds (and similar instruments). In order to ensure that the authorization limit can be used to the full extent, even in the case of later adjustments to conversion or warrant prices, the conditional capital serving to fulfill conversion rights, warrants or conversion or warrant obligations is to amount to EUR 26,609,675.00. However, in the event of the exclusion of subscription rights on bond issues pursuant to Section 186 (3) Sentence 4 AktG, the shares to be issued for the purpose of the serving of conversion rights, warranty or conversion or warrant obligations may not exceed 10 percent of the equity capital either at the point at which the subsequent authorization comes into force or – should the number of shares be lower – at the point at which the authorization is exercised.

(1) Authorization period, nominal value, number of shares, term, contribution in kind, currency, issuance by Group companies

According to the resolution of the Annual General Meeting of 10 May, 2017, the Management Board of CompuGroup Medical SE was authorized, with the consent of the Supervisory Board, to issue registered or bearer convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) (hereinafter referred to collectively as "Bonds") amounting to a total principal amount of up to EUR 500 million on one or more occasions up to and including May 9, 2022, to grant bearers or rather creditors (hereinafter referred to collectively as "Bearers") of the Bonds conversion rights and warrants on Company shares with a proportionate share in equity capital of up to EUR 26,609,675.00 in accordance with the terms and conditions of the Bonds (hereinafter also referred to as "Bond Terms and Conditions") and to place conversion and warrant obligations on these Bonds. The Bonds, conversion rights, warrants and conversion and warrant obligations may be issued with no maturity limitations. The Bonds can also be issued in return for a contribution in kind. The Bonds can be issued in euros and in the official currency of an OECD member country, provided that the corresponding euro equivalent is not exceeded.

(2) Granting or exclusion of subscription rights

In principle, shareholders are entitled to subscription rights on the Bonds. Subscription rights may also be granted indirectly whereby Bonds are assumed by one or more credit institutions or by equivalent companies pursuant to Section 186 (5) Sentence 1 AktG with the obligation to offer said subscription rights to shareholders.

However, the Management Board of CompuGroup Medical SE is authorized to exclude shareholders' right to subscribe to the Bonds with the consent of the Supervisory Board:

+ in the case of fractional shares;
+ to the extent necessary to grant subscription rights to the holders of previously issued Bonds with conversion rights, warrants or conversion or warrant obligations on Company shares in the amount to which they would be entitled after their conversions rights or warrants have been exercised or conversion or warrant obligations met;
+ to the extent in which Bonds are issued with conversion rights, warrants or conversion or option obligations in return for cash and the issue price is not significantly lower than the theoretical market value calculated in accordance with recognized financial and mathematical methods and only insofar as the shares issued to serve conversion rights, warrants or conversion or option obligations do not exceed 10 percent of the equity capital either at the point at which the subsequent authorization comes into force or – should the number of shares be lower – at the point at which the authorization is exercised. It is also declared that the authorization volume of 10 percent of equity capital is reduced by the proportion of the equity capital attributed to shares or on which conversion rights, warrants or conversion or warrant obligations from Bonds are based, which have been issued or sold under the exclusion of subscription rights in direct, corresponding or logical application of Section 186 (3) Sentence 4 AktG;
+ insofar as the shares are issued in return for contributions in kind, provided that the value of the contribution in kind is appropriate in relation to the market value of the Bonds as calculated pursuant to the preceding paragraph.

Insofar as profit participation certificates or profit participation bonds are issued without conversion rights, warrants or conversion or warrant obligations, the Management Board is authorized to exclude the shareholders' subscription rights in full with the consent of the Supervisory Board if these profit participation certificates or profit participation bonds feature terms similar to those of a debenture, in other words do not grant any membership rights within the Company or grant any share in liquidation proceeds and the level of interest is not determined in line with profits on the basis of net income, net profit or dividends. In this case, the interest and the issue value of the profit participation certificates or profit participation bonds must conform to the current market conditions for equivalent assumption of capital at the time of the issuance.

(3) Conversion right

In the case of the issuance of Bonds with conversion rights, Bearers may convert their Bonds into shares in the Company in accordance with the Bond Terms and Conditions. The proportion of equity capital of the shares to be issued upon conversion may not exceed the nominal value of the Bond or a lower issue price. The conversion ratio is determined by dividing the nominal value of a Bond by the fixed conversion price of a share in the Company. The conversion ratio can also be calculated by dividing the issue price of a Bond underlying the nominal value by the fixed conversion price for a share in the Company. A fixed additional contribution to be paid in cash can also be determined. It can also be stipulated that fractional shares can be aggregated and/or exchanged for cash.

(4) Warrant

In the case of the issue of bonds with warrants, each Bond is issued with one or more detachable warrants which entitle the Bearer to subscribe to shares in the Company in accordance with the Bond Terms and Conditions. It can also be stipulated that fractions be combined and/or exchanged for cash. The proportion of equity capital of the shares to be subscribed to for each Bond may not exceed the nominal value of the bond with warrant or rather an issue price below the nominal value.

(5) Conversion and warrant obligation

The Bond Terms and Conditions can also stipulate a conversion or warrant obligation at the end of the Bond's term or at another point in time (also known as "maturity"). In this case, the conversion or warrant price for a share can correspond to the mean closing price of the listed Company in the Xetra securities trading system on the Frankfurt Stock Exchange (or a corresponding subsequent system) over the ten days prior to or following maturity, even if this price is below the minimum price stipulated in (6). Section 9 (1) AktG is to be complied with in conjunction with Section 199 (2) AktG.

(6) Conversion/warrant price, prevention of dilutive effects

The conversion or warrant price is either – in the case of the exclusion of subscription rights – at least 60 percent of the mean closing price of the Company shares in the Xetra securities trading system on the Frankfurt Stock Exchange (or a corresponding subsequent system) over the ten days prior to or following the resolution by the Management Board concerning the issue of Bonds or – in the case of the granting of subscription rights – at least 60 percent of the mean closing price of the Company shares in the Xetra securities trading system on the Frankfurt Stock Exchange (or a corresponding subsequent system) either (i) over the ten trading days prior to the start of the subscription period or (ii) during the trading of subscription rights apart from the final two subscription rights trading days. Section 9 (1) AktG remains unaffected by this.

If, during the term of a Bond for which conversion rights, warrants or conversion or warrant obligations have been granted or rather stipulated, the financial value of existing conversion rights, warrants or conversion or warrant obligations is diluted and no subscription rights are granted in the form of compensation, conversion rights, warrants or conversion or warrant obligations can be adjusted while preserving their value provided that such an adjustment is not already required by law. In all cases, the proportion of the equity capital of all shares to be subscribed to per Bond may not exceed the nominal value per Bond or rather the lower issue price.

(7) Further options

The Bond Terms and Conditions can stipulate that the Company may also grant new shares from approved capital or Company shares in the case of conversion rights or warrants being exercised. The Bond Terms and Conditions can also stipulate variability in terms of the conversion ratio or a direct link between the conversion or warrant price and the development of the Company's share price on the stock exchange. Furthermore, it can also be stipulated that, rather than issuing shares in the Company, the Company pays those eligible to exercise conversion rights or warrants the equivalent in cash.

(8) Authorization to stipulate further terms and conditions for bonds

The Management Board of CompuGroup Medical SE is authorized, with the consent of the Supervisory Board, to stipulate further terms and conditions concerning the issue and structure of bonds, particularly interest rate, type of interest, issue price, term, denomination and conversion or warrant terms.

Creation of new conditional equity

Equity may be increased by up to EUR 26,609,675.00 through the issue of up to 26,609,675 new bearer shares with dividend entitlement from the start of the financial year of their issuance. The purpose of the conditional equity increase is to grant shares to bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) with conversion rights, warrants or conversion or warrant obligations issued in accordance with the aforementioned authorization insofar as the bonds are issued in return for cash.

The new shares are issued at the conversion or warrant price to be determined in accordance with the aforementioned authorization. The conditional equity increase is only to be performed to the extent to which conversion rights or warrants are exercised on the basis of Bonds issued in return for cash or to which conversion or warrant obligations are met on the basis of such bonds and provided that no other forms of fulfilment are used to service these rights.

In accordance with the resolution of the Annual General Meeting of May 10, 2017, the Management Board of CompuGroup Medical SE is authorized to stipulate further terms and conditions of the conditional increase of equity.

Amendment to the articles of association

On the basis of the resolution of the Annual General Meeting from May 10, 2017, Section 4 (6) of the Company's articles of association was amended as follows: "Equity is increased by up to EUR 26,609,675.00 (in words: twenty-six million six hundred and nine thousand six hundred and seventy-five euros) through the issue of up to 26,609,675 new bearer shares with dividend entitlement from the start of the financial year of their issuance (conditional equity). The conditional equity increase is only performed to the extent to which bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds exercise their conversion rights or warrants on the basis of Bonds the Company issues in return for cash up to and including May 9, 2022 as a result of the authorization resolution of the Annual General Meeting from May 10, 2017 or to the extent to which conversion or warrant obligations are met on the basis of such bonds and provided that no other forms of fulfilment are used to service these rights. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase."

The previous Section 4 (6) of the Company's articles of association becomes Section 4 (7) of the Company's articles of association and reads as follows: "The Supervisory Board is entitled to change the wording of Section 4 (1), (2), (5) and (6) of the articles of association (amount and distribution of equity, approved capital, conditional capital) accordingly after a full or partial increase of equity or after the expiry of the authorization period in accordance with Section 4 (5) of the articles of association."

Significant agreements of the Company under the condition of a change of control and compensation agreements with the Management Board or employees in the event of a takeover offer

With respect to reporting obligations under Section 315 (4) No. 8 and 9 of the German Commercial Code (HGB), we herewith make a nil report with the following exceptions:

Should there be a "change-of-control" of the Group, Mr. Christian B. Teig may terminate his contract by the month-end and receive a severance payment of up to EUR 1.8 million. According to this provision, change-of-control is defined when Mr. Frank Gotthardt and his family have in total less than 30 percent of the shares of Compugroup Medical SE, or any other natural or legal person control more shares in Compugroup Medical SE than Frank Gotthardt and his family.

Should there be a "change-of-control" of the Group, Mr. Hannes Reichl may terminate his contract after six months and, subject to further conditions, claim the severance payment of up to EUR 1.6 million stated in the compensation report. If Mr. Reichl has already been in office for at least one year at the time of the change of control case, the option rights specified in the compensation report do not expire in the event of a resignation and termination, but may be executed after the four-year waiting period has expired if the authorization decision conditions are met at the Annual General Meeting. According to this regulation, a change of control exists if Mr. Frank Gotthardt and his family own less than 25 percent of the shares of CompuGroup Medical SE or if another natural person or legal entity owns more shares in CompuGroup Medical SE than Mr. Frank Gotthardt and his family.

Should there be a "change-of-control" of the Group, Dr. Ralph Körfgen may terminate his contract after four months and claim the severance payment of up to EUR 1.6 million stated in the compensation report. If Dr. Körfgen has already been in office for at least one year at the time of the change of control case, the option rights specified in the compensation report do not expire in the event of a resignation and termination, but may be executed after the four-year waiting period has expired if the authorization decision conditions are met at the Annual General Meeting. According to this regulation, a change of control exists if Mr. Frank Gotthardt and his family own less than 30 percent of the shares of CompuGroup Medical SE or if another natural person or legal entity owns more shares in CompuGroup Medical SE than Mr. Frank Gotthardt and his family.

Share Repurchase Programs

First Share Repurchase Program 2018

On July 5, 2018, CompuGroup Medical SE announced a share buyback program for up to 500,000 shares, a total volume of up to EUR 23 million and a term until December 31, 2018. The program began on July 16, 2018 and was implemented through the repurchase of shares via the stock exchange (Xetra trading on the Frankfurt Stock Exchange) by a mandated securities trading bank. CompuGroup Medical SE thus made use of the authorization granted by the Annual General Meeting on May 20, 2015, to buy back own shares. The repurchase was financed from existing cash as well as the use of existing credit facilities. Although CompuGroup Medical SE may use the repurchased shares for all purposes in accordance with the authorization granted on May 20, 2015, the Company intends to redeem the majority of the repurchased shares or to use them for possible acquisition purposes.

The program ended on October 17, 2018 because of completion of the volume of EUR 23 million. In total, 469,226 own shares were purchased, corresponding to 0.8816 percent of the subscribed share capital. Total amount paid for the shares was EUR 22,999,970.15, corresponding to a price per share of EUR 49.02.

Second Share Repurchase Program 2018
On December 13, 2018, CompuGroup Medical SE announced a share buyback program for up to 500,000 shares, a total volume of up to EUR 20 million and a term until April 30, 2019. The program began on December 17, 2018 and is implemented through the repurchase of shares via the stock exchange (Xetra trading on the Frankfurt Stock Exchange) by a mandated securities trading bank. CompuGroup Medical SE thus makes use of the authorization granted by the Annual General Meeting on May 20, 2015, to buy back own shares. The repurchase will be financed from existing cash as well as the use of existing credit facilities. Although CompuGroup Medical SE may use the repurchased shares for all purposes in accordance with the authorization granted on May 20, 2015, the Company intends to redeem the majority of the repurchased shares or to use them for possible acquisition purposes.

As of December 31, 2018, the program was still active. In the period December 17, 2018 to December 31, 2018, a total of 48,501 own shares were purchased, corresponding to 0.0911 percent of the subscribed share capital. Total amount paid for the shares was EUR 1,941,260.46, corresponding to a price per share of EUR 40.03.

As of the end of the reporting period, CompuGroup Medical held 4,013,458 own shares or around 7.54 percent of equity capital.

Corporate Governance declaration

The Corporate Governance declaration pursuant to § 289a HGB is published on the company's website at https://www.cgm.com/corp/ueber_uns_1/investor_relations/coporate_governance/erklaerung_zur_unternehmensfuehrung/unternehmensfuehrung.en.jsp. It includes the declaration in accordance with § 161 AktG and details on key corporate governance practices and operation of management and supervisory board.

Remuneration System

The compensation report of CompuGroup Medical presents the principles for establishing Management and Supervisory Board compensation as well as the amounts and structure involved.

Compensation of the Management Board
Total compensation of members of the Management Board comprises results-independent and results-dependent components. The level of compensation is mainly dependent on the responsibilities of the particular Management Board member, his or her personal performance, and the economic situation of the Company. In addition, the success and future prospects of the Company in the appropriate field of comparison are important criteria in determining the compensation. The components of the results-independent compensation are a fixed salary and fringe benefits, while the results-dependent compensation components consist of management bonus payments.

The fixed salary, a base compensation independent of performance, is paid out monthly as salary. In addition, the members of the Management Board, except the Chief Executive Officer, receive fringe benefits in the form of in-kind compensations, which consist essentially of the use of a Company car. The use of a Company car is taxable due to its attribution as a component of compensation for each member of the Management Board.

The results-dependent compensation depends on goals agreed individually with each Management Board member, including goals measured over a multi-year period (long-term incentive). For all Management Board members, the long-term incentive is based on goals related to organic growth and consolidated EBITA. The (quantitative and qualitative) targets on which the calculation of bonus payments is based and their weighting are focused on sustainable Company management in accordance with Section 87 AktG.

Loans were not made to members of the Management Board during the reporting year. No member of the Management Board received benefits or corresponding commitments from a third party in the past financial year in consideration of his or her activity as a member of the Management Board. There are no pension commitments to any of the members of the Management Board.

On December 14, 2012, the Supervisory Board of CompuGroup Medical SE appointed Frank Gotthardt for a new four and a half year term as CEO, starting July 1, 2013 and ending December 31, 2017. In addition to an annual fixed salary of EUR 660,000, Mr. Frank Gotthardt is entitled to a performance-related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from fiscal year 2016. In the last year of his term (fiscal year 2017), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2018 than in fiscal 2017. Otherwise, the bonus for the fiscal year 2017 is reduced proportionally.

On March 16, 2017, the Supervisory Board of CompuGroup Medical SE appointed Frank Gotthardt for a new five year term as CEO, starting January 1, 2018 and ending December 31, 2022. In addition to an annual fixed salary of EUR 800,000, Mr. Frank Gotthardt is entitled to a performance-related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2022, the period of averaging is reduced from fiscal year 2021. In the last year of his term (fiscal year 2022), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2023 than in fiscal 2022. Otherwise, the bonus for the fiscal year 2022 is reduced proportionally. Should Frank Gotthardt during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries).

On March 17, 2016, the Supervisory Board of CompuGroup Medical SE appointed Christian B. Teig for a third four year term as CFO, starting October 1, 2016 and ending September 30, 2020. In addition to an annual fixed salary of EUR 400,000, Christian B. Teig has been granted a results dependent compensation of up to EUR 400,000 per year, composed of two equal components each with a maximum of EUR 200,000 per year. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-based compensation component is measured by the average EBITA and average organic growth in the financial year and the previous period. As fringe benefit, Christian B. Teig is also entitled to a company car. In the Supervisory Board meeting held on March 17, 2016, the exercise period for the 375,000 stock options held by Christian B. Teig with an exercise price of EUR 5.50 per share was extended until September 30, 2020. The stock options may be exercised at any time before this date (American options) without taking further conditions into account. Should Christian B. Teig during the contract period become permanently disabled, the service contract is terminated six months after determination of incapacity. In the event of termination by the Company, Mr. Christian B. Teig receives a severance payment in the amount of up to EUR 1,800,000 or the amount of the total compensation that would be payable for the remaining term of the employment contract after the early termination. The service contract also includes a change of control clause (section "Information required by § 315 Section 4 of the German Commercial Code"). In the event of a change of control, Christian B. Teig has the right to cancel his contract within one month to the end of the month and the aforementioned severance payment shall be paid in full.

On September 8, 2016, the Supervisory Board of CompuGroup Medical SE appointed Uwe Eibich for a second four year term as member of the Management Board, starting January 1, 2017 and ending December 31, 2020. In addition to an annual fixed salary of EUR 400,000, Uwe Eibich has been granted a results-dependent compensation of up to EUR 200,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Uwe Eibich is entitled to an additional performance-based compensation over the contract term of up to EUR 600,000. The second performance-related remuneration depends on the revenue from business in relation to the introduction of the Telematik Infrastructure in Germany as well as on recurring revenue from other eHealth services CGM provides on the basis of the Telematik Infrastructure. Uwe Eibich is also entitled to a company car. Should Mr. Uwe Eibich during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Uwe Eibich receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 600,000.

At its meeting on March 19, 2015, the Supervisory Board of CompuGroup Medical SE decided to expand the Management Board by adding the "Process and Efficiency Management" section, and at the same time appointed Frank Brecher in the new position as Chief Process Officer (CPO) with effect from April 1, 2015 and for a period of four years until March 31, 2019. In addition to an annual fixed salary of EUR 300,000, Frank Brecher was granted a results dependent compensation of up to EUR 300,000 per year, composed of one component equal to maximum EUR 200,000 per year and the second equal to maximum EUR 400,000 over the contract period. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-related remuneration component is based on EBITA and organic growth. Frank Brecher is also entitled to a company car. Should Mr. Frank Brecher during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Frank Brecher receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000.

At its meeting on September 20, 2018, the Supervisory Board of CompuGroup Medical SE appointed Frank Brecher for a second four year term as CPO, starting April 1, 2019 to March 31, 2023. In addition to an annual fixed salary of EUR 400,000, Frank Brecher has been granted a results-dependent compensation of up to EUR 200,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Frank Brecher is entitled to an additional performance-based compensation over the contract term of up to EUR 300,000. This second performance-related remuneration component is based on EBITA and organic growth. Frank Brecher is also entitled to a company car. Should Mr. Frank Brecher during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Frank Brecher receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000.

At its meeting on October 2, 2018, the Supervisory Board of CompuGroup Medical SE decided to further expand the Management Board by adding two new board positions, one for "Ambulatory & Pharmacy Information Systems" and one for "Clinical & Social Care". At the same time, the Supervisory Board appointed Dr. Ralph Körfgen for a three year term as Board Member for Ambulatory & Pharmacy Information Systems starting November 1, 2018 and until October 31, 2021. In addition to an annual fixed salary of EUR 400,000, Dr. Körfgen has been granted a results-dependent compensation of up to EUR 400,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Dr. Körfgen receives a share-based remuneration in the form of synthetic or real options corresponding up to 250,000 CompuGroup shares. The choice between synthetic and real options shall be decided by the Supervisory Board of CompuGroup Medical SE before June 2019. The 250,000 share options can only be executed if a new contract period is agreed which extends beyond October 31, 2023, after which the options can be executed until the end of the second contract term. The exercise price of the stock options is EUR 46.12 and additional restrictions and conditions apply which may limit the volume of shares, adjust the exercise price and otherwise preclude Dr. Körfgen from utilizing the option rights. In the event that a second contract term is not offered to Dr. Körfgen, he is entitled under additional terms and conditions to a cash bonus corresponding to one third of the option value as at October 31, 2021. With all its terms and conditions, the fair value of the share-based compensation on its grant date was EUR 3.92 per share option. Dr. Körfgen is also entitled to a company car. Should Dr. Körfgen during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Dr. Körfgen receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 1.6 million. The service contract also contains a change-of-control clause (Section "Takeover-Relevant Information According to §315 (4) HGB), according to which Dr. Ralph Körfgen is entitled in the event of a change of control to cancel within three months to the end of the month and to receive maximum 150 percent of the severance cap.

At its meeting on October 2, 2018, the Supervisory Board appointed Hannes Reichl for a four year term as Board Member for Clinical & Social Care starting November 1, 2018 and until October 31, 2022. In addition to an annual fixed salary of EUR 400,000, Mr. Reichl has been granted a results-dependent compensation of up to EUR 400,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Reichl receives a share-based remuneration in the form of synthetic or real options corresponding up to 250,000 CompuGroup shares. The choice between synthetic and real options shall be decided by the Supervisory Board of CompuGroup Medical SE before June 2019. The 250,000 share options can only be executed if a new contract period is agreed which extends beyond October 31, 2023, after which the options can be executed until the end of the second contract term. The exercise price of the stock options is EUR 46.12 and additional restrictions and conditions apply which may limit the volume of shares, adjust the exercise price and otherwise preclude Mr. Reichl from utilizing the option rights. In the event that a second contract term is not offered to Mr. Reichl, he is entitled under additional terms and conditions to a cash bonus corresponding to one third of the option value as at October 31, 2022. With all its terms and conditions, the fair value of the share-based compensation on its grant date was EUR 6.72 per share option. Mr. Reichl is also entitled to a company car. Should Mr. Reichl during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Reichl receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 1.6 million. The service contract also contains a change-of-control clause (Section "Takeover-Relevant Information According to §315 (4) HGB), according to which Hannes Reichl is entitled in the event of a change of control to cancel within three months to the end of the month and to receive maximum 150 percent of the severance cap.

Management board compensation tables

	Frank Gotthardt CEO Joined Management Board 29.09.1993					
	Benefits granted				Inflows	
	2017	2018	2018 (min.)	2018 (max.)	2017	2018
Fixed compensation	660,000	800,000	800,000	800,000	660,000	800,000
Fringe benefits	0	0	0	0	0	0
Total	660,000	800,000	800,000	800,000	660,000	800,000
One-year variable compensation	0	0	0	0	0	0
Multi-year variable compensation	0	0	0	0	0	0
Long-term incentive (01.07.2013-31.12.2017)	1,422,598	0	0	0	1,403,959	1,629,779
Long-term incentive (01.01.2018-31.12.2022)	0	3,393,700	0	0	0	0
Other	0	0	0	0	0	0
Total	2,082,598	4,193,700	800,000	800,000	2,063,959	2,429,779
Service cost	0	0	0	0	0	0
Total	2,082,598	4,193,700	800,000	800,000	2,063,959	2,429,779

	Christian B. Teig CFO Joined Management Board 01.10.2008					
	Benefits granted				Inflows	
	2017	2018	2018 (min.)	2018 (max.)	2017	2018
Fixed compensation	400,000	400,000	400,000	400,000	400,000	400,000
Fringe benefits	41,274	41,274	41,274	41,274	41,274	41,274
Total	441,274	441,274	441,274	441,274	441,274	441,274
One-year variable compensation	165,000	168,966	0	200,000	130,000	150,000
Multi-year variable compensation	0	0	0	0	0	0
Long-term incentive (01.10.2016-30.09.2020)	140,340	200,000	0	200,000	0	173,127
Other	0	0	0	0	0	0
Total	746,614	810,240	441,274	841,274	571,274	764,401
Service cost	0	0	0	0	0	0
Total	746,614	810,240	441,274	841,274	571,274	764,401

	Uwe Eibich Telematics and eHealth Platforms Joined Management Board 01.01.2007					
	Benefits granted				Inflows	
	2017	2018	2018 (min.)	2018 (max.)	2017	2018
Fixed compensation	400,000	400,000	400,000	400,000	400,000	400,000
Fringe benefits	36,371	36,841	36,841	36,841	36,371	36,841
Total	436,371	436,841	436,841	436,841	436,371	436,841
One-year variable compensation	30,000	100,000	0	100,000	174,850	70,000
Multi-year variable compensation	0	0	0	0	0	0
Long-term incentive (01.01.2013 – 31.12.2016)	0	0	0	0	133,495	0
Long-term incentive (01.01.2017 – 31.12.2020)	123,200	103,717	0	150,000	0	25,764
Other	0	0	0	0	0	0
Total	589,571	640,558	436,841	686,841	744,716	532,605
Service cost	0	0	0	0	0	0
Total	589,571	640,558	436,841	686,841	744,716	532,605

	Frank Brecher CPO Joined Management Board 01.04.2015					
	Benefits granted				Inflows	
	2017	2018	2018 (min.)	2018 (max.)	2017	2018
Fixed compensation	300,000	300,000	300,000	300,000	300,000	300,000
Fringe benefits	30,902	33,539	33,539	33,539	30,902	33,539
Total	330,902	333,539	333,539	333,539	330,902	333,539
One-year variable compensation	0	150,000	0	200,000	156,022	95,000
Multi-year variable compensation	0	0	0	0	0	0
Long-term incentive (01.04.2015-31.03.2019)	57,600	74,475	0	100,000	0	0
Other	0	0	0	0	0	0
Total	388,502	558,014	333,539	633,539	486,924	428,539
Service cost	0	0	0	0	0	0
Total	388,502	558,014	333,539	633,539	486,924	428,539

	Dr. Ralph Körfgen Ambulatory & Pharmacy Information Systems Joined Management Board 01.11.2018					
	Benefits granted				Inflows	
	2017	2018	2018 (min.)	2018 (max.)	2017	2018
Fixed compensation	0	66,667	66,667	66,667	0	66,667
Fringe benefits	0	3,049	3,049	3,049	0	3,049
Total	0	69,716	69,716	69,716	0	69,716
One-year variable compensation	0	50,000	0	66,667	0	0
Multi-year variable compensation	0	0	0	0	0	0
Long-term incentive (01.11.2018-31.10.2021)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	119,716	69,716	136,382	0	69,716
Service cost	0	0	0	0	0	0
Total	0	119,716	69,716	136,382	0	69,716

	Hannes Reichl Clinical & Social Care Joined Management Board 01.11.2018					
	Benefits granted				Inflows	
	2017	2018	2018 (min.)	2018 (max.)	2017	2018
Fixed compensation	0	66,667	66,667	66,667	0	66,667
Fringe benefits	0	2,095	2,095	2,095	0	2,095
Total	0	68,762	68,762	68,762	0	68,762
One-year variable compensation	0	50,000	0	66,667	0	0
Multi-year variable compensation	0	0	0	0	0	0
Long-term incentive (01.11.2018-31.10.2022)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	118,762	68,762	135,428	0	68,762
Service cost	0	0	0	0	0	0
Total	0	118,762	68,762	135,428	0	68,762

Regarding the disclosure of management board compensation according §285 Nr 9a HGB und §314 Abs 1 Nr 6a HGB we refer to the notes to the consolidated financial statements.

Compensation of the Supervisory Board
The compensation of the Supervisory Board was established by the Annual General Meeting and is regulated by Section 16 of the Company's articles of association. The compensation is geared to the functions and the responsibilities of the members of the Supervisory Board.

The compensation of the Supervisory Board is based on an annual fixed amount. In the past financial year, there was a change in the amount of compensation of the individual members of the Supervisory Board compared to the previous year.

The chairman of the Supervisory Board receives one and a half times the compensation granted to the other members of the Supervisory Board. Accordingly, the Chairman of the Supervisory Board receives a fixed amount of EUR 90 thousand while all other members receive EUR 60 thousand each. All other expenses arising from the members' activities on the Supervisory Board are also recompensed (notably travel expenses). This results in the following allocation for the reporting year:

Supervisory Board compensation 2018

	Supervisory Board compensation EUR
Dr. Esser, Klaus	90,000
Dr. Gotthardt, Daniel	60,000
Dr. Handel, Ulrike	60,000
Seifert, Thomas	50,000
Pagenkopf, Maik	60,000
Schrod, Klaus	60,000
Total	380,000

Supervisory Board compensation 2017

	Supervisory Board compensation EUR
Dr. Esser, Klaus	90,000
Dr. Flach, Ulrike (until 10.05.2017)	25,000
Dr. Handel, Ulrike (from 10.05.2017)	40,000
Dr. Gotthardt, Daniel	60,000
Rene Obermann	60,000
Schrod, Klaus	60,000
Pagenkopf, Maik	60,000
Total	395,000

Additional compensation is paid to employee representatives on the Supervisory Board for activities outside the Supervisory Board at arm's length terms and conditions. No individual disclosures are made in this respect as these payments are deemed as not being of a material nature.

Dependency Report
Pursuant to § 312 AktG, the Board has submitted to the Supervisory Board the prescribed report on relations with affiliated companies (dependency report), including the declaration pursuant to § 312 para 3 of the AktG. The corporation has, based on the circumstances that were known to the Board at the time at which the transactions were made, received an appropriate consideration for each such transaction. Reportable actions according to § 312 AktG are not present.

Consolidated Statement of Financial Position

as at 31 December 2018

ASSETS

EUR `000	Notes*	31.12.2018	31.12.2017
Non-current assets			
Intangible assets	(40)	536,540	534,608
Property, plant and equipment	(41)	83,653	82,812
Interests in associates and joint ventures (valued at-equity)	(42)	9,716	10,734
Other investments	(42)	725	172
Receivables from finance leases**	(46)	11,984	11,178
Contract assets	(47)	1,598	0
Other financial assets	(48)	1,606	1,510
Other non-financial assets	(49)	1,200	0
Deferred tax assets	(43)	8,476	6,041
		655,498	**647,055**
Current assets			
Inventories	(44)	19,579	12,497
Trade account receivables	(45)	105,597	110,908
Receivables from finance leases**	(46)	5,802	5,197
Contract assets	(47)	8,409	0
Other financial assets	(48)	2,623	2,118
Other non-financial assets	(49)	15,588	10,351
Income tax receivables	(43)	8,854	6,521
Cash & cash equivalents	(50)	25,302	30,362
		191,754	**177,954**
Assets qualified as held for sale	(51)	1,059	0
		848,311	825,009

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'
** In the previous year, receivables from finance leases were stated under trade account receivables
(The enclosed notes are an integral part of the consolidated financial statements)

EQUITY AND LIABILITIES

EUR `000	Notes*	31.12.2018	31.12.2017
Equity	**(52)**		
Subscribed capital		53,219	53,219
Treasury shares		–45,259	–20,292
Reserves		262,928	201,247
Capital and reserves allocated to the shareholders of the parent company		**270,888**	**234,174**
Non-controlling interests		2,111	1,886
		272,999	**236,060**
Non-current liabilities			
Provisions for post-employment benefits and other non-current provisions	(53)	24,785	24,806
Liabilities to banks	(54)	302,602	318,118
Contract liabilities	(57)	7,108	0
Purchase price liabilities	(55)	3,789	5,321
Other financial liabilities	(59)	17,135	9,018
Other non-financial liabilities	(59)	1,263	1,427
Deferred tax liabilities	(43)	43,510	48,976
		400,192	**407,666**
Current liabilities			
Liabilities to banks	(54)	5,822	34,241
Contract liabilities	(57)	33,951	0
Purchase price liabilities	(55)	9,486	9,078
Trade payables	(56)	39,293	43,944
Income tax liabilities	(43)	18,750	15,261
Other provisions	(58)	37,700	33,237
Other financial liabilities	(59)	11,592	9,063
Other non-financial liabilities	(59)	18,286	36,459
		174,880	**181,283**
Liabilities related to assets held for sale	(60)	240	0
		848,311	825,009

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'
(The enclosed notes are an integral part of the consolidated financial statements)

Income Statement

for the reporting period 2018

EUR '000	Notes*	01.01.-31.12.2018	01.01.-31.12.2017
Sales revenues	(61)	717,023	582,375
Capitalized in-house services	(62)	18,512	16,806
Other income	(63)	8,034	10,649
Expenses for goods and services purchased	(64)	–151,428	–107,149
Personnel costs	(65)	–286,767	–269,524
Net impairment losses on financial and contract assets		–2,562	–4,964
Other expenses	(66)	–120,330	–99,749
Earnings before interest, taxes, depr. and amortization (EBITDA)		**182,482**	**128,444**
Depreciation of property, plant and equipment	(67)	–11,415	–9,147
Earnings before interest, taxes and amortization (EBITA)		**171,067**	**119,297**
Amortization of intangible assets	(67)	–33,188	–29,228
Earnings before interest and taxes (EBIT)		**137,879**	**90,069**
Result from associates recognized at equity	(68)	–293	–1,136
Financial income	(69)	2,010	3,754
Financial expenses	(69)	–10,845	–27,131
Earnings before taxes (EBT)		**128,751**	**65,556**
Income taxes for the period	(70)	–36,156	–33,813
Results from continued operations		**92,595**	**31,743**
Profit for the period from discontinued operations		0	–61
Consolidated net income of the period		**92,595**	**31,682**
of which: allocated to the parent company		92,338	31,250
of which: allocated to non-controlling interests		257	432
Earnings per share (for profit from continuing operations)	**(71)**		
undiluted (EUR)		1.86	0.63
diluted (EUR)		1.85	0.63

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'
(The enclosed notes are an integral part of the consolidated financial statements)

Consolidated Statement of the Comprehensive Income

for the reporting period 2018

EUR '000	Notes*	01.01.-31.12.2018	01.01.-31.12.2017
Consolidated net income for the period		**92,595**	**31,682**
Items that will not be reclassified to profit or loss at a future point in time			
Actuarial gains and losses from pensions		878	–36
Changes in actuarial gains and losses	(53)	1,318	–57
Deferred income taxes	(43)	–440	21
Items that may be reclassified to profit or loss at a future point in time			
Currency conversion differences	(52)	927	3,500
of which changes in equity		–3,217	3,500
of which changes in income (recycling)		4,144	0
Operating income and expense recognized directly in equity (Other comprehensive income)		**1,805**	**3,464**
Total comprehensive income for the period		**94,400**	**35,146**
of which: allocated to the parent company		94,143	34,714
of which: allocated to non-controlling interests		257	432

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'
(The appended notes are an integral part of the consolidated financial statements)

Changes in Consolidated Equity

for the reporting period 2018

EUR `000	Subscribed capital	Treasury shares	Reserves	Accumulated other comprehensive income Currency conversion	Equity attributable to shareholders of CGM SE	Non-controlling interests	Consolidated equity
Balance as at 31.12.2016	**53,219**	**–20,292**	**208,640**	**–23,737**	**217,830**	**823**	**218,653**
Consolidated net income for the period	**0**	**0**	**31,250**	**0**	**31,250**	**432**	**31,682**
Other comprehensive income	**0**	**0**	**–36**	**3,500**	**3,464**	**0**	**3,464**
Changes in the fair value of cashflow hedges	0	0	0	0	0	0	0
Reversals of cashflow hedges	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	–36	0	–36	0	–36
Currency conversion differences	0	0	0	3,500	3,500	0	3,500
Total comprehensive income for the period	**0**	**0**	**31,214**	**3,500**	**34,714**	**432**	**35,146**
Transactions with shareholders	**0**	**0**	**–18,375**	**0**	**–18,375**	**632**	**–17,743**
Capital contribution	0	0	0	0	0	0	0
Dividend distribution	0	0	–17,403	0	–17,403	–25	–17,428
Non-controlling interests from acquisitions	0	0	0	0	0	87	87
Additional purchase of shares from non-controlling interests after control	0	0	–972	0	–972	570	–402
Other changes (Previous year: Changes in scope of consolidation)	0	0	5	0	5	–1	4
Balance as at 31.12.2017	**53,219**	**–20,292**	**221,484**	**–20,237**	**234,174**	**1,886**	**236,060**
Changes due to the application of new standards IFRS 15 and IFRS 9	**0**	**0**	**–15,052**	**0**	**–15,052**	**0**	**–15,052**
Consolidated net income for the period	**0**	**0**	**92,338**	**0**	**92,338**	**257**	**92,595**
Other comprehensive income	**0**	**0**	**878**	**927**	**1,805**	**0**	**1,805**
Changes in the fair value of cashflow hedges	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	878	0	878	0	878
Currency conversion differences	0	0	0	927	927	0	927
Total comprehensive income for the period	**0**	**0**	**93,216**	**927**	**94,143**	**257**	**94,400**
Transactions with shareholders	**0**	**–24,967**	**–17,409**	**0**	**–42,376**	**–32**	**–42,408**
Capital contribution	0	0	0	0	0	0	0
Dividend distribution	0	0	–17,403	0	–17,403	–103	–17,506
Stock options program	0	0	95	0	95	0	95
Non-controlling interests from acquisitions	0	0	–29	0	–29	29	0
Additional purchase of shares from non-controlling interests after control	0	0	–72	0	–72	42	–30
Buyback of treasury shares	0	–24,967	0	0	–24,967	0	–24,967
Other changes	0	0	–1	0	–1	0	–1
Balance as at 31.12.2018	**53,219**	**–45,259**	**282,238**	**–19,310**	**270,888**	**2,111**	**272,999**

(The enclosed notes are an integral part of the consolidated financial statements)

Cash Flow Statement

for the reporting period 2018

EUR '000	Notes*	01.01.-31.12.2018	01.01.-31.12.2017
Consolidated net income for the period		92,595	31,682
Depreciation of property, plant and equipment and amortization of intangible assets	(67)	44,603	38,375
Earnings on sale of fixed assets	(63), (66)	–84	–277
Change in provisions (including income tax liabilities)		7,553	3,663
Change in deferred taxes	(70)	–5,072	–1,113
Other non-cash earnings/ expenditures		11,970	17,593
		151,565	**89,923**
Change in inventories		–7,071	–6,999
Change in trade receivables and other receivables		–4,621	1,550
Change in income tax receivables		–2,173	–2,552
Change in other receivables		–6,600	2,691
Change in trade payables		–4,700	11,926
Change contract Liabilities		–3,138	0
Change in other liabilities		13,086	–10,654
Operating cash flow- continuing operations		**136,348**	**85,885**
Operating cash flow - discontinued operations		**0**	**–62**
Operating cash flow		**136,348**	**85,823**
Cash outflow from the disposals of intangible assets		554	88
Cash outflow for capital expenditure in intangible assets		–27,626	–22,887
Cash inflow from disposals of property, plant and equipment		515	587
Cash outflow for capital expenditures in property, plant and equipment		–12,727	–18,673
Net cash outflow for acquisitions (less acquired cash and cash equivalents)	(11)	–4,811	–7,709
Cash outflow for acquisitions from prior periods		–3,600	–2,523
Cash inflow from the disposal of subsidiaries and business units		215	500
Cash outflow for capital expenditures in joint ventures and associated companies		0	–5,490
Cash flow from investing activities - continuing operations		**–47,480**	**–56,107**
Cash flow from investing activities - discontinued operations		**0**	**1,160**
Cash flow from investing activities		**–47,480**	**–54,947**
Buyback of own shares		–24,967	0
Dividends paid	(52)	–17,403	–17,403
Dividends paid to non-controlling interests	(52)	–103	–25
Acquisition of additional shares from non-controlling interests	(52)	–30	–402
Cash outflows for the amortization of liabilities from finance leases		–6,971	–3,566
Cash inflow from assumption of loans	(54)	297,329	85,021
Cash outflow from the repayment of loans	(54)	–341,265	–91,607
Cash flow from financing activities - continuing operations		**–93,410**	**–27,982**
Cash flow from financing activities - discontinued operations		**0**	**0**
Cash flow from financing activities		**–93,410**	**–27,982**
Cash and cash equivalents at the beginning of the period	(50)	30,362	27,756
Change in cash and cash equivalents		–4,542	2,892
Changes in cash and cash equivalents due to exchange rate fluctuations		–518	–286
Cash and cash equivalents at the end of the period	**(50)**	**25,302**	**30,362**
Interest paid		8,104	8,414
Interest received		877	900
Income tax paid		35,333	27,598

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'
(The enclosed notes are an integral part of the consolidated financial statements)

Consolidated Notes for the 2018 Financial Year

A. GENERAL DISCLOSURES

1. Company information

CompuGroup Medical SE (in the following "Company" or "CGM") is an European Stock Company (Societas Europea, SE) registered in Germany in the Commercial Register of the Koblenz Municipal Court under HRB No. 24981.

CompuGroup Medical SE is the ultimate parent company of the Group. The place of business is Maria Trost 21, 56070 Koblenz in Germany. The purpose of the Company and its core business activities can be described as follows:

In the fiscal year 2017, CompuGroup Medical SE, changed it`s segment reporting. After the amendments to the segment reporting, CGM is divided into four business segments

+ Ambulatory Information Systems (AIS),
+ Pharmacy Information Systems (PCS),
+ Hospital Information Systems (HIS), and
+ Health Connectivity Services (HCS).

These segments are the basis for the Company's segment reporting. The range of services of these three business segments can be illustrated as follows:

+ AIS: Development and sale of practice software solutions as well as the supply of services for physicians and dentists and laboratories. Furthermore, internet providing services are offered for physicians and other participants in the health sector.
+ PCS: Development and sale of software solutions as well as the supply of services for pharmacies.
+ HIS: Development and sale of clinical software solutions as well as the supply of services.
+ HCS: Connecting service providers (physicians, dentists, hospitals, and pharmacies) with other important market participants in the healthcare sector, such as health and care insurance providers, pharmaceutical companies and research institutes. In addition, internet provider services are offered to physicians and other participants in the healthcare sector.

2. Reporting principles and fundamental principles

The consolidated financial statement encloses the financial statements of CompuGroup Medical SE and its subsidiaries (also referred to in the following as "CGM Group"). As in the prior year, the consolidated financial statements of CGM Group as of 31 December 2018 has been prepared in accordance with Section 315e Handelsgesetzbuch (HGB – German Commercial Code) and in compliance with the International Financial Reporting Standards (IFRS).

For the financial year 2018 the International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – and the interpretations of the International Financial Interpretations Committee (IFRSIC) – previously the Standing Interpretations Committee (SIC) – as applicable in the EU have been applied as amended. The application of the individual standards is described in the explanatory notes sections to the consolidated financial statement.

Supplementary, the rules and regulations of the commercial law according to Section 315e HGB have been applied.

The consolidated financial statement for 31.12.2018 has been prepared by the Management Board of CGM and will be reviewed by the audit committee on 18 March 2019. The consolidated financial statement will be reviewed, approved and released for publication by the Supervisory Board at its meeting on 18 March 2019.

Unless stated otherwise, the consolidated financial statement is presented in thousands of Euro (EUR '000). Smaller deviations in absolute numbers and in the calculation of percentage rates may occur due to rounding differences.

The income statement as well as the consolidated statement of the comprehensive income and the consolidated statement of financial position for CGM Group are in accordance with the requirements of IAS 1, whereupon the income statement is being prepared according to the nature of expense method.

All subsidiaries of CGM are instructed to use the same accounting and measurement principles by applying the Group accounting policy.

The consolidated financial statement is primarily based on the historical cost principle. Unless stated otherwise, assets and liabilities are carried on the basis of historical cost, less necessary impairment, write-downs or depreciations (fair value).

The estimates and assumptions applied to prepare the consolidated financial statement according to IFRS have effects on the valuation of assets (goodwill; deferred tax assets) and debts (accruals; purchase price liabilities), the disclosure of contingent assets and liabilities at the respective balance sheet dates as well as the amount of income and expenses for the reporting period. Although these assumptions and estimates have been made to the Management Board's best estimate, the actual results can differ from such estimations and assumptions.

B. PRINCIPLE ACCOUNTING AND MEASUREMENT METHODS

3. Principles for the preparation of the consolidated financial statements

The consolidated financial statement of CGM was prepared on the basis of historical cost. This principle does not apply to certain financial instruments that are measured at balance sheet date with their revaluation amount or at fair value. Details are provided in the explanatory notes to the respective accounting and measurement methods.

In general, historical costs are based on the fair value of the consideration, which has been provided in exchange for the respective asset.

The fair value is the amount that would be paid for an asset or paid to transfer a liability between market participants at the measurement date. This applies irrespectively of whether the amount is directly observed at the market or estimated based on the best possible measurement method.

When measuring the fair value of an asset or a liability, CGM takes into account certain characteristics of the asset or the liability, such as the condition and location of the asset or restrictions on the sale or the use of the asset, provided that the market participants also took these characteristics into account when determining the purchase price of an asset or the transfer of a liability at the balance sheet date. In these consolidated financial statement, the fair value to be applied for the measurement and/or disclosure requirements is generally determined on the basis of the previously-described principles. The only exceptions are:

+ Share-based payments within the scope of IFRS 2 "Share-based Payment",
+ Leases that belong to the scope of IAS 17 "Leases", and
+ Measurement criteria similar but not equal to the fair value. This includes, among other things the net realizable value according to IAS 2 "Inventories" or the value in use according to IAS 36 "Impairment of Assets".

The fair value is not always available as a market value, which often necessitates a determination based on various measurement parameters. Depended from the availability of observable parameters and the relevance of these parameters for determining the fair value in total, the fair value is assigned to level 1, 2 or 3. The assignment of the fair value to those levels takes place in accordance with the following criteria:

+ Level 1 parameters: Values for market value determination are not listed, unadjusted prices. Essential is the tradeability on the measurement date in the main market or in the most profitable market.
+ Level 2 parameters: The market value for assets and liabilities is based on parameters for which either directly or indirectly derived quoted prices are also available to an active market. Examples: price quotations in non-active markets; observable interest rates and curves; implied volatilities; Credit Spreads and Adjusted Level 1 - Inputs.
+ Level 3 parameters are unobservable input parameters which have to be developed to simulate the assumptions of market participants who would apply this when determining an appropriate price for the asset/liability.

4. New and revised standards, interpretations and amendments to published standards applied for the first time in 2018

The applied methods of accounting and valuation correspond basically to those used in the previous financial year. For new applicable IFRS standards which has been first time adopted on 1 January 2018, the effects on CGM's accounting and valuation methods are outlined below:

Standard (Issue date)	Subject matter	Effective for financial years beginning on or after (EU)
IFRIC 22 (8 December 2016)	The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.	1 January 2018
Amendment to IAS 40 (8 December 2016)	Clarification for the application of section 57 of IAS 40. The amendments are aimed to strenghten especially the principal of transfering into or out of the portfolio of real estate held as financial investment by bringing out that such a transfer is only possible in case of a change in use.	1 January 2018
Amendment to IFRS 2 (20 June 2016)	Clarification for the consideration of vesting conditions (service conditions, market conditions and market-independent perfomance conditions) in the scope of the assesment for cash settled share-based payments. Classification of shared-based payments, which provide a net settlement. The accounting of a modification in the case it leads to a change in classification of the payment from "as chash settled" to "with settlement through equity".	1 January 2018
Annual Improvements to IFRS (2014-2016 Cycle) (8 December 2016)	The annual improvement process affects following standards: IFRS 1, IFRS 12, IAS 28.	1 January 2018/ 1 January 2017

Amendment to IFRS 4 (12 September 2016)	Changes are based on the common application of IFRS 9 with IFRS 4. This does not include a complete amendment to the financial accounting but a transitional arrangement: insurers have the opportunity of a provisional postponement for the application of IFRS 9 (Deferral approach). Furthermore, serveral expenses and revenues developing from qualified assets can be reclassified from the P&L to the other comprehensive income (Overlay approach)..	1 January 2018
IFRS 9 (24 July 2014)	IFRS 9 contains requirements governing the recognition and measurement of financial instruments, derecognition and hedge accounting. The final version of IFRS 9 replaces all previously versions.	1 January 2018
IFRS 15 (28 May 2014) icluding amendments to IFRS 15: Effective date of IFRS 15 (11 September 2015)	The new standard establishes uniform requirements regarding the amount, time and time period of revenue recognition. The standard will in future replace the existing requirements governing revenue recognition under IAS 18 Revenue and IAS 11 Construction Contracts.	1 January 2018
Clarifcation to IFRS 15 (12 April 2016)	Explanations are aimed at a transitional relief for modified as well as closed.	1 January 2018

a) IFRIC 22 Foreign currency transactions and prepayments or advances made or received
The interpretation clarifies what exchange rate to use when initially recognizing a foreign currency transaction in a company's functional currency if the entity makes or receives prepayments on the assets, expenses or income of the underlying the transaction. In the case of an advance payment (or the receipt of a prepayment), the transaction date shall be the date of initial recognition of the non-financial asset or liability recognized for the prepayment. At this particular time, the conversion between the functional currency and the foreign currency takes place at the valid spot rate. If a company makes or receives several advance payments as part of a transaction, the transaction date and thus the exchange rate for each advance payment must be determined separately.

These regulations will have no effect on the CGM Group.

b) Amendments to IAS 40 - Transfers to and from the investment property portfolio
Transfers to or from investment property must be made in accordance with IAS 40.57, if there is a change in the use of the property. The amendments clarify that a change in use must be present and demonstrable and that the examples of changes in use listed in IAS 40.57 are not exhaustive. It is also emphasized that the pure intention of the management to make a change of use is not sufficient on its own.

The amendments have no impact on the consolidated financial statements because IAS 40 was not applicable as of 31 December 2018.

c) Amendments to IFRS 2 - Classification and Measurement of Share-based Transactions
The amendments to IFRS 2 as of 20 June 2016 include clarifications on the basis of valuation of "cash-settled grants" and on the accounting for modifications of "cash-settled grants" to "equity-settled grants". In addition, an exceptional case from the classification principles of IFRS 2 is introduced: If an employer is required to withhold a contribution to the tax liability of the employee based on a share-based payment and pay that amount in cash to the taxation authority, the entire commitment will be classified as "equity-settled", provided that such a classification without tax deduction (so-called "net settlement feature") would be appropriate.

The changes affect companies with the following agreements:
+ "equity-settled grants", where the entity is required to withhold and pay tax to the tax authority;
+ "cash-settlement grants" subject to service and / or non-market conditions;
+ "cash-settled grants" that have been modified to equity-settled grants.

The changes have no impact on the consolidated result.

d) Annual Improvements to IFRS (2014-2016 Cycle)
The annual improvements to IFRS published in 2016 are mandatory from 1 January 2018 onwards applicable regulations:

IFRS 1: Deletion of short-term, temporary exceptions to the application of transitional provisions of IFRS 7, IAS 19 and IFRS 10, as these are no longer relevant through the passage of time.

IFRS 12: The disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity`s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5.

IAS 28: Clarification that the option to acquire investments in associates or joint ventures held directly or indirectly by venture capital organizations, investment funds, unit trust and similar entities is to be measured at fair value through profit or loss for each associate or joint venture at the time must be made separately from the initial recognition.

The changes have no impact on the consolidated result.

e) Amendments to IFRS 4 - Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts
In September 2016, the IASB issued an amendment to IFRS 4 to address the concerns expressed by many insurance companies regarding the accounting consequences of the divergence between the dates of the first-time adoption of IFRS 9 and IFRS 4. The change offers the following two options for insurance companies: a temporary suspension of the application of IFRS 9 for insurance copmanies meeting certain criteria and the so-called "overlay approach". Both approaches are voluntary. IFRS 4 (including the amendments) will be suspended in the moment IFRS 17 Insurance Contracts becomes effective.

The regulations have no influence on the CGM Group.

f) IFRS 9 Financial Instruments and related amendments to various other standards
On 24 July 2014, the IASB adopted the final version of IFRS 9 Financial Instruments.

For the purpose of initial recognition, financial assets are classified in the categories amortized cost "AC", fair value through other comprehensive income "FVOCI" and fair value through profit or loss "FVtPL".

A debt instrument is measured at amortized cost if:
a.) the objective of the business model is to hold the financial asset in order to collect the contractual cash flows and
b.) the contractual cash flows from the financial asset represent only repayments and interest payments.

Valuation gains resulting from a financial asset classified as FVOCI are recognized in other comprehensive income; Impairment losses, income, foreign currency gains and losses and interest income, on the other hand, must be reported in the income statement. The valuation gains and losses recognized in the other comprehensive income have to be reclassified to the income statement when they are derecognized (recycling).

All other debt and equity instruments, including investments in complex debt and equity instruments, are accounted at fair value.

For equity instruments that do not meet the cash flow criteria due to a lack of contractual payment entitlements and are therefore to be measured at fair value through profit and loss, there is the irrevocable option of using an FVOCI option. However, a precondition is that these equity instruments are not held for trading. However, a reclassification of the amounts recognized in other comprehensive income into profit and loss does not take place (no recycling).

The classification of financial liabilities has not changed compared to IAS 39. The two valuation categories "fair value through profit or loss" (FVtPL) are also provided for financial liabilities held for trading and for the remaining financial liabilities "amortized cost (AC)". Only the rules in the event of a change in own credit risk have changed for financial liabilities measured at fair value due to the fair value option. These are to be recognized in the other comprehensive income.

With regards to the reconciliation of the classification and measurement categories of financial assets in accordance with IAS 39 to the new classification and measurement categories in accordance with IFRS 9 and the respective carrying amounts as of 1 January 2018, please refer to Note 4g.) "IFRS 15 - Revenue from Contracts with Customers ". The first-time application of IFRS 9 did not result in any significant changes in terms of classification and measurement.

The new rules for recognizing impairment losses will be based in the future on expected losses (expected loss model). In accordance with the previous provisions of IAS 39, impairments were only recognized if they relate to events from which losses are already incurred (incurred loss model). Consequently, the difference between the two models is that the expected loss model takes expected losses into account without the existence of concrete loss indicators, while losses may only be taken into account in the incurred loss model if loss indicators are already existing.

The scope of the new rules covers:
+ Financial assets measured at amortized cost (including trade receivables and services),
+ Debt instruments held by the creditor that are measured at fair value with the change in value recognized in other comprehensive income (neutral),
+ Lease receivables,
+ Irrevocable loan commitments and financial guarantees that are not measured at fair value through profit or loss,
+ Contracts within the scope of IFRS 15 Revenue from Contracts with Customers.

The extent of the impairment on financial instruments depends on the credit quality of the financial instrument since initial recognition. A total of three levels (Level 1, Level 2 and Level 3) are intended to be used for determining the level of risk provisioning. According to this model, 12-month loss expectations are generally recognized from the first time recognition. In the event of a material credit risk deterioration, the recognition of expected total losses must be applied from this date.

Level 1 initially classifies all financial instruments are on initial recognition for which an impairment loss has not already been recognized on initial recognition. They remain there as long as their credit quality does not deteriorate and the instruments continue to have a low default risk. Expected losses are recognised directly in profit or loss in an allowance account in the amount of the present value of the expected 12-month loss, starting from the respective balance sheet date.

Level 2 classifies all financial instruments for which the default risk has increased significantly, but there is (still) no objective evidence of impairment. Risk provisioning takes place in the amount of the present value of all expected losses over the entire residual term of the instrument.

If there is an objective indication of impairment in addition to the increase in default risk, the corresponding financial instrument is allocated to level 3 and risk provisioning takes place, as in level 2, in the amount of the present value of all expected losses of the residual term of the instrument.

For leasing receivables as well as trade receivables and contract assets, which represent a significant portion of the total amount of financing component, a simplified procedure may be used. A simplified procedure may be used for these instruments. For these instruments, a distinction can be made in stages and the loan loss provisions are recognized at the present value of the expected defaults within the remaining term. However, the simplified procedure is mandatory for trade receivables and contract assets that do not contain any significant financing components.

For trade receivables, IFRS 9 Financial Instruments metions a list of a so-called value adjustment matrix for the estimation of the 12-month loss and the expected residual loss on maturity , lists a so-called impairment matrix. Further explanations on the simplified impairment model in the CGM Group can be found under Note 74.) Credit risk.

The value adjustment process will be significantly influenced by the credit rating of customers in the future. The resulting fluctuations will be directly reflected in the result. The changeover from the incurred loss model to the expected loss model led to an one-time effect. The effects of additional valuation allowances on the entire receivables portfolio, including POC and finance lease receivables, amounted to EUR 995 thousand as of 01 January 2018, which were recognized negatively in reserves. For reasons of materiality, we have waived the recognition of deferred taxes, as we assume that the new valuation allowance model will also be applicable for tax purposes, with the exception of a few countries.
A detailed presentation of the impact per balance sheet item can be found in the table under the first-time adoption section of IFRS 15 and under Note E.) 78.) Credit Risk.

IFRS 9 - Financial Instruments: Hedge-Accounting
With regard to hedge accounting, IFRS 9 contains provisions that create a stronger link between balance sheet hedge accounting and operational risk management. Significant changes in the hedge accounting regulations relate in particular to the requirements for effectiveness, the acceptance of underlying transactions and the accounting for individual derivative components. The amendments to hedge accounting do not have any effects, as the CGM Group does not apply hedge accounting.

g) IFRS 15 - Revenue from Contracts with Customers
In May 2014, the IASB and US standard setter FASB published the jointly developed standards on revenue recognition. IFRS 15 is intended to establish the principles under which an entity shall provide users of its financial statements with useful information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

The regulatory requirements included in IFRS 15 have to be applied uniformly for various transactions and across all industries, while thereby enhancing the global comparability of entities' revenue disclosures (top line of financial statements). IFRS 15 is generally to be applied to all contracts with customers, except for:

- Leases within the scope of IAS 17/IFRS 16 "Leases";
- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- Insurance contracts within the scope of IFRS 4; and
- Non-financial exchanges between companies in the same industry aimed at facilitating sales to customers or potential customers..

IFRS 15 Revenue from Contracts with Customers, will replace the current standards and interpretations related to revenue recognition (IAS 11 Construction Contracts, IAS 18 Revenue as well as IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services). In contrast to the current applicable standards and interpretations, IFRS 15 is based on a single, rule based five-step model, which has to be applied to all relevant contracts with customers.

The core principle of the standard is that in order to account for the transfer of the promised goods or services to the customer, an entity must recognise revenue in the amount of the consideration it is expected to receive in exchange for those goods or services.

Five steps derivate from the principles standardized in IFRS 15.

Step 1 is to determine whether a contract with a customer falls within the scope of IFRS 15, which is the case if all of the following conditions of IFRS 15.9 are met cumulatively:
(a) the contract has been approved by the contractual parties,
(b) each party's rights in relation to the goods or services to be transferred can be identified,
(c) the payment terms for the goods or services to be transferred can be identified,
(d) the contract has commercial substance, and
(e) it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected. The assessment of probability is based solely on the customer's ability and intention to pay when the invoice falls due. In the case of variable consideration, the consideration may also be lower than the contractual price, as discounts may be granted.

Two or more contracts, that were entered into at, or near, the same time with the same customer requires to combine the contracts and to treat them for accounting purposes as one single contract if at least one of the following criteria is met:
(a) the contracts are negotiated as a package with a single commercial objective;
(b) the amount of the consideration to be paid for a contract is dependent on the price or the fulfilment of the other contract; or
(c) the goods or services promised in the contracts constitute a single performance obligation according to IFRS 15.22-30.

IFRS 15 extensively provides guidance on contract modifications which illustrate whether contracts have to be considered as separate contracts or not, depending on their arrangement (such as an increase in the range of services) or the distinctness of the services to be rendered now or in the future.

Step 2 is the identification of the performance obligations in the contract, as revenues has to be recognized at the level of individual performance obligations. Goods or services are separately identifiable and therefore classified as individual performance obligation if the customer will obtain the benefit from the transferred goods or services – regardless of any other contractually agreed performance obligations. In addition, these performance obligations must be separable from one another.

Step 3 is the determination of the transaction price, which is the expected amount an entity is entitled to be paid from the customer in exchange for the transfer of goods and services. Although this price will often be a fixed amount, the transaction price may also be a variable consideration, such as discounts, credits, performance bonuses or penalties, etc. The amount of the variable consideration needs to be estimated and is included in the transaction price. The accompanying inherent uncertainty in transactions with variable prices has to be considered to such extent that is highly probable that the omission of uncertainties will not lead to any significant change in the revenues recognized. The transaction price also includes possible financial components or non-monetary services (measured at fair value).

In step 4 the previously determined transaction price will be allocated to the individual performance obligation on the basis of their relative standalone selling prices. If a standalone selling price is not directly observable (such as from corresponding transactions with the similar individual performance obligations), the entity has to estimate the prices; whereby IFRS 15 offers various methods.

Finally, in step 5 the revenue has to be recognized according to the fulfilment of the underlying performance obligation over a period of time or at a point in time. The performance obligation is satisfied, in the moment when the control over the goods or service has been completely transferred to the customer. Control over an asset is given if the economic benefits can be obtained and the decision power about the usage of the asset is transferred.

When concluding a contract pursuant to IFRS 15, it generally has to be determined whether the revenue resulting from the contract is to be recognized at a point in time or over a period of time. Therefore, it has first to be clarified by applying specific criteria, if the control of the individual performance obligations is transferred over a period of time. If this is not the case, the revenue has to be recognized at the point in time when control is transferred to the customer. Indicators for the transfer of control are for example the legal transfer of ownership, the transfer of all substantial risks and rewards, or official acceptance.

However, if control is transferred over a longer period of time, revenue can only be recognized over time in the event that the percentage of completion can be determined reliably by using input or output methods. In addition to the general revenue recognition principles, the standard also includes detailed guidance on topics such as, transactions on sale or return basis, customer options on the purchase of additional goods or services, principal-agent relationships, as well as bill-and-hold arrangements. IFRS 15 also includes new guidelines related to costs to obtain or fulfill a contract with a customer as well as for the question at which point in time these costs have to be recognized. Costs which do not fulfill the specified criteria have to be expensed when incurred.

According to IFRS 15 the following new regulated or clarified topics will have an effect on the net assets and earnings of the CGM:
- recognition of revenues on a period of time basis
- separation of performance relationships
- bundling of contracts
- contracts on sale or return basis
- approach and assessment of costs for contracts

Especially in contracts where according to IFRS 15.53c the construction of a customer specific asset without any alternative use is the basis for the revenue recognition over a period of time, CGM expects changes on the revenue recognition for the group.

Additionally, amendments of the financial statement of the CGM could arise out of transactions in which software solutions will be sold with a guarantee (thus license sale and a maintenance agreement). The balancing of these transactions has to depend on whether
- the customer has the option to acquire the guarantee standalone
- the guarantee is part of a bundle of services and
- if this is the case, the guarantee only ensures that the software meets the agreed requirements.

The fundamental difference in the CGM Group consist in different treatment of the revenues from the sale of licenses. According to IAS 18 these have been immediately recognized by their full amount after the issuance of the license. According to IFRS 15, the license is being distributed over the minimum duration of the maintenance contract. The corresponding revenue from the license is recognized on a straight-line basis ("right to access method"), thus usually over 1-2 years (5 years in the pharmaceutical sector).

In assessing whether CGM Group sells products for its own account (principal = gross sales) or for third-party accounts (agent= net sales) there are no material changes to the existing agreements.

CompuGroup Medical SE applies the modified retrospective transition method (IFRS 15.C3(b)), according to which the cumulative effects from the first-time application are to be recognized as an adjustment to the opening balance of other reserves. The previous year's figures in the balance sheet were not adjusted. The standard is only to be applied retrospectively to contracts that have not yet been fully settled at the date of initial application.

The Group's accounting policies for its sources of income are set out in Note 35. The effects of the first-time application of IFRS 15 were recognized in equity, which reduced retained earnings by EUR 14,057 thousand. With regard to equity at the beginning of the 2018 financial year, the following effects of the first-time application of IFRS 15 were determined:
Apart from more detailed information on the Group's revenue transactions, the application of IFRS 15 had a significant impact on the Group's net assets, financial position and results of operations. The adjustment amount for each component of the financial statements affected by the application of IFRS 15 is presented below.

(1) The amounts arising from multi-component transactions in which the transfer of software licenses was bundled with the related software maintenance agreement using the right-to-access approach, increased due to the distribution method prescribed by IFRS 15 (i.e. allocation of the software license to the related software maintenance agreement and distribution of the amounts for the software license over the minimum contractual term of the related software maintenance agreement). The software licenses are paid in advance as part of the initial sales transaction, while revenue is recognized pro rata over the period of up to five years during which maintenance services are provided to the customer. CGM applies the portfolio approach in accordance with IFRS 15.4 for this purpose. Based on the previous allocation method, no amounts were deferred for software license sales. In connection with the first-time application of IFRS 15, the recognition of a contract liability as of 1 January 2018 was adjusted by EUR 44,143 thousand to reflect the change in accounting. The contract liabilities totaling EUR 41,059 thousand recognized as of 31 December 2018 would have to be reported as non-financial liabilities if IFRS 15 had not been applied.

(2) When hardware components are sold and a hardware maintenance and support contract is concluded at the same time, discounts are generally granted at the expense of the hardware sale. CGM has identified two performance obligations for this multi-component business. The amounts allocated to the sale of hardware components increased due to the allocation method prescribed by IFRS 15 (i.e. allocation based on the retail selling price), while the amounts for hardware maintenance and support contracts decreased accordingly over their term. Therefore, revenue was adjusted to reflect the change in accounting policies. Short- and long-term contractual assets were recognized for this amount.

(3) The system implementation process for software services takes on average between three and six months. In the case of very large system implementation orders (e.g. introduction of a hospital information system for a hospital chain), the implementation process can take several years. Depending on the contract structure, CGM is entitled to invoice the customer on a monthly basis, according to expenditure, milestones achieved or only upon completion of the project (acceptance by the customer). In accordance with IFRS 15, revenue that is recognized before the customer is invoiced, is recognized as an asset under a contract. This balance of EUR 10,509 thousand as of 1

January 2018 was previously reported as part of receivables from customers under construction contracts and was therefore reclassified to "Contract assets". Similarly, the (advance) payments made by the customer, which have not yet been offset by a corresponding contract asset (advance payment liabilities) from CGM's previous performance, were transferred from the item "Advance payments received" to the item "Contract liabilities". The contract assets of EUR 10,007 thousand recognized as of 31 December 2018 would have to be reported as trade receivables without the application of IFRS 15.

(4) The CGM Group incurs additional commissions which are paid to agents or its own sales staff in connection with the conclusion of sales and service agreements for software licenses, software maintenance or other service agreements. If the CGM Group expects these additional costs to be reimbursed, it capitalizes them and depreciates them over the period in which the service from the provision of the software license is transferred to the customer bundled with the software maintenance agreement or the provision of services. These amounts were previously expensed as incurred. They are reported under contract acquisition costs under other financial assets. As of 31 December 2018, the capitalized contract acquisition costs totaled EUR 2,000 thousand and were at approximately the same level as the first-time adoption effect.

(5) To recognize the effect of other recognized adjustments on deferred income taxes. The effect of the first-time application resulted in EUR 1,262 thousand higher deferred tax assets and EUR 3,681 thousand lower deferred tax liabilities.

(6) The adjustment to deferred revenue relates to the reclassification of a balance previously recognized as part of deferred revenue and reclassified as a contract liability. This balance relates to multi-component transactions in which the software license is bundled under the right-to-access approach with the associated software maintenance agreement.

(7) The balance of contract assets (liabilities) also includes a reclassification amount from receivables from customers under construction contracts.

As a result of the revaluations described above, the carrying amounts of the cash-generating units subject to an impairment test in accordance with IAS 36 changed at the time of the first-time application of IFRS 15 on 1 January 2018. The changes did not result in an impairment loss.

Due to the CGM Group's business model and the customer groups it addresses (no consumer business), there are no significant reimbursement obligations or corresponding rights to return goods, and CGM has therefore not recognized any such obligations under IFRS 15 First-time Adoption.

The following table shows the adjustment requirement per financial statement item resulting from the first-time application of IFRS 15 and 9:

EUR '000	1/1/2018	Reclassifications	Revaluations IFRS 15	Revaluations IFRS 9	After application of IFRS 15 and 9
ASSETS	825,009	0	5,492	–995	829,506
Non-current assets	647,055	0	4,055	–102	651,008
Other non-financial assets	0		1,200		1,200
Contract assets			1,593	–13	1,580
Trade receivables	11,178	–11,178			
Receivables from finance leases		11,178		–89	11,089
Deferred taxes	6,041		1,262		7,303
Current assets	177,954	0	1,437	–893	178,498
Other non-financial assets	10,351		800		11,151
Contract assets	0	8,364	637	–72	8,929
Receivables from finance leases		5,197		–42	5,155
Trade receivables	116,105	–13,561		–779	101,765
EQUITY AND LIABILITIES	825,009	0	5,492	–995	829,506
Equity	236,060	0	–14,057	–995	221,008
Reserves	201,247		–14,057	–995	186,195
Capital and reserves allocated to the shareholders of the parent company	234,174		–14,057		220,117

Non-controlling interests	1,886			1,886
Non-Current liabilities	407,666	0	3,877	411,543
Contract liabilities	0	97	7,558	7,655
Other non-financial liabilities	1,427	–97		1,330
Deferred taxes	48,976		–3,681	45,295
Current liabilities	181,283	0	15,672	196,955
Other non-financial liabilities	36,459	–20,816		15,643
Contract liabilities	0	20,816	15,672	36,488

A reassessment of the categories "loans and receivables (LaR)" and "available-for-sale assets (AfS)" reported under financial assets in the previous year according to IAS 39 was included as of 1 January 2018 in the categories of IFRS 9 at amortized cost (AC) and "at fair value through profit or loss (FVtPL)". The resulting adjustments are shown in the table above (Assessments according to IFRS 9).

h) Clarification of IFRS 15 Revenue from contracts with customers

On 12 April 2016, the IASB published amendments to clarify IFRS 15 Revenue from Contracts with Customers. The amendment to IFRS 15 clarifies the identification of an entity's performance obligations. Identification is to be based on independently identifiable commitments for goods or services. In addition, further examples are included to explain the independence of benefit obligations.

Clarifications have also been made with regard to principal-agent relationships. On the basis of the new regulations it is determined, whether an entity acts as principal or agent in the supply of goods or services to third parties. The Assessment of whether acting as principal or agent, is based on the possibility of control of goods/services before transfer to the customer. Furthermore, the existing application guidelines are adapted and existing examples are changed or extended.

In addition, open issues regarding license agreements are clarified. If a license is granted, which is independently definable from other goods services, the contractual agreement must be used to differentiate whether the revenue recognition is done over a period of time or at a point of time ("right to use" and "right to access" approach). In addition, new guidelines were introduced for IFRS 15 to clarify when an intangible asset is subject to significant change.
Furthermore, two optional practical simplifications have been introduced for first-time adoption: contracts that were changed before the beginning of the earliest presented period, are not restated retrospectively. An entity should not reassess these contracts that were completed at the beginning of the earliest presented period (only for optional full application of IFRS 15).

Like IFRS 15 itself, the clarification on IFRS 15 is mandatory for fiscal years beginning on or after 1 January 2018.
These regulations were taken into account by CGM when analyzing the effects of IFRS 15.

5. Standards, interpretations and changes to published standards to be applied in 2018 or later, which are already adopted in the European legislation ("Endorsement")

Standard (Issue date)	Subject matter	Effective for financial years beginning on or after (EU)
IFRS 16 (13. January 2016)	The core requirement of IFRS 16 is to recognized generally all leasing arrangements as well as the associated contractual rights and obligations in the balance sheet of the lessee. The previous differentiation between finance lease and operating lease applied under IAS17, is there with not applicable anymore for the lessee.	1 January 2019
Amendment to IFRS 9 (12. October 2017)	The proposed amendments to IFRS 9 relate to a limited adjustment of the assessment criteria relevant for the classification of financial assets. Financial assets with a prepayment feature with negative compensation may under certain circumstances be carried at amortized cost or at fair value through other comprehensive income at fair value through profit or loss.	1 January 2019
IFRIC 23 (7. June 2017)	IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	1 January 2019
Amendments to IAS 28 (12 October 2017)	The amendments to IAS 28 clarify that IFRS 9 has to be applied to non- current investments in associates or joint ventures, whose accounting is not carried out according to the equity method.	1 January 2019

a) IFRS 16 Leases

IFRS 16, Leases, replaces IAS 17, Leases, and the related interpretations.
The standard will be applied as of 1 January 2019. The option of early application has not been exercised. The transition to IFRS 16 has been made in accordance with the modified retrospective approach as defined by IFRS 16(C5)(b); the comparative figures for the prior-year periods have not been adjusted.

On 13 January 2016, the International Accounting Standards Board (IASB) has published IFRS 16 Leases. The core idea of the new standard is to record all leases and the associated rights and obligations in the lessee's balance sheet. In future, the distinction between finance and operating leases for the lessee required under IAS 17 will no longer apply.
The lessee recognises a lease for basically all leases in its balance sheet for the obligation to make lease payments in the future. At the same time, the lessee capitalizes a right to use the underlying asset, which generally corresponds to the present value of future lease payments plus directly attributable costs. The balance sheet of The lessee will thus have more assets and liabilities in the future, which will have a significant impact on financial ratios and credit terms.

During the term of the lease agreement, the lease liability is continued on a finance mathematical basis similar to the provisions of the previous IAS 17 for finance leases, while the right of use is amortized on a scheduled basis. This generally leads to higher expenses at the beginning of the lease term and to a shift from operating expenses to finance expenses.

In the case of the lessor, however, the arrangements of the new standard are similar to the previous ruling of IAS 17. The Leasing agreements continue to be classified as either finance or operating leases. Leases, for which substantially all the risks and chances from the ownership are transferred, are classified as finance leases, all other leases are classified as operating leases. For the classification in accordance with IFRS 16, the criteria of IAS 17 were applied.

The analysis within the framework of the Group-wide project for the first-time adoption has shown that IFRS 16 will have a material impact on the components of the consolidated financial statements and the presentation of the net assets, financial position and results of operations of the CGM Group. The Group has formed a project team to review all of the Group's lease arrangements over the past year with respect to the new accounting requirements for leases under IFRS 16.

For lessees, IFRS 16 introduces a uniform approach for the recognition of leases in the balance sheet, according to which all leases in the balance sheet recognize the rights of use to the leased assets as assets and the arrived payment obligations as liabilities. CGM has decided to recognize the right-of-use assets in the balance sheet as part of property, plant and equipment and leasing liabilities as other liabilities in the balance sheet.

For leased assets of minor value and for short-term leases (less than twelve months), there are application simplifications which the CGM Group will not make use of.

No separation is made in contracts that contain non-leasing components in addition to leasing components. Each leasing component is shown together with the corresponding other service components as a leasing relationship.

The accounting rules for lessors, on the other hand, remain largely unchanged, particularly with regard to the continued need to classify leases in accordance with IAS 17. The new leasing standard does not lead to changes for leases with customers recognized as finance lease receivables (CGM as lessor). In the case of leases that were previously classified as operating leases in accordance with IAS 17, the lease liability is recognized under IFRS 16 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the time of initial application.

The right to use of the leased asset is generally measured at an amount equal to the lease liability plus initial direct costs. In addition, advance payments and liabilities relating to the past financial year are taken into account.

Furthermore, at the date of first-time application of IFRS 16, material options and simplifications are used as follows:

In connection with the determination of the term of leasing relationships, better information obtained retrospectively (so-called "hindsight") are taken into account, if the assumptions used for the exercise of extension or termination options lead to a better estimate.

The regulation of grandfathering is not invoked. Thus, the leasing standard will become effective on 1 January 2019, and will be applied to all existing contracts that fall within the scope of application. This applies both to contracts of the lessee as well as for contracts of the lessor.

Based on management's current assessment, CGM expects the following material changes to occur within the changeover, as of 1 January 2019, whereby the formulated expectations of the balance sheet items, include possible deviations of +/-5 percentage points:

As of the balance sheet date, the Group has obligations from non-cancellable operating leases amounting to EUR 40.9 million. The CGM Group has not made use of the option for short-term contractual relationships and low-value assets and shows these in the balance sheet.

For leasing obligations, the Group expects the recognition of rights of use in the amount of EUR 40.0 million on 1 January 2019 and leasing liabilities in the amount of EUR 39.5 million as an effect from the first-time application of IFRS 16. Furthermore, we assume that only minor effects from deferred taxes will result from the first-time application.

The CGM Group expects profit after tax to decline by around EUR 0.3 million in 2019 as a result of the adoption of the new regulations. Group EBITDA is expected to increase by approximately EUR 14.5 million excluding exchange rate effects as the operating lease payments will no longer be reported in Group EBITDA in the future. Depreciation and amortization is expected to amount to approximately EUR 14.1 million in 2019. Interest expense is expected to increase by approximately EUR 0.7 million.

Other reserves from initial direct costs will increase slightly at the date of first-time application. Due to the balance sheet extension, the equity ratio will decrease by around 1.4 percentage points. As a result of the significant increase in leasing liabilities, net financial debt will increase accordingly.

We expect the cash flow from operating activities to improve in the future, as the depreciation of rights of use, which are included in the consolidated net income for the year, will be added back. In the cash flow statement, the repayment portion of the lease payments from previous operating leases will in future reduce the cash flow from financing activities and no longer the cash flow from operating activities. Only the interest payments will remain in the cash flow from operating activities.

Leases of intangible assets do not apply according IFRS 16, but according to IAS 38.

b) Amendment to IFRS 9

On 12 October 2017, the IASB published an amendment to IFRS 9 entitled "Prepayment Features with Negative Com-pensation". With this minor amendment to IFRS 9, the IASB intends to clarify or adapt the existing regulations in this regard. The background to this is the ambiguous application of this rule in the case of financial instruments which contain symmetrical termination and compensation clauses, whereby compensation could in theory be paid both by the debtor to the creditor and vice versa.

In addition, this change includes two clarifying text numbers relating to the application of IFRS 9 Financial Instruments Modifications.

These changes will retroactively come into effect for re-porting periods beginning on or after 1 January 2019.

The management of CGM assumes that the application of the amendments will not affect the consolidated result.

c) IFRIC 23 — Uncertainty over Income Tax Treatments

On 7 June 2017, the International Accounting Standards Board (IASB) published IFRIC 23. In situations in which the tax circumstances are uncertain, the interpretation of IAS 12 shall lead to clarity and common accounting regarding the recognition and assessment of assets and liabilities.

The uncertainty weather to apply IAS 12 or IAS 37 for contested tax obligation shall be eliminated. IAS 12 offered in this case a loophole, according to which every tax balance sheet is uncertain until the final assessment.

The interpretation of IFRIC 23, including references for all cases of uncertainty of payable income taxes, contains following regulations:

+ An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.
+ An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
+ An entity has to consider whether it is probable that the relevant authority will accept the tax treatment used or intended to be used in the income tax filing. If the entity concludes that is it probable that a particular tax treatment is accepted, the entity has to determine the data consistently with the tax treatment included in it income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment. The decision should be based on which method provides better predictions of the resolution of the uncertainty.
+ An entity has to reassess its judgments and estimates if facts and circumstances change.

According to IAS 8, IFRIC 23 has to be applied retrospectively. Thereby an exception for a restatement of comparative information is permitted. A complete retrospectively application is permitted if this is possible without the knowledge of future findings.

The interpretation does not provide own disclosure rules and refers at this point to the existing disclosure regulations of IAS 1 and IAS12.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019.

The management of CGM Group however does not expect the application of this clarification to have any effects on the net result.

d) Amendments to IAS 28 - Long-term interests in associates and joint ventures
On 12 October 2017, the IASB published amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.

Investments in associates and joint ventures according to IAS 28, have been taken out the scope of IFRS 9 so far. However, it was not clear if this financial statement has to be applied only for investments in associates and joint ventures which are recognized according the equity method or also for this illustrated with their fair value.

The recognition of a further note 14A in IAS 28 shows that IFRS 9 is applied on non-current investments in associates or joint ventures including impairment provisions. These investments are part of the net investment in the company but are not recognized according to the equity method. Regarding this, a reference in IAS 28.41 to IFRS 9 has been eliminated, as the IASB considered this as unnecessary.

The amendments are effective for financial periods beginning on or after 1 January 2019.

The management of the CGM Group assumes that the changes will not have a material impact on the consolidated result.

6. Amendments, standards and interpretations published by the IASB but not yet transposed into European legislation

In the financial years 2014 and 2018 the IASB has adopted several additional standards and interpretations which are not yet mandatory applicable in the financial year 2018. The application of these IFRS and IFRIC is dependent from the EU-endorsement.

Standard (Issue date)	Subject matter	Effective for financial years beginning on or after (EU)
IFRS 17 (18 May 2017)	This standard makes a consistent international accounting standard for insurance businesses available. The objective is to raise transparency and comparability of insurance accountings.	1 January 2021
Annual Improvements to IFRS (2015-2017 Cycle) (12 December 2017)	The annual improvement process affects following standards: IFRS 3, IFRS 11, IAS 12 und IAS 23.	1 January 2019
Amendments to IAS 19 (7 February 2018)	These amendments now explicitly stipulate that after a change, reduction or settlement of a pension plan during the year, the current service cost and the net interest must be recalculated for the remaining period. This recalculation must be based on the actuarial assumptions valid at the time of the plan event.	1 January 2019
Amendments to the Conceptual Framework (29 March 2018)	The revision of the the Conceptual Framework covered in particular a new chapter on the valuation of assets and liabilities, guidance on the presentation of the financial position, revised definitions of assets and liabilities and clarifications on the importance of accountability and prudence in the context of IFRS accounting.	1 January 2020
Amendments to IFRS 3 Business Combinations (22 October 2018)	The changes aim to solve the problems that arise when a company determines whether it has acquired its business or a group of assets.	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Essentiality (31 October 2018)	The aim of the amendment is to standardize the definition of materiality in all IFRSs and the conceptual framework as well as to prevent the deception of significant information that is insignificant. For this, a clarification of the definition of "essential" is made.	1 January 2020
Amendments to IFRS 10 and IAS 28 (11 September 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Postponed indefinitely
IFRS 14 (30 January 2014)	Regulatory Deferral Accounts	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

a) IFRS 17 Insurance Contracts
On 18 May 2017, the IASB published IFRS 17 Insurance Contracts. This standard makes a consistent international accounting standard for insurance businesses available. The objective is to raise transparency and comparability of insurance accounting.

Under the current interim standard IFRS 4, companies are allowed to maintain their accounting method applied to date. However, this is stamped by a number of local accounting principles, which make the financial statements scarcely comparable. IFRS 17 establishes principles for the reporting, measurement and the disclosure of insurance contracts. It aims to provide relevant information that reliably represents contracts. This information form the basis for the recipients of the financial statements to evaluate the effects those insurance contracts have on the net assets, financial conditions, results of operations and cash flows.

IFRS 17 contains principles for the reporting, measurement and the disclosure of insurance contracts. The standard has to be applied to insurance contracts, reinsurance contracts and investment contracts with discretionary participation. For each group of contracts (settlement unit) an amount has to be determined, which is composed (building block approach) of the fulfillment cash flows (risk-adjusted present value of future cash flows) and the contractual service margin (CSM = future, not yet earned profit). The fulfillment cash flows have to be updated in the subsequent valuation based on current assumptions. Similarly, the CSM has to be adjusted in the subsequent valuation to reflect changes in estimates in the future probability, a financing effect as well as the earned profit based on the provision of insurance coverage. For this, the standard contains a general model as well as a variable fee approach for direct insurance policies. Furthermore, the standard includes regulations for the disclosure of earning (revenue) and expenses as well as notes.

IFRS 17 does not manage the accounting for the policy holder. The first-time application for this standard starts on 1 January 2021 or later. With the coming into force of IFRS 17 the previous valid IFRS 4, which is the present interim standard, will be replaced. For European users, this requires the previous endorsement of IFRS 17 by the EU Commission. However, there is currently no expectation when this endorsement is expected to be done.

The management of CGM Group however does not expect IFRS 17 "Insurance Contracts" to have any effects on the consolidated financial statements, since CGM does not act as insurer.

b) Annual Improvements to IFRS (Cycle 2015 - 2017)
The following improvements were finalized in December 2017:

- IFRS 3: If an entity acquires control in terms of IFRS 10 over a former joint operation that represents a business, through the acquisition of additional shares, it is a business combination achieved in stages. The previously held interest in the joint operation should therefore be remeasured..

- IFRS 11: If an entity gains joint control over a former joint operation that constitutes a business through the acquisition of additional shares, no revaluation of the previously held interest occurs.

- IAS 12: Clarification that the income tax consequences of dividend payments on financial instruments classified as equity must be treated in accordance with the treatment of the transaction(s) responsible for the tax effect.

- IAS 23: Clarification that borrowing that was not repaid and originally incurred specifically for the purpose of acquiring a qualifying asset is included in the determination of the overall cost of debt from the date on which that qualifying asset is substantially prepared for its intended use or sale for other qualifying assets for which no specific debt has been raised.

The management of CGM assumes that the application of the amendments will not have any significant impact on the consolidated financial statements.

c) Amendments to IAS 19 - Plan adjustment, reduction or compensation
The amendments to IAS 19 include requirements for the accounting of plan assumptions, reductions and settlements.
According to this, companies have to:

- use updated actuarial assumptions and the net liability (or net asset value) at the time of the intervention to determine the current service cost and net interest for the remaining reporting period after a plan was adjusted, reduced or settled;
- recognize any changes in debit balance as part of the past service cost or as profit or loss on settlements, even if such debit balance has not previously been recognized due to the effect of the asset ceiling;
- record the effects of changes in the asset ceiling in other comprehensive income.

The management of the CGM Group assumes that the changes will not have a material impact on the consolidated result.

d) Amendments to the Conceptual Framework

The revision of the Framework covered in particular a new chapter on the valuation of assets and liabilities, guidance on the presentation of the profit situation, revised definitions of assets and liabilities and clarifications on the importance of accountability and prudence principle in the context of IFRS accounting.

e) Amendments to IFRS 3 - Business Combinations

On 22 October 2018 the IASB issued a definition of business operation (amendments to IFRS 3). The changes aim to solve the problems that arise when a business determines whether it has acquired a business or group of assets. The changes apply to business combinations where the acquisition date is on or after the start of the first annual reporting period, which begins on or after 1 January 2020.

The management of CGM assumes that the application of the amendments will not have any significant impact on the consolidated financial statements.

f) Amendments to IAS 1 and IAS 8: Definition of Essentiality

On 31 October 2018, the International Accounting Standards Board (IASB) issued amendments to the definition of materiality of financial statement information in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Amendments to accounting estimates and misstatements.

The amendments and the accompanying examples are primarily intended to make it easier for the IFRS preparer of the financial statements to assess the materiality. In addition, the amendments are intended to contribute to a uniform understanding of materiality in IFRS rules.

The amendments must be applied from 1 January 2020; earlier application is permitted.

The management of CGM assumes that the application of the amendments will not have any significant impact on the consolidated financial statements.

g) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB published amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates".

The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates" relate to a conflict between the requirements of these accounting standards and clarify that in a transaction involving an associate or joint venture the amount of gain or loss has to be recognized when a transaction between an investor and its associate or joint venture involves assets that constitute a business operation according to IFRS 3. So far, transactions involving an associate or joint venture within the Group do not comprise any business operation pursuant to IFRS 3 "Business Combinations", but solely individual assets.

The first application has been postponed to a date to be determined.

h) IFRS 14 Regulatory Deferral Accounts

In January 2014, the IASB adopted the interim-standard IFRS 14 "Regulatory Deferral Accounts". The objective of IFRS 14 is to increase the comparability of the financial statements from entities which render price regulated sales transactions. Price regulations can lead to economic advantages or disadvantages if expenses in the current financial year affect prices charged in future financial years. The national accounting regulations in some countries permit the capitalization/deferral of economic advantages (passivation/ deferral of economic disadvantages) or have even a strict legal requirement to apply such an accounting treatment. With some few restrictions, IFRS 14 "Regulatory Deferral Accounts" is permitting entities which are first-time adopter of the International Financial Reporting Standards to continue to account for "regulatory deferral account balances", which those entities have recognized in their financial statements by applying their previously used generally accepted accounting principles. This applies for the first financial statements according to IFRS as well as for the subsequent financial statements. Regulatory deferred items and changes in them must be disclosed separately in the presentation of the financial position and in the consolidated income statement or in other comprehensive income (OCI).

The application of IFRS 14 is optional. The standard can be applied once the first IFRS financial statement of an entity has been prepared for financial years beginning on or after 1 January 2016. However, an earlier application is permitted. However, if an entity chooses to apply the Standard when first applying IFRS, it shall apply the Standard in all subsequent periods. The EU has decided to not initiate the endorsement process for this interim standard and to wait instead for the publication of the final standard.

The management of CGM Group does not expect that IFRS 14 "Regulatory Deferral Accounts" will have any effects on the consolidated financial statements, since CGM does not have to consider any regulatory deferral accounts.

C. PRINCIPLES OF CONSOLIDATION

7. Date of consolidation

The balance sheet date for the consolidated financial statement is the 31 December, which corresponds to the balance sheet date of the annual financial statements of the ultimate parent company and all its subsidiaries.

8. Consolidated subsidiaries

In the consolidated financial statement of CGM for each financial year the financial statements at 31 December of the ultimate parent company and of the companies that are controlled by this company, also considering structured entities (its subsidiaries) are included.

The entity obtains control, when:

+ It can exercise control over the associated companies;
+ it is exposed to fluctuating returns, which result from the participation; and
+ the amount of the return can be affected because of the position of power.

The entity will re-estimate whether it controls an associated company or not, if some facts or circumstances indicate that one or more of the above mentioned three control criteria have changed.

In the event, that the entity does not hold the majority of voting rights, it still controls the associated company if the entity's voting rights enable it to practically unilaterally decide on the company's relevant activities. When determining whether the entity's voting rights suffice to control the associated company, the entity must take into account all facts and circumstances, including:

+ The scope of the voting rights held by the entity compared to the scope and distribution of the voting rights held by other shareholders;
+ The possible voting rights of the entity, other shareholders and other parties;
+ Rights from other contractual agreements; and
+ Other facts and circumstances, which indicate that the entity currently has or does not have the possibility to decide on the relevant activities at the time at which decisions need to be made, taking into account voting decisions at previous annual general and shareholder meetings.

A subsidiary will be included in the consolidated financial statements from the point of time the entity obtains control over the subsidiary until the time the control ceases. The financial results of the acquired or sold subsidiaries during the year are recognized in the consolidated income statement in other comprehensive income from the actual date of acquisition or until the actual date of disposal.

The profit or loss and each component of the other comprehensive income are attributed to the shareholders of the parent company and the non-controlling shareholders, even if this results in a deficit balance for the non-controlling shareholders.

If necessary, the annual financial statements of the subsidiaries are adjusted so that their accounting and valuation methods match those applied to the Group.

The capital consolidation principles applied within CGM are described below:

a) Changes in participation rate of CGM in existing subsidiaries

Changes in the participation rate in subsidiaries within CGM, which do not trigger a loss of control over the respective subsidiaries, are accounted for as equity transactions. The carrying values of interests and non-controlling interests held by CGM Group are adjusted in a way so as to reflect the changes in interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognized directly in equity and allocated to shareholders of the parent company.

If the Company loses control of a subsidiary, the deconsolidation gains or losses are recognized in the income statement. A differentiation is made in the determination between:

+ The total amount of the fair value of the consideration received and the fair value of the retained interest and
+ The carrying amount of the asset (including goodwill), the liabilities of the subsidiary and any non-controlling interests.

As in a sale of assets, all amounts recognized as other comprehensive income in connection with this subsidiary are accounted for accordingly, resulting in a reclassification to the income statement, or a direct transfer to retained earnings.

All shares in the former subsidiary retained by CGM are recognized at the fair value determinable at the time of loss of control. This value represents the acquisition costs of the shares, which depend on the degree of control in subsequent measurementof in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement", or according to the regulations for associates or joint ventures.

b) Acquisition of subsidiaries

CGM Group accounts for the acquisition of companies and businesses using the acquisition method. Consideration transferred in a business acquisition is measured at fair value. This is determined from the sum of the fair values of the assets and liabilities assumed on the date of acquisition as well as equity instruments issued by the Group in exchange for control of the acquired company. Transaction costs associated with the business combination are recognized in the income statement.

The identifiable assets acquired and liabilities assumed are measured at fair value with the following exceptions:

+ Deferred tax assets or deferred tax liabilities as well as assets or liabilities for employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits"
+ Liabilities or equity instruments based on share-based payments or replacement of share-based payments by CGM Group are measured on the acquisition date in accordance with IFRS 2 "Share-based Payment" and
+ Assets (or disposal groups) classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Goodwill is the residual of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired company and, if available, the fair value of equity interest previously held by the acquirer in the acquired company, less the fair value of acquired identifiable assets and liabilities at the date of acquisition. To the extent that the assessment of an acquisition of a subsidiary results in negative goodwill, it will be recognized immediately as income in the income statement after a review of all measurement approaches from the business combination.

In the event of the existence of non-controlling interests that convey property rights and ensure the shareholder's right to receive a proportionate share in the entity's net assets in case of liquidation, these interests are initially measured at either fair value or at the proportionate share of the identifiable net assets. This option can be exercised newly for each business combination. If there are other components of interests held by non-controlling shareholders, they are measured at fair value or by assessment criteria arising from other applicable standards. Liabilities from put options on non-controlling interests are measured at initial recognition at their fair value. Since the initial recognition of these liabilities has not been clearly defined in equity, the equity share of non-controlling interests are reduced or written off regardless of the transfer of risks and rewards of ownership of the shares concerned. This also applies to a liability from a forward.

If a contingent consideration is a component of the consideration transferred for the acquisition of the subsidiary, it will be measured at fair value at the date of acquisition. Resulting changes in the fair value of the contingent consideration are adjusted retrospectively within the valuation period and offset accordingly against goodwill. Corrections to be made within the valuation period of business combinations represent adjustments to reflect additional information about facts and circumstances that existed at the acquisition date, but could not yet be conclusively considered. As a rule, the valuation period expires one year after the acquisition date.

Changes in the fair value of contingent considerations not measured as an adjustment during the valuation period, are accounted for depending on how the contingent consideration is classified. If the contingent consideration consists of equity, no subsequent measurement is to be conducted on future reporting dates. The fulfillment of contingent considerations is accounted for within equity. If a contingent consideration constitutes an asset or a liability, it shall be measured in accordance with IFRS 9 or IAS 37 provisions, contingent liabilities and contingent assets on future financial reporting dates, if applicable. Any resulting gains or losses are recognized in the income statement (in financial expenses/income if the contract parameters change, e.g. EBITDA, and in other expenses/income if a change results from a contractual amendment between the parties).

In the event of a successive business combination, the equity share previously held by the Company in the acquiree is remeasured to its fair value at the acquisition date. The resulting gains or losses are recognized in the income statement.

Changes in the value of the equity interests held in the acquired company prior to the acquisition date, which are to be recognized in other comprehensive income, are reclassified to the income statement when the entity obtains control of the acquired company.

If the first-time accounting of a business combination has not yet been completed by the end of a financial year, the preliminary valuations are provided by CGM. In case of subsequent events that deliver new information on the circumstances at the acquisition date, the provisionally recognized amounts will be corrected, or if necessary, additional assets and liabilities will be recognized.

The financial results of the subsidiaries acquired or sold in the course of the year are included in the statement of comprehensive income beginning on the date of acquisition or on the date of loss of control.

Purchase price liabilities: In the event of changes due to negotiations the result is disclosed in the operating result; Changes due to contractual adjustments result in a recognition in the financial result.

c) Goodwill

Goodwill resulting from a business combination is stated at acquisition cost and, where necessary, less any impairment losses, and is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill is to be allocated to each of the cash-generating units, or groups of cash- generating units, that are expected to benefit from the synergies of the combination.

Cash-generating units, to which parts of the goodwill has been allocated, shall be tested for impairment at least annually (IAS 36). If there are concrete evidences indicating a unit has been impaired, it will be subject to more frequent impairment checks. If the recoverable amount of a cash-generating unit is less than the unit's carrying amount, the resulting impairment loss is initially allocated to the carrying amount of each goodwill associated with the unit, and then proportionately to the other assets on the basis of the carrying amount of each asset within the unit. Any impairment loss of goodwill is recognized directly in the income statement. The amount recognized as impairment loss of goodwill may not be reversed in future periods.

In the case of divestiture of a cash-generating unit, the attributable amount of goodwill is taken into account when determining gains or losses on disposal.

9. Associates and joint ventures

CGM Group accounts for associates using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in its financial and operating policies. Significant influence is presumed when the Group holds 20 percent or more of the voting rights and bases its status as an associated company.

Joint ventures are a joint arrangement whereby the parties with joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The results, assets and liabilities of joint ventures are included in this financial statement using the equity method.

In the event that investments in associates or joint ventures are classified as held for sale, they are accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the requirements for an associate or a joint venture are fulfilled. Any excess of the cost of the acquisition of shares over the acquired portion of the fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. Goodwill arising from the acquisition of an associate or a jointly controlled entity is included in the amortized carrying amounts of the interest in the associates or jointly controlled entities and is not subject to a separate impairment test.

To determine whether indicators exist that make an impairment of investments in associates or joint ventures necessary, the regulations of IFRS 9 are applied accordingly. If an impairment test is to be carried out, the carrying amount of the interest (including goodwill) is tested according to the requirements of IAS 36 for impairment. To this end, the recoverable amount of the investment is compared with the carrying amount of the interest. Any resulting impairment loss is offset against the carrying amount. Impairment losses are not allocated to assets, including goodwill, contained in the interest's carrying amount. If the recoverable amount rises again in subsequent years, an impairment loss is reversed in accordance with IAS 36.

CGM Group discontinues the use of the equity method from the time at which its investment no longer represents an associate or a joint venture, or the investment is to be classified as held for sale pursuant to IFRS 5. In the event that CGM Group retains an interest in a former associate and this interest is a financial asset within the meaning of IFRS 9, this interest is to be measured at fair value upon initial recognition. The difference between the previous carrying amount of the associate or the joint venture at the date the equity method was discontinued and the fair value of any retained interest, including revenue from the disposal of a portion of the interest in an associate or a joint company shall be included in determining the gains/losses on disposal.

Furthermore, CGM Group accounts for all amounts related to these associates or joint ventures in other comprehensive income in the manner that would be required if the associate or joint venture had directly sold the assets or liabilities. This means that CGM Group reclassifies gains or losses, which the associate or joint venture has to date recognized in other comprehensive income and then reclassified in the income statement when the assets or liabilities are sold, from equity to the income statement following the discontinuation of the equity method. In the event of the disposal of an associate or jointly controlled entity, the attributable amount of goodwill is taken into account in determining the deconsolidation.

If an investment changes from being an associate to being a joint venture, or vice versa, the Group will continue to apply the equity method and will not revalue the fair value on account of the change in investment category.

In the event that the Group's investment in an associate or a joint venture changes but the Group continues to apply the equity method, the portion of the profits or losses attributable to the reduction in the investment, which was previously recognized in other comprehensive income, will be reclassified to profit or loss in the event that the profits or losses of the associated assets and liabilities had to be reclassified to profit or loss when they were sold.

In the case of transactions between a CGM Group company and an associate or a joint venture of CGM Group, gains and losses are eliminated to the extent of the Group's portion of the corresponding associate or joint venture.

In CGM Group, six associates and three joint ventures are measured using the equity method. The accounting and measurement methods for associates were changed, if necessary, to guarantee uniform accounting principles throughout the Group.

10. Joint operations

Joint operations are joint arrangements whereby the parties that exercise joint control have rights to the assets and obligations for the liabilities of the arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions on relevant activities require the unanimous consent of the control sharing parties.

If a CGM Group company carried out activities within the scope of a joint operation, CGM Group, as joint operator, will recognize the following items relating to its share of the joint operation:
+ Its assets, including its share of the jointly incurred assets;
+ Its liabilities, including its share of the jointly incurred liabilities;
+ Its revenue from the sale of its share of the products or services of the joint operation; and
+ Its expenses, including its share of the jointly incurred expenses.

CGM recognizes all assets, liabilities, income and expenses relating to its share of the joint operation in accordance with the IFRS accounting standards applicable to those assets, liabilities, revenues and expenses.

If a CGM Group company engages in transactions with a joint operation whereby another CGM Group company is a joint operator, CGM Group will treat the corresponding transaction as though it was a joint operation conducted with the other parties. This means that possible gains and losses from such transactions are only recognized to the extent of the share in the joint operation of the other parties.

If transactions relate to the acquisition of assets by a CGM Group company, then the gains and losses are recognized at the time that these assets are sold to a third party, pro rata to the Group's share in the joint operation.

The CGM Group has no joint activities at the balance sheet date.

11. Scope of consolidation

All included financial statements of CGM are prepared according to uniform accounting and measurement methods. The consolidated financial statements are prepared at the level of CompuGroup Medical SE, Koblenz (parent company).

a) Changes in scope of consolidation

The following changes have occurred within the scope of consolidation, as compared with the previous year:

Changes in Scope of Consolidation	Germany	Foreign countries	Total
CompuGroup Medical SE and consolidated subsidiaries:			
As at 1. January 2018	29	60	89
Additions	3	0	3
Disposals / Merger	0	2	2
As at 31. December 2018	**32**	**58**	**90**

Two disposals from the scope of consolidation result from the CGM Group internal mergers of CompuGroup Medical Nederland B.V. and Labelsoft Clinical IT B.V., both Netherlands, into CompuGroup Medical Nederland Software and Services B.V., Netherlands.

The additions in the financial year 2018 result from the acquisitions of La-Well Systems GmbH, n-design Gesellschaft für systematischatische Gestaltungen mbH and factis GmbH, all in Germany.

Company acquisitions together with business combinations, which do not affect the scope of consolidation, are presented in the table below. The figures are based on the time of acquisition and their impact on the consolidated financial statement.

b) Company acquisitions and disposals

The business combinations made by CGM in 2018 are shown with their values as of the acquisition date and effects on the consolidated financial statements in the following table:

EUR `000	Total	La-Well Systems GmbH	n-design Gesellschaft für systematische Ge-staltungen mbH	factis GmbH	Other Acquisitions
Purchase Date		**03.04.2018**	**10.07.2018**	**08.08.2018**	
Voting rights acquired in %		**75%**	**95%**	**100%**	
Acquired assets and assumed liabilities, recognized at acquisition date					
Non-current assets	**5,650**	**1,388**	**1,671**	**2,591**	**0**
Software	1,300	715	0	585	0
Customer relationships	3,833	495	1,551	1,787	0
Trademark rights	412	174	92	146	0
Order backlog	0	0	0	0	0
Land and buildings	0	0	0	0	0
Other facilities, furniture and office equipment	101	4	24	73	0
Receivables from finance leases	0	0	0	0	0
Other non-current financial assets	4	0	4	0	0
Other non-current non-financial assets	0	0	0	0	0
Deferred tax assets	0	0	0	0	0
Current assets	**1,049**	**142**	**199**	**708**	**0**
Inventories	2	2	0	0	0
Trade receivables	225	0	12	213	0
Receivables from finance leases	0	0	0	0	0
Contract assets	0	0	0	0	0
Other current financial assets	32	5	3	24	0
Other current non-financial assets	19	2	5	12	0
Income tax receivables	160	0	60	100	0
Cash and cash equivalents	611	133	119	359	0
Non-current liabilities	**1,674**	**418**	**496**	**760**	**0**
Provisions for pensions and similar obligations	0	0	0	0	0
Liabilities to banks	0	0	0	0	0
Contract liabilities	0	0	0	0	0
Other provisions	0	0	0	0	0
Other financial liabilities	0	0	0	0	0
Other non-financial liabilities	0	0	0	0	0
Other liabilities/ provisions	0	0	0	0	0
Deferred tax liabilities	1,674	418	496	760	0
Current liabilities	**813**	**79**	**274**	**460**	**0**
Contract liabilities	53	3	0	50	0
Trade payables	71	11	9	51	0
Contingent liabilities	0	0	0	0	0
Liabilities to banks	0	0	0	0	0
Other provisions	251	16	162	73	0

Income tax liabilities	89	34	55	0	0
Other financial liabilities	262	5	1	256	0
Other non-financial liabilities	87	10	47	30	0
Net assets acquired	**4,212**	**1,033**	**1,100**	**2,079**	**0**
Purchase price paid in cash	5,422	1,167	1,150	3,105	0
Liabilities assumed (-Claim for refund of purchase price)	2,811	1,466	1,000	345	0
thereof contingent consideration	2,811	1,466	1,000	345	0
Equity instruments issued	0	0	0	0	0
Total consideration transferred	**8,233**	**2,633**	**2,150**	**3,450**	**0**
Non-controlling interests	0	0	0	0	0
Goodwill	**4,021**	**1,600**	**1,050**	**1,371**	**0**
Acquired cash and cash equivalents	611	133	119	359	0
Purchase price paid in cash	5,422	1,167	1,150	3,105	0
Prepayments on acquisitions	0	0	0	0	0
Fair value of equity interest in the acquiree held by acquirer immediately before the acquistion date	0	0	0	0	0
Payments for acquistions after date of acquistion	3,600	0	0	0	3,600
Cash outflow for acquisitions (net)	**–8,411**	**–1,034**	**–1,031**	**–2,746**	**–3,600**
Effects of the acquisition on CGM's result	**0**	**0**	**0**	**0**	**0**
Sales revenues as of acquisition date*	2,371	461	1,080	831	0
Result as of acquisition date*	278	57	114	107	0
Sales revenue for the financial year (hypothetical date of acquisition 1 January)	4,357	617	1,780	1,960	0
Result for the financial year (hypothetical date of acquisition 1 January)	95	40	36	19	0
Costs attributable to the acquisition	**24**	**0**	**24**	**0**	**0**

* Values taken from the individual financial statements

Acquisition of La-Well Systems GmbH, Germany

At the beginning of April 2018, CompuGroup Medical Software GmbH, a 100 percent subsidiary of CompuGroup Medical Deutschland AG, acquired 75 percent of the shares in La-Well Systems GmbH (in the following La-Well) with registered office in Bünde, Germany.

La-Well currently develops and sells two products. The main product is a software for physicians and their patients to conduct video consultation hours. It was the first and only software solution for video consultation hours to be certified by TÜV IT GmbH and meets the technical and data protection requirements of the KBV and the GKV-Spitzenverband. The second product "Wartezimmer TV" offers a platform for marketing, information and entertainment of patients in waiting rooms.

La-Well was initially consolidated on 1 April 2018. The turnover of La-Well for the financial year 2017 amounted to about EUR 725 thousand with an EBITDA of EUR 83 thousand. The total consideration to be paid amounts to EUR 1,167 thousand and was paid out by the full amount at closing date. In addition, a call and put option was agreed for the acquisition of further 25 percent of the shares in La-Well, which was recognized at a fair value of EUR 1,466 thousand under the purchase price liabilities.

Based on the current estimate, the preliminary goodwill of EUR 1,600 thousand results mainly from the positive market-strategic effects expected from the acquired know-how as well as from the synergy effects arising within the Group as a result of the integration of La-Well into the Group. The recognized goodwill will not be deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to EUR 1,383 thousand and is related to customer relationships, media contents and trademark rights. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 418 thousand were recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified with the initial accounting.

Acquisition of n-design Gesellschaft für systematische Gestaltungen mbH, Germany
In July 2018, CompuGroup Medical SE acquired 95 percent of the shares in n-design Gesellschaft für systematischatische Gestaltungen mbH (in the following n-design) with registered office in Cologne, Germany.

n-design is a company in the field of customer-specific contract development. The company is an important contractual partner of CGM in the development of software for the connector, which is used in the telematics infrastructure in Germany.

n-design was initially consolidated on 1 July 2018. The turnover of n-design for the financial year 2017 amounted to about EUR 2,672 thousand with an EBITDA of EUR 704 thousand. The total consideration to be paid amounts to EUR 1,650 thousand and was paid out in the amount of EUR 1,150 thousand at closing date. The outstanding purchase price of EUR 500 thousand was recognized under current purchase price liabilities as of closing date. In addition, a call and put option was agreed for the acquisition of a further 5 percent of the shares in n-design, which was also recognized under purchase price liabilities with a value of EUR 500 thousand.

Based on the current estimate, the preliminary goodwill of EUR 1,050 thousand results mainly from the positive market-strategic effects expected from the acquired development know-how and the innovative strength as well as from the synergy effects arising within the Group as a result of the integration of n-design into the Group. The recognized goodwill will not be deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to EUR 1,643 thousand and is related to customer relationships and trademark rights. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 496 thousand were recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified with the initial accounting.

The initial consolidation for the acquisition of n-design as at 1 July 2018 was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights.

Acquisition of factis GmbH, Germany
In August 2018, CGM Clinical Deutschland GmbH, a 100 percent subsidiary of CompuGroup Medical SE, acquired 100 percent of the shares in factis GmbH (in the following factis) with registered office in Freiburg im Breisgau, Germany.

factis is a leading provider for mobile data collection and controlling in the social and healthcare sectors. factis solutions are used by many hundreds of customers of medium-sized outpatient care organisations in Germany, Switzerland and other neighbouring countries. A particular strength of factis are the unique user interfaces, which are intuitively accessible even to people with little IT experience or specialists with a foreign-language background.

factis was initially consolidated on 1 August 2018. The turnover of factis for the financial year 2017 amounted to about EUR 2,133 thousand with an EBITDA of EUR 481 thousand. The total consideration to be paid amounts to EUR 3,450 thousand and was paid out in the amount of EUR 3,105 thousand at closing date.

The contractually outstanding purchase price payments of EUR 345 thousand are recognized under current purchase price liabilities at closing date.

Based on the current estimate, the preliminary goodwill of EUR 1,371 thousand results mainly from the positive market-strategic effects expected from the acquisition of profound competencies and human resources in the fast growing area of digital mobility solutions, as well as from the synergy effects arising within the Group as a result of the integration of factis into the Group. The recognized goodwill will not be deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to EUR 2,518 thousand and is related to software, customer relationships and trademark rights. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 760 thousand were recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified with the initial accounting.

The initial consolidation for the acquisition of factis as at 1 August 2018 was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired software, customer relationships and trademark rights.

Other Additions

The remaining additions include the following business combinations:

Business Combination	Acquisition date	Voting rights acquired in %	Description of how the acquirer obtained control of the acquiree	Primary reasons for the business combination
Barista Software BVBA	15.08.2017	100%	Annual payment of the contingent consideration price in the form of an earn-out agreement resulting from the acquisition of 100 percent of the shares in 2017	Extension of the customer platform in the AIS segment in Belgium and expansion of the market reach
Vega Informatica e Farmacia S.r.l.	31.08.2016	75%	Remaining purchase price payment in 2018 resulting from the acquisition of 75 percent of the shares in 2016	Extension of the customer platform in the PCS segment in Italy and expansion of the market reach
Innomed Gesellschaft für medizinische Softwareanwendungen GmbH	20.11.2009	80%	Payment of the price for the excercise of the put option on the acquisition of further 9.9 percent of the shares, following the acquisition of 70,3 percent of the shares in 2009	Extension of the customer platform in the AIS segment in Austria and expansion of the market reach
Compufit BVBA	23.03.2015	100%	Annual payment of the contingent consideration price in the form of an earn-out agreement resulting from the acquisition of 100 percent of the shares in 2015	Extension of the customer platform in the AIS segment in Belgium and expansion of the market share
CSI Calabria	10.10.2016	n.a.	Asset Deal	Extension of the customer platform in the PCS segment in Italy and expansion of the market reach
Farmages Software S.L.	20.11.2017	100%	Remaining purchase price payment in 2018 resulting from the acquisition of 100 percent of the shares in 2017	Extension of the customer platform in the PCS segment in Spain and expansion of the market reach

Acquisition of Barista Software BVBA, Belgium

In 2017, CompuGroup Medical Belgium BVBA, a subsidiary of CompuGroup Medical SE (99 percent) and CompuGroup Medical Deutschland AG (1 percent), acquired 100 percent of the shares in Barista Software BVBA with registered office in Hasselt, Belgium.
In addition to an initially agreed fixed purchase price, which had already been paid out on 31 December 2017, contingent considerations in form of earn-out agreements have been made in the purchase agreement. These provide for an additional annual purchase price payment, which is calculated on the basis of fixed defined sales volumes for subsequent years. The amount expected to be paid out under the earn-out agreements totaled EUR 1,596 thousand and has a term of five years.
In 2018, the first additional purchase price payment for the past financial year 2017 was made in the amount of EUR 142 thousand. The outstanding purchase price payments will continue to be recognized under current and non-current purchase price liabilities.

Acquisition of Vega Informatica e Farmacia S.r.l., Italy

In 2016, CompuGroup Medical Italia Holding S.r.l., a 100 percent subsidiary of CompuGroup Medical SE, acquired 75 percent of the shares in Vega Informatica e Farmacia S.r.l., based in Pavia, Italy. The purchase price amounted to EUR 4,125 thousand and was paid in the amount of EUR 3,713 thousand as of 31 December 2017. The outstanding purchase price of EUR 412 thousand was paid in the third quarter of 2018.

Acquisition of Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, Austria

In financial year 2018, the put options of the non-controlling shareholders for 9.9 percent of the shares in Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, were exercised. The purchase price was based on fixed sales volumes and was paid in the amount of EUR 2,263 thousand.

Acquisition of Compufit BVBA, Belgium
The contractual earn-out agreement with a yearly earn-out of EUR 50 thousand and a duration of four years.

Acquisition of the assets CSI Calabria, Italy
The contractually outstanding purchase price for the assets of CSI Calabria acquired in October 2016, which have been recognized under purchase price liabilities as of 31 December 2017 in the amount of EUR 43 thousand, have been completely paid in the second half of 2018.

Acquisition of Farmages Softwware S.L., Spain
In November 2017, Medigest Consultores S.L., a 100 percent subsidiary of CompuGroup Medical SE, acquired 52 percent of the shares in Farmages Software S.L., Spain. The purchase price amounted to EUR 944 thousand and was already paid out at EUR 664 thousand as of 31 December 2017. The purchase price component of EUR 140 thousand recognized under current purchase price liabilities as of 31 December 2017 was paid out in financial year 2018.

In addition, a call and put option was agreed for the acquisition of the remaining 48 percent of the shares, which was recognized under purchase price liabilities as of 31. December 2017 in the amount of EUR 818 thousand. In financial year 2018, Medigest Consultores exercised this option and already paid a partial purchase price of EUR 550 thousand.

Change in purchase price allocation
The purchase price allocation for ATX Advanced Technology Explained NV, Belgium, acquired in 2017, was completed in 2018. This resulted in the following changes to the purchase price allocation:

Change of Purchase Price Allocation	Before change of purchase price allocation	Change of purchase price allocation	After change of purchase price allocation
Non-current assets	2,947	11	2,958
Current assets	706	246	952
Non-current liabilities	1,019	0	1,019
Current liabilities	768	0	768
Net equity acquired	1,866	257	2,123
Total consideration transferred	4,000	0	4,000
Goodwill	2,134	–257	1,877

c) Subsidiaries included in the scope of consolidation

			Registered Office	Equity voting rights in %
Subsidiaries in the region Central Europe (CER)				
1	AESCU DATA Gesellschaft für Datenverarbeitung mbH	1)	Winsen	100.00
2	CompuGroup Medical Deutschland AG		Koblenz	100.00
3	CompuGroup Medical Dentalsysteme GmbH		Koblenz	100.00
4	CGM Immobilien Stuttgart GmbH	6)	Stuttgart	100.00
5	CompuGroup Medical Managementgesellschaft mbH		Bochum	100.00
6	ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH	4)	Neu-Golm	100.00
7	ifap Service Institut für Ärzte und Apotheker GmbH		Martinsried	100.00
8	Intermedix Deutschland GmbH	5)	Koblenz	100.00
9	IS Informatik Systeme Gesellschaft für Informationstechnik mbH	6)	Kaiserslautern	60.00
10	LAUER-FISCHER GmbH		Fürth	100.00
11	CGM IT Solutions und Services GmbH	3)	Koblenz	100.00
12	CGM Clinical Deutschland GmbH		Koblenz	100.00
13	K-LINE Praxislösungen GmbH	3)	Kiel	100.00
14	CGM Mobile Software GmbH (formerly: Privadis GmbH)	3)	Koblenz	100.00

			Registered Office	Equity voting rights in %
Subsidiaries in the region Central Europe (CER)				
15	AESCU DATA Gesellschaft für Datenverarbeitung mbH AT	9)	Steyr/Austria	100.00
16	Meditec Marketingservices im Gesundheitswesen GmbH	3)	Koblenz	100.00
17	EBM Medienholding GmbH	3)	Hamburg	100.00
18	eHealth Business Media AG	38)	Hamburg	100.00
19	KoCo Connector GmbH		Berlin	100.00
20	CompuGroup Medical Research GmbH	4)	Koblenz	100.00
21	CompuGroup Medical Mobile GmbH	4)	Koblenz	100.00
22	CGM LAB International GmbH		Koblenz	100.00
23	CGM LAB Deutschland GmbH	27)	Koblenz	100.00
24	Turbomed Vertriebs- und Service GmbH	3)	Trossingen	100.00
25	CGM Mobile Services GmbH	40)	Koblenz	100.00
26	Stock Informatik Verwaltungs GmbH	42)	Sigmaringen	100.00
27	LAUER-FISCHER ApothekenService GmbH	39)	Koblenz	100.00
28	APV Ärztliche Privatverrechnungsstelle GmbH	3)	Koblenz	100.00
29	HABA Computer Aktiengesellschaft	35)	Hamburg	98.00
30	La-Well Systems GmbH	43)	Bünde	75.00
31	n-design Gesellschaft für systematische Gestaltungen mbH		Cologne	95.00
32	factis GmbH	2)	Freiburg im Breisgrau	100.00
Subsidiaries in the region Central Eastern Europe (CEE)				
33	CompuGroup Medical CEE GmbH		Vienna/Austria	100.00
34	CGM Arztsysteme Österreich GmbH	10)	Wiener Neudorf/Austria	100.00
35	HCS Health Communication Service Gesellschaft m.b.H.	10)	Steyr/Austria	100.00
36	INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH	10)	Wiener Neudorf/Austria	80.20
37	Intermedix Österreich GmbH	10)	Wiener Neudorf/Austria	100.00
38	CGM Clinical Österreich GmbH	10)	Steyr/Austria	100.00
39	CompuGroup Medical Schweiz AG	10)	Bern/Switzerland	100.00
40	CompuGroup Medical Polska Sp. z o.o.		Lublin/Poland	100.00
41	CompuGroup Medical Ceská republika s.r.o.	11)	Prague/Czech Republic	100.00
42	Intermedix Ceská republika s.r.o.	12)	Prague/Czech Republic	100.00
43	CompuGroup Medical Slovensko s.r.o.	12)	Bratislava/Slovakia	100.00
Subsidiaries in the region North Europe (NER)				
44	CompuGroup Medical Norway AS	7)	Lysaker/Norway	100.00
45	Profdoc AS		Lysaker/Norway	100.00
46	CompuGroup Medical Sweden AB	7)	Uppsala/Sweden	100.00
47	Lorensbergs Communication AB	22)	Gothenburg/Sweden	100.00
48	Lorensbergs Holding AB	7)	Gothenburg/Sweden	100.00
49	CompuGroup Medical LAB AB	8)	Borlänge/Sweden	100.00
50	CompuGroup Medical Denmark A/S	7)	Aarhus/Denmark	100.00
51	CompuGroup Medical Belgium BVBA	15)	Wetteren/Belgium	100.00
52	CompuGroup Medical Holding Coöperatief U.A.	20)	Echt/Netherlands	100.00
53	CompuGroup Medical Nederland B.V.	21)	Echt/Netherlands	100.00
54	Compufit BVBA	23)	Ostend/Belgium	100.00
55	Barista Software BVBA	23)	Hasselt/Belgium	100.00

			Registered Office	Equity voting rights in %
Subsidiaries in the region Central Europe (CER)				
56	ATX Advanced Technology Extended SA	23)	Wetteren/Belgium	100.00
Subsidiaries in the region South Europe (SER)				
57	CompuGroup Medical Solutions SAS	16)	Montpellier/France	100.00
58	Intermedix France SAS	16)	Nanterre/France	100.00
59	CompuGroup Medical France SAS		Nanterre/France	100.00
60	Imagine Assistance S.a.r.l.		Soulac sur mer/France	100.00
61	Imagine Editions SAS		Soulac sur mer/France	100.00
62	CGM LAB France SAS	27)	Nanterre/France	100.00
63	CompuGroup Medical Italia SpA		Molfetta/Italy	100.00
64	CompuGroup Medical Italia Holding S.r.l.		Milan/Italy	100.00
65	CGM XDENT Software S.r.l.	17)	Ragusa/Italy	90.00
66	Studiofarma S.r.l.	24)	Brescia/Italy	100.00
67	Qualità in Farmacia S.r.l.	24)	Novara/Italy	100.00
68	SF Sanità S.r.L	45)	Brescia/Italy	60.00
69	Farloyalty s.r.l.	25)	Brescia/Italy	51.00
70	farma3tec S.r.l.	24)	Milan/Italy	80.00
71	Mondofarma S.r.l.	30)	Chiusi/Italy	100.00
72	Medicitalia S.r.l.	17)	Milan/Italy	90.00
73	Vega Informatica e Farmacia Srl	24)	Pavia/Italy	75.00
74	CGM LAB Belgium SA	28)	Barchon/Belgium	100.00
75	Intermedix ESPANA SL		Madrid/Spain	100.00
76	Medigest Consultores S.L.		Madrid/Spain	100.00
77	OWL Computer SL	41)	Madrid/Spain	100.00
78	Farmages Software S.L.	41)	Balanos de Calatrava/ Spain	100.00
79	CompuGroup Medical Bilgi Sistemleri A.S.	14)	Istanbul/Turkey	100.00
Subsidiaries in the region United States und Canada (USC)				
80	CGM Documents USA Inc. (formerly: All for One Software, Inc.)	2)	Vancouver/Canada	100.00
81	CompuGroup Holding USA, Inc.		Delaware/USA	100.00
82	CompuGroup Medical, Inc.	18)	Delaware/USA	100.00
83	CGM Documents Canada Inc. (formerly: All for One Software, Inc.)	19)	Vancouver/Canada	100.00
Subsidiaries in the region "Other" (OTH)				
84	CompuGroup Medical South Africa (Pty) Ltd.	13)	Cape Town/South Africa	100.00
85	CompuGroup Medical Malaysia Sdn Bhd	7)	Kuala Lumpur/Malaysia	100.00
86	CompuGroup Medical Software GmbH	3)	Koblenz	100.00
87	UCF Holding S.a.r.l.	3)	Luxembourg/Luxembourg	100.00
88	CGM Software RO SRL	36)	Iasi/Romania	100.00
89	CompuGroup Medical Singapore PTE.LTD.		Singapore/Singapore	100.00
90	Intermedix SA (PTY) LTD	32)	Cape Town/South Africa	100.00
Joint ventures				
91	CGM-Alstar Healthcare Solutions Sdn Bhd	26)	Kuala Lumpur/Malaysia	45.00
92	MGS Meine Gesundheit Services GmbH	33)	Koblenz	37.50
93	Fablab S.r.l.	17)	Milan/Italy	75.00
Associated companies at equity				

			Registered Office	Equity voting rights in %
Subsidiaries in the region Central Europe (CER)				
94	Mediaface GmbH		Hamburg	49.00
95	AxiService Nice S.a.r.l.	16)	Nice/France	28.00
96	Technosante Nord-Picardie SAS	16)	Lille/France	20.00
97	Smoove Software S.r.l.	37)	Milan/Italy	47.60
98	Gotthardt Informationssysteme GmbH	42)	Koblenz	27.96
99	Qualitätsverbund MED-IT GmbH & Co. KG	42)	Osnabrück	25.50
Other participations				
100	AES Ärzteservice Schwaben GmbH	3)	Bad Wimpfen	10.00
101	BFL Gesellschaft des Bürofachhandels mbH&Co.KG	29)	Eschborn	2.00
102	CD Software GmbH	2)	Lampertheim	9.10
103	ic med EDV-Systemlösungen für die Medizin GmbH	3)	Halle	10.00
104	Savoie Micro S.a.r.l.	16)	Meythet/France	10.00
105	Technosante Toulouse S.A.S.	16)	Toulouse/France	10.00
106	Consalvo Servizi S.r.l.	25)	Salerno/Italy	5.00
107	Daisy-NET S.c.a r.l.	17)	Bari/Italy	0.50
108	Practice Perfect Medical Software (PTY) Limited	32)	Hillcrest/South Africa	15.00
109	Better@Home Service GmbH	44)	Berlin	11.00
110	Conai System	25)	Rome/Italy	< 1,00

1) Subsidiary of CGM Managementgesellschaft mbH
2) Subsidiary of CGM Clinical Deutschland GmbH
3) Subsidiary of CompuGroup Medical Deutschland AG
4) Subsidiary of ifap Service Institut für Ärzte und Apotheker GmbH
5) Subsidiary of CompuGroup Medical Dentalsysteme GmbH
6) Subsidiary of LAUER-FISCHER GmbH
7) Subsidiary of Profdoc AS
8) Subsidiary of CompuGroup Medical Sweden AB (vormals Profdoc AB)
9) Subsidiary of AESCU DATA Gesellschaft für Datenverarbeitung mbH
10) Subsidiary of CompuGroup Medical CEE GmbH
11) Subsidiary of CompuGroup Medical SE (78,5%) and CompuGroup Medical Deutschland AG (21,5%)
12) Subsidiary of CompuGroup Medical Česká republika s.r.o.
13) Subsidiary of CompuGroup Medical SE (91,511%) and Profdoc AS (8,489%)
14) Subsidiary of CompuGroup Medical SE (43,99%), CompuGroup Medical Deutschland AG (53,16%), Intermedix Deutschland GmbH (0%), CGM Clinical Deutschland GmbH (0,48%), CompuGroup Medical Software GmbH (2,37%)
15) Subsidiary of CompuGroup Medical SE (99%) and CompuGroup Deutschland AG (1%)
16) Subsidiary of UCF Holding S.a.r.l
17) Subsidiary of CompuGroup Medical Italia SpA
18) Subsidiary of CompuGroup Holding USA, Inc.
19) Subsidiary of All for One Software, Inc.
20) Subsidiary of CompuGroup Medical SE (99,98%) and der CompuGroup Medical Deutschland AG (0.02%)
21) Subsidiary of CompuGroup Medical Holding Coöperatief U.A.
22) Subsidiary of Lorensbergs Holding AB
23) Subsidiary of CompuGroup Medical Belgium BVBA
24) Subsidiary of CompuGroup Medical Italia Holding S.r.l.
25) Subsidiary of Studiofarma S.r.l.
26) Subsidiary of CompuGroup Medical Malaysia Sdn Bhd
27) Subsidiary of CGM LAB International GmbH
28) Subsidiary of CGM LAB International GmbH (99,9%) and CompuGroup Medical SE (0.01%)
29) Subsidiary of CompuGroup Medical Deutschland AG (1.0%) and CGM Clinical Deutschland GmbH (1.0%)
30) Subsidiary of fama3tec S.r.l.
31) Subsidiary of Turbomed Vertriebs und Service GmbH
32) Subsidiary of CompuGroup Medical South Africa (Pty) Ltd.
33) Subsidiary of CompuGroup Medical Mobile GmbH
34) Subsidiary of Medicitalia S.r.L. (50%)
35) Subsidiary of APV Ärztliche Privatverrechnungsstelle GmbH
36) Subsidiary of CompuGroup Medical SE (5%) and CompuGroup Medical Software GmbH (95%)
37) Subsidiary of Vega Informatica e Farmacia S.r.l.
38) Subsidiary of EBM Medienholding GmbH
39) Subsidiary of CGM IT Solutions und Services GmbH
40) Subsidiary of CompuGroup Medical Software GmbH
41) Subsidiary of Medigest Consultores S.L.
42) Subsidiary of K-Line Praxislösungen GmbH

43) Subsidiary of CompuGroup Medical Software GmbH
44) Subsidiary of CompuGroup Medical Research GmbH
45) Subsidiary is in liquidation
Note: The companies INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH, CGM XDENT Software S.r.l., farma3tec S.r.l., Medicitalia S.r.l., n-design Gesellschaft für systematische Gestaltungen mbH and La-Well Systems GmbH will be incorporated with 100 percent through existing Put-/ Call-Options in the consolidated financial statement without recognitions of minoritites.
Note: The company Vega Informatica e Farmacia is included due to existing option contracts with 15 percent minority in the consolidated financial statement.

12. Debt consolidation

Receivables, liabilities and provisions between the companies included in the consolidated financial statements were offset against each other.

13. Consolidation of results

Internal revenue between the consolidated companies were offset against the expenditures attributable to them. Other income (including income from participations) were offset against the corresponding expenditures with the recipient of the services. Interim profits from deliveries and services within the Group were eliminated.

14. Foreign currency conversion

In preparing the financial statements of each individual Group company, transactions denominated in currencies other than the functional currency of the ultimate Group company (EURO) are translated at the exchange rates prevailing on the date of the transaction. The functional currency is the respective national currency which equals the currency of the primary business environment. At each reporting date, monetary items in foreign currencies are converted with the effective period-end exchange rate. Non-monetary items denominated in foreign currencies, which are measured at fair value, are converted at the rates which were effective at the date of the determination of fair value. Non-monetary items, which have been estimated on cost of acquisition and production, are converted with the exchange rate at the time they were first recognized on the balance sheet.

Exchange rate differences on monetary items are recognized in the period in which they occur. The only exceptions are:
+ Exchange differences resulting from borrowings denominated in foreign currency that arise with assets intended for productive use during the production process. These differences are attributed to production costs if they represent adjustments to the interest paid on borrowings denominated in foreign currency. Such exchange rate differences had no impact on the present consolidated financial statements of CGM as there are no areas to which these regulations relate.
+ Exchange rate differences from transactions that were entered to hedge against certain foreign currency risks. Such exchange rate differences had no impact on the present consolidated financial statements of CGM.
+ Translation differences from retained or payable monetary items from foreign business whose performance is neither planned nor likely to occur and thus part of the net investment in that foreign business. These translation differences are initially recognized in other comprehensive income and are reclassified to the income statement when equity is sold.

In preparing the consolidated financial statements, the assets and liabilities of the affiliated foreign currency operations are converted into euros (EUR) using the exchange rates prevailing on the reporting date. Income and expenses are translated at the average exchange rate for the period. Strong fluctuations in foreign currencies, which would trigger a conversion of income and expenses at the time of a transaction, are not relevant for the present consolidated financial statements. The equity is converted at historical rates.

In the event of disposal of a foreign business, all accumulated translation differences attributable to the Group recognized in other comprehensive income from this business are reclassified to the income statement. The following transactions are regarded as disposals of foreign business:
+ The disposal of the whole group share in a foreign business,
+ A partial disposal with the loss of control over a foreign subsidiary, or
+ A partial disposal of an investment in a joint arrangement or an associate, which includes a foreign business.

If parts of a subsidiary are disposed and those parts include a foreign business without causing a loss of control, the percentage of the amount of exchange rate differences attributable to the disposed portion is allocated to non-controlling interests as of the time of disposal.

Both, a goodwill resulting from the acquisition of a foreign business and adjustments to the fair values of identifiable assets and liabilities, are treated as assets and liabilities from the foreign business and are translated at the closing rate. The resulting exchange rate differences are recognized in the currency translation reserve (Other comprehensive income).

The following table provides information on the exchange rates of the (essential) currencies used within CGM Group:

	Closing rates		Average rates 01.01 - 31.12.	
1 € corresponds to	31.12.2018	31.12.2017	2018	2017
Denmark (DKK)	7.47	7.44	7.45	7.44
Canada (CAD)	1.56	1.50	1.53	1.46
Malaysia (MYR)	4.73	4.85	4.76	4.85
Norway (NOK)	9.95	9.84	9.60	9.33
Poland (PLN)	4.30	4.18	4.26	4.26
Romania (RON)	4.66	4.66	4.65	4.57
Sweden (SEK)	10.25	9.84	10.26	9.64
Switzerland (CHF)	1.13	1.17	1.16	1.11
Singapore (SGD)	1.56	1.60	1.59	1.56
South Africa (ZAR)	16.46	14.81	15.62	15.05
Czech Republic (CZK)	25.72	25.54	25.65	26.33
Turkey (TRY)	6.06	4.55	5.71	4.12
USA (USD)	1.15	1.20	1.18	1.13

D. SUMMARY OF THE PRINCIPAL ACCOUNTING AND MEASUREMENT METHODS AND UNDERLYING ASSUMPTIONS

Individual balance sheet and income statement items are summarized and are disclosed and explained separately in the notes. Balance sheet items are subdivided into current and non-current items. Items are disclosed as non-current if they are realized after more than 12 months or outside an ordinary business cycle. Deferred taxes are always allocated to non-current items.

15. Intangible assets

a) Intangible assets acquired separately and as part of a business combination

CGM recognizes intangible assets with a certain useful life that were acquired separately and not as part of a business combination at acquisition cost less accumulated amortization and impairments. Intangible assets are amortized on a straightline basis over the estimated useful life of the asset and recognized as expenses. Both the estimated useful life and the amortization method are reviewed at the end of each reporting period. Any changes from reassessments are taken into consideration prospectively.

If CGM Group acquires intangible assets with indefinite useful lives separately, these assets are recognized at acquisition cost less accumulated impairments.

Currently CGM Group does not own any intangible assets with indefinite useful lives, which were acquired separately.

Intangible assets acquired as part of a business combination are recognized separately from goodwill and measured at fair value at the time of acquisition. Intangible assets are amortized on a straight-line basis over the estimated useful life of the asset and recognized as expenses. Both the estimated useful life and the amortization method are reviewed at the end of each reporting period. Any changes from reassessments are taken into consideration prospectively.

For the amortization of intangible assets, the following values for useful life are used:

	Useful life in years
Acquired software	2-15
Customer relationships	10-30
Trademark rights	1-20
Order backlogs	1-3

Amortizations as well as impairments and reversed impairments of intangible assets are recorded in the income statement under "Amortization of intangible assets".

The main part of intangible assets in the balance sheet come from company acquisitions. Currently, with the exception of goodwill, CGM Group has no assets with indefinite useful lives, which have been acquired as part of a business combination.

b) Capitalized in-house software

Costs directly allocated to research activities are recognized as expenses in the period in which they are incurred.

Capitalized in-house intangible assets resulting from development activities or the development phase of an internal software development project are capitalized if the following conditions have been fulfilled:

+ The completion of the intangible asset is technically possible, meaning that it will be available for use or sale.
+ The intangible asset is intended for completion as well as for use or sale.
+ The intangible asset can be used or sold.
+ The intangible asset will likely provide future economic benefit.
+ Suitable technical, financial and other resources are available to complete development and to use or sell the intangible asset.
+ The expenses allocated to the development of the intangible asset can be reliably determined (e.g. by means of project-specific time sheets).

An self-developed intangible asset is capitalized for the first time at the sum of all expenses incurred from the day on which the intangible asset fulfills all of the aforementioned conditions. As long as a development project cannot be capitalized as asset or is not yet available, development costs are recognized as expenses in the period in which they are incurred.

Analog to acquired intangible assets, capitalized in-house intangible assets are recognized at acquisition or production cost less accumulated amortization and impairments in subsequent periods.

Borrowing costs that are directly attributable to capitalized software development project (qualifying asset) classify as part of the costs of the constructed asset and should be capitalized until all work has largely been completed to prepare the asset for its intended use or sale.

Intangible assets from capitalized in-house services (generally software) are amortized on a straight-line basis over their estimated useful lifetime of two to twenty years.

c) Goodwill
Goodwill is not amortized but instead tested annually for impairment on 31 December. Goodwill resulting from a business combination is capitalized at historical cost less accumulated impairments.

For the purpose of the impairment test, goodwill is allocated upon acquisition to the cash-generating units (or groups thereof) of CGM Group that are expected to be able to make use or benefit from the synergies generated by the business combination.

The goodwill impairment test is based on cash-generating units (CGU). A CGU is the lowest level on which goodwill is monitored internally by company management. As part of the impairment testing, the carrying amount of the cash-generating units on which the goodwill is based is compared to their recoverable amount. If the carrying amount of the CGU exceeds its recoverable amount, an impairment is performed by impairing the goodwill to its recoverable amount.

The recoverable amount is the higher of two amounts: the value in use and the fair value less costs to sell. To determine the recoverable amount, the Company first calculates the value in use of the CGU using a discounted cash flow (DCF) method. A subsequent write-up of an impairment loss recognized in previous financial years on goodwill is not permitted.

Even if the recoverable amount exceeds the carrying amount of the CGU to which the goodwill is allocated in future periods, no reversals of impairment losses on goodwill can be recognized. Impairments on goodwill are recorded in the income statement under "Amortization of intangible assets."

The accounting and measurement principles for goodwill resulting from the acquisition of an associate is described under "C.9) Associates and joint ventures."

d) Impairments of property, plant, and equipment and intangible assets (excluding goodwill)
As of each balance sheet date, CGM Group reviews the carrying amounts of its property, plant and equipment and intangible (depreciable) assets to determine whether there is a need to impair them. If there is a concrete indication to impair an asset, the recoverable amount of the asset is calculated in order to determine the amount of the potential impairment charge. If the recoverable amount for the individual asset cannot be estimated, the recoverable amount is estimated for the CGU to which the asset belongs. This also applies in the event, that indicators for an impairment can be observed.

The recoverable amount is the higher value between the fair value less costs to sell and the value in use. When determining the value in use, the estimated future cash flows are discounted to the present value using the current market interest rate.

If the estimated recoverable amount of an asset (or a CGU) is less than the carrying amount, the carrying amount of the asset (or of the CGU) has to be reduced to the realizable value. The impairment is recognized immediately and posted in the income statement under "Depreciation of property, plant and equipment"..

If impairment is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the newly estimated recoverable amount. The increase in the carrying amount is limited to the amount that would have been determined if no impairment had been recognized for the asset (the CGU) in previous years. A reversal of the impairment is recognized immediately and posted in the income statement.

e) Derecognition of intangible assets
An intangible asset shall be derecognized when it is disposed of or when no further economic benefits are expected to derive from its use or disposal. The gain or loss from the derecognition of an intangible asset, measured as the difference between the net realizable value and the carrying amount of the asset, is recognized in the income statement when the asset is derecognized. They are reported under "Other income" or "Other expenses".

16. Property, plant, and equipment

a) Land and buildings
Land and buildings held for the production or supply of goods or services or for administrative purposes are carried at amortized cost less accumulated depreciation and accumulated impairment losses.

Land and buildings intended for the production or supply of goods or services or for administrative purposes that are under construction are carried at historical or production cost less accumulated impairment losses. Borrowing costs that can be directly allocated to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until all work has been substantially completed to prepare the asset for its intended use or sale.

Depreciation of these assets begins on the same basis as for other buildings when the asset is ready for use. Land is not subject to scheduled depreciation. Subsequent expenditure is only capitalized if it is probable that the future economic benefits associated with the expenditure can be obtained by the Group.

Estimated useful lifetimes for the current and prior years of significant property, plant and equipment:
Buildings: up to 60 years

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, less their estimated residual values, to depreciate the historical or production cost of the asset. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if necessary.

b) Other assets and plant and office equipment
Other assets as well as plant and office equipment are carried at historical or production cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method, whereby the acquisition costs or fair values are depreciated to the residual book value over the expected useful life of the assets. The expected useful lives, residual values and depreciation methods are reviewed at each balance sheet date. All changes resulting from reassessments are taken into account prospectively. The following useful lives are applied to the depreciation of property, plant and equipment:

Estimated useful lives for the current year and prior years of significant property, plant and equipment:
Other assets, plant and office equipment: 3 - 21 years

Depreciation as well as recognized impairment losses and reversals of impairment losses on property, plant and equipment are recognized in the income statement under "Depreciation of property, plant and equipment".

In 2016, the Group acquired a company aircraft for TEUR 8,317. The following components were accounted for and amortized separately as major components of the company aircraft with different useful lives:
+Engines (over 11 years);
+Interior equipment (over 10 years);
+Aircraft excluding engines and interiors (over 21 years).

17. Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are included in production costs until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale.

If income is generated from borrowed capital raised in the meantime specifically for the production of qualified assets up to the point of its designated spending, this is deducted from the capitalizable borrowing costs. Other borrowing costs are recognized in profit or loss in the same period in which they are incurred.

18. Investments in companies recognized with the "equity method"
Investments in companies recognized with the "equity method" includes associates and the joint ventures.

a) Investments in associates
Associates are accounted for using the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures.

Recognition at the acquisition date is at acquisition cost. The carrying amounts of the investments also include the goodwill identified at the acquisition date less impairment losses. Dividends paid by associates are recognized in the year the dividend is paid, reducing the carrying amount. The Company's share of the profit or loss of associates in each period is recognized in profit or loss.

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If the Group's share of losses in an associate equals or exceeds the Group's investment in that associate, including other unsecured receivables, the Group does not recognize any further losses unless it has incurred obligations or made payments on behalf of the entity.

Impairment tests are carried out if a triggering event occurs (in particular noticeable changes in results).

b) Joint Ventures

Joint ventures are also accounted for using the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures. They are classified as joint ventures in accordance with the criteria of IFRS 11, Joint Agreements.

Recognition at the acquisition date is at cost. The carrying amounts of the investments also include the goodwill identified at the acquisition date less impairment losses. Dividends paid by participating interests are recognized in the year in which the dividend is paid, reducing the carrying amount with no effect on income.

If the Group's share of losses in a joint venture is equal to or exceeds the Group's investment in that entity, including other unsecured receivables, the Group does not recognize any further losses unless it has incurred obligations or made payments on behalf of the entity.

Impairment tests are carried out if a triggering event occurs (in particular noticeable changes in results).

19. Financial assets

a) Classification

The CGM Group classifies its financial assets into the following categories: at amortized cost (AC) and at fair value through profit or loss (FVtPL). The classification depends on the company's business model with regard to the management of financial assets and contractual cash flows. The management of the CGM Group determines the classification of financial assets upon initial recognition.

Assessment of a financial asset at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:
(a) the financial asset is held using a business model that aims to hold financial assets to collect contractual cash flows; and
(b) the contractual condition of the financial asset will result, at specified times, in cash flows that are exclusively repayment and interest payments on the outstanding principal amount.

Assessment of a financial asset at fair value through profit or loss

A financial asset that is not measured at amortized cost or at fair value in other comprehensive income is measured at fair value through profit or loss. The CGM Group does not have any financial assets that are measured at fair value through profit or loss. Financial assets at fair value through profit or loss also include financial investments in equity instruments held for trading and financial investments in equity instruments where the entity has elected not to recognize changes in fair value in other comprehensive income. In the previous year, CGM subdivided financial assets into available-for-sale financial assets ("AfS") in accordance with IAS 39 and financial assets in the Loans and Receivables ("LaR") category.

b) Recognition and measurement

An arm's length purchase or sale of a financial asset is recognized on the trade date - the date on which the Group commits to purchase or sell the asset.
Financial assets are initially measured at fair value. Financial assets in the "AC" category are measured at fair value plus any transaction costs. For financial assets that are measured at fair value through profit or loss, the transaction costs are recognized in the income statement. is captured. Subsequent measurement of financial assets is based on the measurement categories described under a).

c) Impairment of financial assets

The CGM Group has three types of financial assets that are subject to the new model of expected credit losses:
a.) Trade receivables;
b.) Contract assets and
c.) financial instruments measured at amortized cost.

For further information on the impairment of financial assets to which the Group is exposed, see Note 78 "Credit risk".

d) Derecognition of financial assets

The CGM Group derecognizes a financial asset only when the contractual right to receive cash flows from the financial asset expires or the financial asset is transferred.

e) Offsetting financial instruments

Financial assets and financial liabilities should be offset and disclosed as a net amount in the consolidated balance sheet when there is a legal right to set off the recognized amounts against each other and it is intended either to settle on a net basis or to settle the liability simultaneously with the realization of the asset. There were no material transactions as of the balance sheet date.

20. Inventories

Inventories are measured at the lower of cost or net realizable value. Production costs include direct material costs and, if applicable, direct manufacturing costs as well as overheads attributable to production. The carrying amounts are calculated using either the weighted average method or the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price less estimated point-of-completion costs and marketing, selling and distribution costs. Impairment losses and reversals of impairment losses are recognized as an adjustment to the carrying amount of the asset through cost of sales.

21. Trade receivables and other current receivables

Trade receivables are amounts owed by customers for goods sold or services rendered in the ordinary course of business. They are generally payable within 14 days and are therefore classified as current.

Trade receivables are initially recognized at the amount of the unconditional consideration. If they contain significant financing components, they must instead be recognized at fair value. These do not exist in the CGM Group..

The Group holds trade receivables in order to collect the contractual cash flows and subsequently measures them at amortized cost using the effective interest method.
Further information on the impairment of trade receivables to which the Group is exposed can be found in Note 78 "Credit risk".

22. Cash and bank deposits

Cash and bank balances are valued at acquisition cost. They comprise cash at hand, bank balances available on call and other short-term highly liquid financial assets with a maximum maturity of three months at the time of assumption. Where the Group holds a significant amount of cash and cash equivalents that the Group does not have at its disposal, a disclosure is made.

Cash and cash equivalents are also subject to the impairment regulations of IFRS 9, but the identified impairment loss was immaterial and was therefore not recognized in the financial statements.

23. Assets held for sale and discontinued operations

The CGM Group classifies an individual non-current asset as held for sale if the inherent carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use within the CGM Group. This condition is only deemed to be met if the non-current asset (or disposal group) is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a sale, assuming that the sale will be completed within one year of classification as held for sale. The CGM Group reports assets and liabilities as a disposal group if they are to be sold or otherwise disposed of as a group in a transaction and the criteria set out in IFRS 5, Assets Held for Sale and Discontinued Operations are met.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

If the CGM Group has undertaken to sell an investment or part of an investment in an associate or joint venture resulting in a disposal, the investment or part of the investment is classified as held for sale if the aforementioned criteria for classification as held for sale are met. Application of the equity method to the investment held for sale is discontinued from that date. Retained investments in associates or joint ventures that are not classified as held for sale continue to be accounted for using the equity method. The CGM Group ceases to apply the equity method at the date of disposal of the portion of the investment classified as held for sale if the disposal results in the Group losing significant influence over the associate or joint venture.

After disposal, the CGM Group accounts for all retained interests in the respective associate or joint venture in accordance with IFRS 9, except where the retained interest results in the continued existence of an associate or joint venture, which results in further application of the equity method.

24. Provisions for post-employment benefits

In the case of defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, whereby an actuarial valuation is performed at each balance sheet date. Under this method, in addition to biometric calculation bases, the current long-term capital market interest rate and current assumptions about future salary and pension increases are taken into account.

Revaluations consisting of actuarial gains and losses, changes resulting from the application of the asset ceiling and the return on plan assets (excluding interest on the net debt) are recognized directly in other comprehensive income and are included directly in the balance sheet. Revaluations recognized in other comprehensive income are part of retained earnings and are not reclassified to the income statement.

Past service cost are expensed as soon as the plan change occurs and to the extent that the changes in the pension plan are not dependent on the employee remaining in the Company for a specified period (vesting period).

Net interest is calculated by multiplying the discount rate used by the net liability (pension obligation less plan assets) or the net asset value at the beginning of the financial year if the plan assets exceeds the pension obligation. The defined benefit costs include the following components:
+ Service cost (including current service cost, past service cost and potential profit or loss from changes or reductions to pension plans)
+ Net interest income or expenses from net debt or the net asset value
+ Revaluation of net debt or the net asset value

The CGM Group reports the first two components in the income statement under "Personnel expenses". Gains or losses from curtailments are recognized as past service cost.

The provision for defined benefit plans recognized in the consolidated balance sheet corresponds to the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Any resulting overfunding is limited to the present value of the future economic benefits available in the form of (contribution) refunds from the plans or reduced future contributions to the plans.

Payments for defined contribution plans are recognized as an expense in personnel expenses when the employees have performed the work that entitles them to the contributions. Payments for state pension plans are treated in the same way as those for defined contribution plans. The CGM Group has no further payment obligations beyond the payment of contributions.

25. Provisions for anniversaries

Provisions for anniversaries are measured using the projected unit credit method in accordance with IAS 19.67. The provisions for anniversaries are paid out in accordance with the age structure of the workforce on the employees' respective anniversaries. Based on the current number of employees, payment will be made primarily in the next 30 years.

26. Other provisions

Provisions are recognized for legal and actual obligations that arise or are economically caused on the balance sheet date if it is probable that the fulfillment of the obligation will lead to an outflow of funds or other resources of the company and there is uncertainty regarding maturity and amount resulting from estimation inaccuracies..

Measurement is based on the settlement amount with the highest probability of occurrence or, if the probability of occurrence is equal, on the expected value of the settlement amounts. The risks and uncertainties inherent in the obligation must be taken into account. If a provision is measured on the basis of the estimated cash flows required to settle the obligation, these cash flows are discounted if the interest effect is material.

If it can be assumed that parts or all of the economic benefits required to fulfil the provision will be reimbursed by an external third party, the CGM Group capitalizes this as an asset if the reimbursement is virtually certain and the reimbursement amount can be reliably estimated.

a) Onerous contracts

Current obligations arising in connection with onerous contracts are recognized as a provision. An onerous contract is deemed to exist when the CGM Group is a party to a contract that is expected to result in unavoidable costs to settle the contract exceeding the expected economic benefits resulting from the contract.

b) Restructuring

A provision for restructuring costs is recognized when the CGM Group has established a detailed, formal restructuring plan which, by commencing implementation of the plan or announcing its main components, gives rise to a reasonable expectation on the part of those affected that the restructuring measures will be implemented.
For the valuation of the restructuring provision, only the direct expenses for the restructuring are recognized. Accordingly, only those amounts are recognized that arise as a result of the restructuring and are not related to the Group's continued operations.

c) Guarantees

Provisions for expected expenses from warranty obligations in accordance with national sales contract law are recognized at the time of the sale of the relevant product. The amount is determined by estimating the expenditure necessary to meet the Group's obligation. If a large number of similar obligations exist - as in the case of warranty - the probability of an outflow of resources is determined on the basis of the group of these obligations. A provision is also recognized as a liability if the probability of an outflow of resources relating to an individual asset included in this group is remote. commitment is low.

d) Severance payments
A liability for severance payments is recognized when the CGM Group is no longer able to withdraw the offer of such benefits. If severance payments are incurred in connection with a restructuring, the liability for termination benefits is recognized earlier (before the offer is made).

27. Financial liabilities
The CGM Group recognizes financial liabilities when a Group company becomes a party to a financial instrument. Such liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.
The CGM Group measures financial liabilities at fair value at initial recognition. Financial liabilities are measured at amortized cost less transaction costs. The management of the CGM Group determines the classification of financial assets at initial recognition.

a) Financial liabilities measured at fair value through profit or loss
Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are either held for trading or are voluntarily measured at fair value through profit or loss.

A financial liability is classified as held for trading if:
+ it was acquired principally for the purpose of being repurchased in the near term, or
+ it is part of a portfolio of clearly identified financial instruments that are managed jointly by the CGM Group and for which there is evidence of short-term profit-taking in the recent past, or
+ it is a derivative that is not designated and effective as a hedging instrument and is not a financial guarantee.

For a financial liability other than a financial liability held for trading, it is possible to designate it at the time of initial recognition as at fair value through profit or loss if:
+ such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
+ the financial liability belongs to a group of financial assets and/or financial liabilities that are managed and measured on a fair value basis in accordance with a documented risk or investment management strategy of the Group and for which the internal flow of information is based thereon.

Financial liabilities classified as fair value through profit or loss (FVtPL) are measured at fair value. All gains or losses resulting from the valuation are recognized in the income statement. The net gain or loss recognized in the income statement includes the interest paid for the financial liability and is reported under "Financial income and expenses".

b) Other financial liabilities
Other financial liabilities such as loans assumed, trade payables and other liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense to the corresponding periods. The effective interest rate is the rate that is used to discount estimated future cash payments, including fees incurred and fees paid or received that are an integral part of the effective interest rate, as well as transaction costs and other premiums or discounts over the expected life of the financial instrument or a shorter period, to the net carrying amount of the financial asset upon initial recognition.

c) Derecognition of financial liabilities
The CGM Group derecognizes a financial liability as soon as the respective obligation has been settled, i.e. the obligations specified in the contract have been fulfilled or cancelled or expire. The difference between the carrying amount of the derecognized financial liability and the consideration received is recognized in the income statement.

28. Equity
If equity instruments exist, these are recorded at the time of issuance less directly attributable transaction costs. Issuance costs include those costs that would not have been incurred without the issue of the equity instrument.

Shares bought back by the CGM Group (treasury shares) are deducted directly from equity. There is no recognition in the income statement from the acquisition, sale, issue or cancellation of own equity instruments. Any consideration paid or received is recognized directly in equity.

29. Accumulated other comprehensive income
Accumulated other comprehensive income includes changes in equity that are not recognized in profit or loss unless they result from transactions with shareholders recognized in equity. The changes recognized in other comprehensive income include currency translation differences, unrealized gains and losses from the fair value measurement of available-for-sale assets and derivative financial instruments in hedge accounting. Actuarial gains and losses are recognized in the reserves in equity for the period in which they are recognized as other comprehensive income.

30. Derivative financial instruments (in hedge accounting)

The CGM Group generally enters into derivative financial instruments to manage its interest rate and exchange rate risks. This includes the conclusion of forward exchange transactions and interest rate swaps. Derivatives are initially recognized at fair value at the time the contract is closed and subsequently measured at fair value at each balance sheet date. The gain or loss resulting from the measurement is recognized immediately in profit or loss unless the derivative is designated as a hedging instrument in a hedging relationship (hedge accounting).

Designated hedging relationships generally belong to one of the following categories:

+ Fair value hedges of a recognized asset or liability or a firm commitment;
+ hedging a specific risk associated with the recognized asset or liability (such as a portion or all of the future interest payments on a variable-rate liability) or a highly probable future transaction (cash flow hedge);
+ Hedging of a net investment in a foreign operation as defined by IAS 21 (Net Investment Hedge).

At the start of hedge accounting, the hedging relationship between the hedged item and the hedging instrument, including the risk management objectives and the corporate strategy underlying the hedge, is documented.
In addition, both when the hedging relationship is entered into and during the course of the hedging relationship, regular documentation is provided as to whether the hedging instrument designated in the hedging relationship is highly effective in offsetting changes in the fair value or cash flows of the hedged item in accordance with the hedged risk. Recognition through profit or loss of the valuation results depends on the nature of the hedging relationship.

The total fair value of a derivative designated as a hedging instrument is classified as a non-current asset or non-current liability if the hedged item has a remaining duration of more than one year and as a current asset or current liability if the hedged item has a remaining duration of less than one year.

In accordance with IAS 1.68 and IAS 1.71, trading derivatives with a remaining term of more than one year are classified as non-current assets or liabilities; otherwise they are classified as current.

As of 31 December 2018, there were neither derivatives to be recognized in profit or loss nor derivatives in the form of interest rate swaps in hedging relationships.

In addition, no forward exchange transactions were concluded during the year, nor were there any forward exchange transactions as at the balance sheet date of 31 December 2018.

31. Cash flow hedges

The effective amount of the change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income under cash flow hedges. A gain or loss attributable to the ineffective portion is recognized immediately in profit or loss and reported in the financial result in the income statement.

Amounts recognized in other comprehensive income are transferred to the income statement in the period in which the hedged item is recognized in profit or loss. They are reported in the income statement under the same item as the underlying transaction. However, if a hedged expected transaction results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the asset or liability.

The hedge relationship is no longer recognized in the balance sheet if the CGM Group dissolves, sells, terminates or exercises the hedge or if the hedging instrument is no longer suitable for hedging purposes. The entire gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is not recognized in profit or loss until the expected transaction is also recognized in the income statement. If the expected transaction can no longer be expected to occur, the entire income recognized in equity is immediately recognized in profit or loss. statement was reclassified..

Information on the fair values of derivatives used for hedging purposes is generally provided under section "Fair Value Measurement". There were no cash flow hedges as of 31 December 2018.

32. Liabilities from government grants

The measurement of government grants classified as investment grants is performed using the net method, whereby the grants are offset against the respective asset and reversed against depreciation in the income statement in the same proportion as the subsidized assets are depreciated. The CGM Group receives government grants that are classified as income grants. These are recognized in other income.

33. Leases

Leases are classified as finance leases if the lease agreement transfers substantially all the risks and rewards of ownership to the lessee. Leases in which a significant portion of the risks and rewards incident to ownership of the leased asset remain with the lessor are classified as operating leases.

a) CGM Group as lessee

The Group leases certain property, plant and equipment (leased assets). Assets from finance leases are capitalized at the start of the lease period at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A lease liability in the same amount is recognized under current and non-current liabilities. Each lease installment is divided into an interest portion and a down-payment portion so that the lease liability is subject to constant interest.

The leasing liability is disclosed under current and non-current liabilities. The interest portion of the lease installment is recognized as an expense in the income statement, ensuring a constant interest rate over the period of the lease. Property, plant and equipment held under finance leases is depreciated over the shorter of the useful life of the asset or the lease period..

Payments made in connection with an operating lease are recognized as an expense on a straight-line basis over the leasing period. An exception to this rule can only be made if another systematic basis is more in line with the time pattern of benefits for the CGM Group. Contingent payments under an operating lease are recognized as an expense in the period in which they are incurred.

b) CGM as lessor

If assets are leased under a finance lease (particularly in the PCS segment), the present value of the minimum lease payments is recognized as a lease receivable. The difference between the gross receivable (minimum lease payments before discounting) and the present value of the receivable is recognized as unrealized financial income. The difference is recognized as revenue. Lease income is recognized over the lease term using the annuity method, which - in relation to the leasing receivable - yields a constant annual return..

Assets leased from customers under operating leases are reported under non-current assets. Income from leases is recognized on a straight-line basis over the term of the lease.

34. Income taxes and deferred taxes

The income tax expense of the reporting period reported in the income statement of the CGM Group is the sum of the current tax expense and the deferred taxes recognized in profit or loss. The CGM Group determines the current tax expense on the basis of the taxable income of the Group companies using the current national income tax rates respectively.

In accordance with the requirements of IAS 12, the CGM Group recognizes all temporary differences between the tax balance sheet and the consolidated financial statements as deferred taxes. Deferred tax assets on loss carryforwards are capitalized up to the amount for which it can be assumed that consumption will take place within a medium-term (i.e. 5 years) and tax-allowable time frame..

Deferred tax assets and liabilities are also recognized on temporary differences resulting from business acquisitions. An exception to this is the temporary differences on goodwill for which no deferred taxes are recognized. If goodwill is taken into account for tax purposes, the valuation of deferred taxes, which are only realized upon disposal, is subsequently carried out.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries and associated companies are not recognized for materiality reasons.

For the calculation of deferred taxes the current national income tax rates of the Group companies are used. Fixed income tax rates that will only be applied in future periods will also be taken into account for the calculation of deferred taxes.

Deferred taxes are generally recognized in the income statement (exception: first-time consolidation), unless they relate to items recognized directly in equity or in other comprehensive income. In this case, taxes are also recognized in equity or in other comprehensive income.

35. Revenue recognition

Revenue is determined on the basis of the performance obligations specified in a contract with a customer. The Group recognizes revenue when it transfers control of a good or service to a customer. The following table provides information on the nature and timing of the settlement of obligations under contracts with customers, including significant payment terms, and the related revenue recognition principles.

Revenue from the sale of goods and rights is recognized when the significant risks and rewards of ownership of the goods and rights have passed to the buyer, it is probable that the economic benefits will flow to the entity and the amount can be measured reliably. Revenue from services is recognized as soon as the service has been rendered. Revenue is not recognized if there are significant risks associated with the receipt of the consideration or the potential return of the goods.

The CGM Group recognizes its revenues net of sales deductions such as bonuses, discounts and rebates.

The Group recognizes revenues from the following significant sources:

Revenue type	Description and revenue recognition
Software licenses	These include revenue from the sale of software licenses, which are usually subject to a single payment. The license entitles the customer to permanent use of the software. The license fee is contractually fixed and does not trigger any future license payments or usage-dependent invoices. Only software expansion modules trigger further license payments. Revenues from the sale of software licenses are deferred over their contractual minimum term of the maintenance agreement, provided that the conditions for a multi-component business are met using the "right to access" approch. This affects practically all license sales in the classic AIS and PCS segment. Revenues from rental and leasing transactions that cannot be regarded as sales are recognized on a straight-line basis over the rental period.
Software maintenance and other recurring revenues	This includes revenue from contracts that give customers access to new releases of software products after they have already been supplied. These updates serve to rectify bugs, improve performance and other features and also adapt the software to changes in the usage environment. The contractual relationship for software maintenance also includes hotline support (either via telephone or online). The minimum software maintenance contract terms vary depending on the product line, from canceled at any time to canceled for the first time after five years, taking into account the individual cancellation periods. If cancellations are not made in due time to the contractually agreed regulations, the software maintenance contract is usually extended by a further twelve months. Revenue from recurring, transaction-specific services and other long-term services, including, for example, multi-year software licensing (SAAS and period-related transfer of use), application service provider services, hosting fees, Internet service provider fees, eServices fees, EDI and compensation payments, receivables management payments, outsourcing agreements, hardware maintenance and repair agreements etc. Customer relationships are usually long-term. Revenues from software maintenance and other recurring revenues as well as from support services are recognized over the period when the services are rendered.
Professional Services	Revenues from services that are remunerated on an hourly basis or at contractually agreed fixed prices fall under the sales type professional services. The activities performed in the sales order include e.g. project management, analyses, training, system configuration and customer-related programming. For services to be provided, which are remunerated on an hourly basis, revenue is recognized upon completion of the service. Revenues are generally recognized on a period basis, whereby the CGM Group is controlled by the simplification to enter them in the amount that the CGM Group may charge. ("right to invoice"). The revenue recognition of service components within the framework of contracts for work and services and other service contracts is based on the percentage-of-completion method. The stage of completion is generally determined by the ratio of contract costs incurred to date to the estimated total contract costs at the balance sheet date ("cost to cost" method). In the case of complex contracts for which it is not possible to make a reliable estimate of the total contract costs and thus the stage of completion, revenue is recognized only to the extent of the contract costs incurred. A proportionate profit is therefore only recognized when the project has been fully completed ("zero profit method").
Hardware	Revenue from the sale of hardware and infrastructure components, such as PCs, servers, monitors, printers, switches, racks, network components, etc. This income is recognized immediately after the hardware components are dispatched. This does not apply to contractually fixed hardware components within the scope of manufacturing orders, which are recognized in the project as a whole according to the percentage of completion (percentage of completion method). The stage of completion is generally determined by the ratio of contract costs incurred to date to the estimated total contract costs at the balance sheet date ("cost to cost" method). In the case of complex contracts for which it is not possible to make a reliable estimate of the total contract costs and thus the stage of completion, revenue is recognized only to the extent of the contract costs incurred. A proportionate profit is therefore only recognized when the project has been fully completed ("zero profit method"). Revenues from rental and leasing transactions that cannot be regarded as sales are recognized on a straight-line basis over the estimated useful life of the leased asset over the rental period.

Advertising, eDetailing and data	This includes revenue from paid advertising content and communications services relating to software or other media. It also includes revenue from software services and associated services supporting the sales process of pharmaceutical companies. Revenue from the collection, organization and provision of data (i.e. blacklists) for service providers in the healthcare sector (e.g. health insurances, pharma companies) is attributed to this income type. Income from advertising, eDetailing and data that take the form of a continuing obligation is booked over the period when the services are rendered. Revenue from services to be remunerated on an hourly basis is recognized upon completion of the service.
Software Assisted Medicine (SAM)	This includes revenue from healthcare management and associated services. In addition, revenue that originates from the use of special software modules (i.e. software supporting medical decision-making) in physician's offices, hospitals, networks of physician's offices and hospitals, health insurance providers, patient networks, etc. is allocated to this revenue type. For health management services to be provided on a daily basis, which are remunerated on an hourly basis, revenue is recognized when the service is completed. Revenues are generally recognized on a period of time basis. The CGM Group makes use of the simplification to recognize it at the amount that the Group is permitted to invoice ("right to invoice"). Revenue from the sale of SAM software licenses is recognized partly immediately upon delivery, provided that the delivered software merely grants the customer a "right to use". If revenues from the sale of SAM software licenses fall under the "right to use" approach, the revenues from software licenses together with the revenues from software maintenance and other recurring revenues in the SAM segment as well as support services are recognized ratably over the contractual minimum term of the service provision.
Other revenue	This comprises all revenue that cannot be attributed to any of the aforementioned categories. Income recognition is carried out on a case-by-case basis in compliance with the relevant IFRS requirements.

Interest income is accrued periodically taking into account the outstanding loan amount and the applicable interest rate. The applicable interest rate is exactly the interest rate that discounted the estimated future cash inflows over the life of the financial asset to the net carrying amount of the asset.

Dividend income from financial investments is recognized when the shareholder's legal entitlement to payment arises and can be enforced.

36. Assets and liabilities in connection with IFRS 15

The CGM Group incurs additional commissions paid to intermediaries or its own sales associates in connection with the conclusion of contracts for sales and service contracts for software licenses, software maintenance or other service contracts. If the CGM Group expects these additional costs to be reimbursed, CGM will capitalize and depreciate them over the period in which the performance is transferred from the release of the software license bundled with the software maintenance contract or the provision of services to the customer. Expenses for sales commission (contract costs) are to be capitalized under other non-financial assets and amortized on a straight-line basis over the estimated customer retention period. Expenses are not reported in the income statement under depreciation but - depending on the distribution channel - as cost of materials or personnel expenses. Contract costs whose depreciation period would not be more than one year are recognized immediately as expenses.

A contract asset is to be recognized if the CGM Group has recognized revenues due to the fulfillment of a contractual obligation before the customer has made a payment or - regardless of the due date - before the conditions for invoicing and thus the recognition of a receivable has been met.

A contract liability is recognized when the customer has made a payment or a receivable from the customer falls due before the CGM Group has fulfilled a contractual obligation and recognized revenue.

Within a customer contract, contractual liabilities must be offset against contract assets.

37. Earnings per share and Share-based compensation expenses

a) Earnings per share

Undiluted earnings per share is the result of the division of the share in the net income for the period attributable to the shareholders of CompuGroup Medical SE by the weighted average of the number of shares issued. If new shares are issued or bought back within a reporting period, they are taken into account pro rata temporis for the calculation based on the period in which they are outstanding. The stock options granted by the Company lead to a dilution of earnings per share.

b) Share-based compensation expenses

The fair value of stock options granted is determined in accordance with IFRS 2 Share-based Payments by simulating the future development of the Company's subscribed capital on the basis of market parameters (e.g. volatility and risk-free interest) and normally distributed random numbers (Monte Carlo simulation). The fair value of the stock options is offset against capital reserves through profit or loss over the expected option duration of up to four years.

The valuation is based on the fair value on the grant date.

38. Segment reporting

The segment reporting of the CGM Group is based on the internal organizational and reporting structures in accordance with the so-called "management approach". The data and financial information used to determine the internal control parameters are derived from the consolidated financial statements of the CGM Group prepared in accordance with IFRS. For details, please refer to section "F. Segment reporting".

39. Use of accounting estimates and management judgments

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. These affect the amount and disclosure of assets and liabilities, income and expenses and contingent liabilities in the reporting period. The main estimates and judgements made in preparing the consolidated financial statements are described below:

a) Purchase price allocations and business combinations

Assumptions and estimates are made in particular within the framework of purchase price allocations for company acquisitions. Application software from company acquisitions is determined using the license price analogy, customer relationships using the multi-period excess earnings method and trademark rights using the license price analogy. The scheduled amortization of acquired intangible assets is also based on estimates.

b) Estimated impairment of goodwill

Goodwill is tested for impairment on the basis of cash flow projections for the cash-generating units for the next five years and applying a discount rate adjusted to the company risk, both annually and immediately outside the annual period as soon as there is any indication that the goodwill may have to be impaired. The CGM Group determines the recoverability of the higher of fair value less costs to sell and value in use. Nevertheless, the management of the CGM Group is of the opinion that the assumptions used to calculate the recoverable amount are appropriate if unforeseen changes in these assumptions were to result in an impairment loss that could have a negative impact on the net assets, financial position and results of operations of the CGM Group.

c) Recoverable amount of assets

The CGM Group reassesses at each balance sheet date whether there is any indication that an item of property, plant and equipment or an intangible asset (including intangible assets from capitalized in-house services) may be impaired as part of the impairment test. The recoverable amount of the respective asset is determined using the best possible estimated input parameters. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use, similar to the procedure for impairment testing goodwill. The recoverable amount is determined on the basis of cash flow projections for the respective asset for the next five years using a discount rate adjusted to the company risk. The management of the CGM Group is of the opinion that the assumptions used to calculate the recoverable amount are appropriate in view of the economic environment and the development of the industry; nevertheless, changes in the underlying parameters could lead to an adjustment of the impairment analysis for the asset under test. This could result in further impairment losses or reversals of impairment losses in future periods if the assumptions and estimates used by management prove to be incorrect.

d) Useful life of property, plant and equipment

As noted in the notes to property, plant and equipment in this section, the CGM Group assesses the appropriateness of the estimated useful lives of property, plant and equipment at each reporting date. This involves reassessing the economic useful lives of the assets. Changes that result in a reassessment of the remaining economic useful life may result, for example, from changes in market conditions (e.g. price erosion) or general technological progress.

e) Assessment of the probability of other provisions

Other provisions are recognized and measured on the basis of the best possible estimate of the probability of the future outflow of resources and experience, taking into account the circumstances known at the balance sheet date.

f) Provisions for post-employment benefits

The present value of the pension obligation depends on a number of factors based on actuarial assumptions.
The assumptions used to determine the net expense (or income) for pensions include the discount rate. Any change in these assumptions will affect the carrying amount of the pension obligation.

g) Income recognition from project orders
Some of the consolidated subsidiaries of the CGM Group enter into project contracts with only one performance obligation as part of their business activities. Contract revenue continues to be recognized over a period of time.
This applies in particular to the HIS segment. Under IFRS 15, revenue is recognized when it is highly probable that these contract amendments will not result in a significant cancellation. Furthermore, the introduction of IFRS 15 took into account the fact that the new regulations for variable consideration (e.g. incentives) as well as for the recognition of supplements and contract amendments were included in the calculation as contract modifications. Provisions for onerous contracts are recognized by the CGM Group in accordance with IAS 37.66 et seq. The CGM Group regularly reviews the estimates relevant for the valuation of project orders for appropriateness and, where necessary, adjusts the estimates to the new findings.

h) Income taxes
Management is also required to make estimates and assumptions when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future tax benefits will be available against which they can be utilized. The actual usability of deferred tax assets depends on the future actual tax result situation. This may differ from the estimate made at the time the deferred taxes were capitalized. Various factors are used to assess the probability of future usability, including past earnings, operating plans, loss carryforward periods and tax planning strategies.

i) Fair value of derivative and other financial instruments
The fair value measurement of derivative and non-derivative financial instruments takes into account expected future developments, such as interest rate and credit risks, as well as their underlying assumptions.

Further information on the assumptions and estimates on which these consolidated financial statements are based is provided in the notes to the individual financial statement items..

When applying the accounting and valuation methods, discretionary decisions have to be made. These decisions are continually reassessed and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

This applies especially with regard to the following issues:
+ The determination of the fair values of assets and liabilities acquired as part of a business combination, as well as of the useful lives of the assets is based on management's judgment.
+ With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable.

j) Measurement of individual non-current assets held for sale
Assets held for sale are generally carried at the lower of their residual carrying amount and fair value less costs to sell. In determining fair value less costs to sell, estimates and assumptions made by management may be used, which may be subject to certain uncertainties.
All assumptions and estimates are based on the circumstances and assessments at the balance sheet date. Actual future circumstances may naturally differ from these assumptions and estimates. If this occurs, the assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted.

k) Contingent liabilities and contingent assets
Contingent liabilities and assets are possible obligations or assets that arise from past events and the existence of which is dependent on the occurrence or non-occurrence of one or more uncertain future events not entirely under the control of the CGM Group. Contingent liabilities are also present obligations resulting from past events for which an outflow of resources embodying economic benefits is unlikely or for which the extent of the obligation cannot be estimated with sufficient reliability. Contingent liabilities are recognized at fair value if they were acquired in the course of a business combination. Contingent liabilities not assumed as part of an acquisition are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, the asset is no longer a contingent asset but is recognized as an asset. Where an outflow of resources with an economic benefit is not unlikely, information on contingent liabilities is disclosed in the notes to the consolidated financial statements. The same applies to contingent assets if the inflow of economic benefits is probable.

Unless otherwise stated in individual cases, all amounts in the consolidated financial statements are stated in thousands of euros (EUR '000). Due to rounding, there may be minor differences in the totals and percentages shown in this report.

E. EXPLANATION OF ITEMS ON THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

40. Intangible assets

a) Development of intangible assets

Overview of changes in intangible assets as of 31 December 2018:

	Purchase and production costs						Net book value	
EUR '000	1/1/2018	Additions from acquisitions	Other additions	Disposals and transfers	Exchange rate differences	12/31/2018	12/31/2018	1/1/2018
Goodwill	277,835	3,764	0	–356	–792	280,451	262,211	262,450
Acquired software	230,961	1,300	2,187	–1,069	–271	233,108	35,237	40,387
Customer relationships	234,467	3,833	0	–1,450	–254	236,596	137,505	146,373
Trademark rights	31,378	412	0	222	76	32,088	6,236	8,138
Order backlog	9,075	0	0	–452	6	8,629	0	79
Capitalized in-house services	109,103	0	19,162	–10	106	128,361	89,949	75,296
Prepayments on software	2,135	0	6,277	–2,731	–30	5,651	5,402	1,885
Total	894,954	9,309	27,626	–5,846	–1,159	924,885	536,540	534,608

Overview of changes in intangible assets as of 31 December 2017:

	Purchase and production costs						Net book value	
EUR '000	1/1/2017	Additions from acquisitions	Other additions	Disposals and transfers	Exchange rate differences	12/31/2017	12/31/2017	1/1/2017
Goodwill	277,384	5,660	0	0	–5,209	277,835	262,450	261,999
Acquired software	228,344	1,312	5,131	2,587	–6,413	230,961	40,387	41,510
Customer relationships	235,021	6,017	0	–6	–6,565	234,467	146,373	157,272
Trademark rights	31,760	329	0	–64	–647	31,378	8,138	10,807
Order backlog	9,115	0	0	0	–40	9,075	79	377
Capitalized in-house services	91,796	0	17,600	0	–293	109,103	75,296	60,643
Prepayments on software	5,833	0	155	–3,842	–11	2,135	1,885	5,583
Total	879,253	13,318	22,886	–1,325	–19,178	894,954	534,608	538,191

Each amortization of intangible assets is recognized in the income statement.

The complete development of intangible assets is disclosed in the separate appendix to the notes of the consolidated financial statements "Changes in intangibles and tangibles assets in the financial year 2018".

The positions software and prepayments on software include the SAP system of the CGM Group. Due to a sale-and-lease-back agreement, the legal ownership of the SAP system is restricted, as accounting has been performed solely on the basis of beneficial ownership. At the end of the minimum lease term, the leasing company holds the exploitation rights of the SAP system. The current carrying amount of the assets concerned amounts to EUR 16,737 thousand (previous year: EUR 17,172 thousand).
Changes to these sale-and-lease-back agreements will result from new contracts concluded in 2019. For more detailed information, please see Note 87 "Significant post balance sheet events".

b) Goodwill
The goodwill is allocated to cash-generating units (CGUs) as follows:

CGU	01.01.2018 EUR'000	Additions EUR'000	Other additions EUR'000	Disposals EUR'000	Impairment EUR'000	Reclassifications EUR'000	Exchange rate differences EUR'000	31.12.2018 EUR'000
ATX	2,134	–257	0	0	0	0	0	1,877
Barista	1,387	0	0	0	0	0	0	1,387
CGM Belgium	2,342	0	0	0	0	0	0	2,342
CGM Tschechien	1,461	0	0	–356	0	0	–11	1,094
CGM Clinical Österreich	14,304	0	0	0	0	0	0	14,304
CGM Denmark	8,684	0	0	0	0	0	–26	8,658
CGM Dentalsysteme	2,905	0	0	0	0	0	0	2,905
CGM Deutschland	33,165	0	0	0	0	0	0	33,165
CGM France	284	0	0	0	0	0	0	284
CGM Italy	12,822	0	0	0	0	0	0	12,822
CGM LAB Sweden	4,159	0	0	0	0	0	–167	3,992
CGM Netherlands	7,294	0	0	0	0	1,696	0	8,990
CGM Norway	10,652	0	0	0	0	0	–116	10,536
CGM Österreich	5,975	0	0	0	0	0	0	5,975
CGM Poland	14	0	0	0	0	0	0	14
CGM Solution	4,479	0	0	0	0	0	0	4,479
CGM South Africa	4,613	0	0	0	0	0	–465	4,148
CGM Sweden	27,717	0	0	0	0	0	–1,111	26,606
CGM Clinical Deutschland	10,283	0	0	0	0	0	0	10,283
CGM Turkey	53	0	0	0	0	0	–13	40
CGM US	23,893	0	0	0	0	0	1,133	25,026
Compufit	2,682	0	0	0	0	0	0	2,682
Farmages	609	0	0	0	0	0	0	609
HCS	2,258	0	0	0	0	0	0	2,258
ifap	9,290	0	0	0	0	0	0	9,290
Imagine Editions	9,517	0	0	0	0	0	0	9,517
Innomed	3,789	0	0	0	0	0	0	3,789
EBM	1,147	0	0	0	–200	0	0	947
Intermedix France	543	0	0	0	0	0	0	543
K-LINE	1,318	0	0	0	0	0	0	1,318
Labelsoft Clinical IT	1,696	0	0	0	0	–1,696	0	0
Lauer-Fischer	30,813	0	0	0	0	0	0	30,813
Medicitalia	2,671	0	0	0	–2,671	0	0	0
Meditec	686	0	0	0	0	0	0	686
OWL Computer	45	0	0	0	0	0	0	45
Sales & Services Pharmacy Italy	10,146	0	0	0	0	0	0	10,146
Studiofarma	2,168	0	0	0	0	0	0	2,168
Turbomed Vertrieb- und Service	4,452	0	0	0	0	0	0	4,452
n-design	0	1,050	0	0	0	0	0	1,050
La-Well	0	1,600	0	0	0	0	0	1,600
factis	0	1,371	0	0	0	0	0	1,371
Total	262,450	3,764	0	–356	–2,871	0	–776	262,211

The additions from the change of the scope of consolidation relate to both, business combinations by transferring an entity's interest in its equity (share deal) as well as business combinations through transfer of net assets (asset deal).

This item primarily shows the acquisitions of the German companies n-Design Gesellschaft für systematische Gestaltungen mbH, factis GmbH and La-Well GmbH.

The reclassification in fiscal year 2018 results from a change in the composition of the cash-generating units. As part of the strategic decision to bundle and align the business strategy, the CGU Labelsoft Clinical IT was integrated into the CGU CGM Netherlands. As part of the restructuring, the CGU Labelsoft Clinical IT was placed under the unified management and economic responsibility of CGU CGM Netherlands.

By bundling its business activities, the management of the CGM Group expects to generate synergy effects and efficiency enhancements.

As a result of the annual goodwill impairment testing, impairment losses for the CGUs Medicitalia and EBM were recognized.

Group disposals did not take place during the reporting period.

c) Impairment test of goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating unit (CGU) or a group of cash generating units which are expected to benefit from the synergies of the business combination. CGM Group defines CGU on basis of related business units and regions. Here, customer groups, market coverage and responsibility of management play a major role.

The discounted future cash flows of the CGUs, discounted by using the DCF method, are determined on the base of the Budget 2018 for the financial position and performance and are then verified by using historical values. Subsequently, the results are extended by four additional years using individual planning assumptions per CGU that reflect the Company's future development under current conditions. After the five-year planning period, a perpetuity value is calculated using a conservative Group-wide growth rate of 1 percent. To determine the present value of future cash flows, a discount rate based on WACC (Weighted Average Cost of Capital) is applied.

The following table provides information on key assumptions used to compile the business plan:

Explanation of assumptions of corporate budgeting

Description of key assumptions for the business plan	Approach used to determine key assumptions for the business plan
– Expected development of customer revenue (new customer, cross-selling-activities, winning of public tender)	Internal estimates referring to past experiences as well as expected market trends or market analysis. Of availability, external market studies are also considered.
– Expected possible price increase for existing customers affecting software maintenance and other recurring revenue	
– Use of current and historical organic growth rates for Business Units or Segments	
– Consideration of regulatory changes affecting the development of a Business Unit	
– Development of purchased services based on current circumstances (e.g. based on contracts, strategic businesses) as well as the anticipated development of the sales activities (expected revenue situation)	
– Expected development of personnel expenses and other operating expenses, based on demand analyses, contractual matters (e.g. labor agreements) and statistic procedures (e.g. inflation)	

Goodwill is tested for impairment on the basis of EURO cash flows. For this purpose, the corporate planning of the cash-generating unit to be tested, prepared in local currency, is translated into euro using forward rates for the relevant foreign currencies. The forward rates included in the goodwill impairment test thus represent significant input parameters which have a significant influence on the derivation of cash flows in EUR. The forward rates used for the goodwill impairment test are as follows:

Currency	Country	Average Exchange Rate 2018	Average Exchange Rate 2019	Forward Rate 2020	Forward Rate 2021	Forward Rate 2022	Forward Rate 2023
EUR	Euro Currency Area	1.000	1.000	1.000	1.000	1.000	1.000
DKK	Denmark	7.453	7.44	7.446	7.44	7.435	7.429
NOK	Norway	9.598	9.698	10.256	10.449	10.627	10.741
PLN	Poland	4.262	4.374	4.476	4.579	4.677	4.778
ZAR	South Africa	15.619	16.79	19.279	20.989	22.698	24.416
MYR	Malaysia	4.763	4.92	5.131	5.362	5.528	5.675
SEK	Sweden	10.258	10.293	10.225	10.277	10.352	10.373
CZK	Czech Re-public	25.647	26.356	26.585	26.833	27.047	27.109
TRY	Turkey	5.708	7.022	8.716	10.038	11.528	12.721
USD	USA	1.181	1.206	1.218	1.249	1.278	1.303

The individual growth assumptions included for calculating the 2017 and 2018 recoverable amounts of individual CGUs are as follows. The EBITDA margin resulting from the application of the assumed planning assumptions is also shown for plausibility purposes of the assumptions made. For 2018, an average of the EBITDA margins used for subsequent years (continuation planning period) is used to determine the EBITDA margin. The growth rate of 2018 is based on a CAGR calculation in subsequent years.

	EBITDA-Marge				Growth-rate			
	2018		2017		2018		2017	
	year 1	following years	year 1	following years	year 1	following years	year 1	following years
ATX	20.8%	31.8%	–13.0%	13.3%	9.8%	4.7%	–2.9%	14.0%
Barista	–31.9%	5.5%	–116.4%	–13.0%	97.7%	17.8%	99.0%	58.9%
CGM Belgium	6.5%	16.4%	13.4%	15.7%	14.6%	5.9%	4.1%	21.7%
CGM Tschechien	28.4%	31.7%	22.9%	22.5%	0.7%	3.6%	6.1%	0.9%
CGM Clinical Österreich	5,2 - 21,1%	6,3-23,4%	12.7%	15.8%	-9,1-18,5%	3,0-6,9%	–26.8%	12.5%
CGM Denmark	32.4%	33.4%	34.9%	32.4%	9.3%	3.6%	3.5%	12.5%
CGM Dentalsysteme	37.2%	38.7%	41.3%	40.7%	0.7%	3.3%	19.0%	9.3%
CGM Deutschland	29.8%	31.1%	30.3%	29.3%	5.1%	4.1%	97.5%	–10.3%
CGM France	14.1%	8.0%	13.1%	11.7%	15.2%	5.0%	4.9%	9.0%
CGM Italy	26.1%	31.7%	29.5%	31.1%	17.9%	4.6%	–6.9%	14.8%
CGM LAB Sweden	21.6%	25.6%	29.9%	27.4%	4.3%	4.0%	4.8%	9.1%
CGM Netherlands	26.6%	28.7%	24.9%	27.9%	13.0%	3.8%	23.1%	6.7%
CGM Norway	24.3%	25.1%	16.5%	17.6%	–8.6%	0.0%	–8.8%	8.7%
CGM Österreich	25.3%	26.5%	27.3%	28.8%	3.7%	3.2%	8.5%	12.8%
CGM Poland	22.4%	26.1%	16.7%	20.1%	–21.4%	2.0%	–24.8%	11.2%
CGM Solution	48.1%	46.3%	47.8%	50.9%	18.0%	5.3%	5.9%	8.8%
CGM South Africa	29.6%	31.8%	0.0%	0.0%	5.9%	–2.7%	0.0%	0.0%
CGM Sweden	7,7 - 67,2%	11,9-68,2%	20.5%	13.1%	-7,0-0,8%	3,9 - 4,8%	–10.5%	8.5%
CGM Clinical Deutschland	16.7%	19.9%	11.4%	9.6%	9.1%	4.1%	–9.7%	6.1%
CGM Turkey	–3.5%	2.6%	–5.2%	4.5%	–16.8%	–5.2%	–19.3%	22.5%
CGM US	7.8%	12.4%	4.7%	13.5%	9.6%	2.5%	–8.1%	15.0%
Compufit	28.0%	35.2%	38.2%	26.5%	18.5%	7.3%	13.0%	11.4%
Farmages	20.7%	30.1%	48.1%	49.2%	54.5%	4.2%	1,033.7%	8.6%

HCS	36.1%	38.1%	33.8%	40.3%	15.2%	3.7%	33.6%	13.0%
ifap	20.4%	21.9%	42.5%	33.4%	2.3%	2.9%	–2.1%	4.8%
Imagine Editions	40.2%	38.2%	31.8%	38.4%	40.5%	4.7%	14.6%	14.6%
Innomed	42.7%	41.6%	48.5%	46.1%	10.3%	4.2%	13.7%	12.9%
EBM	7.7%	9.9%	34.1%	33.5%	–6.6%	5.0%	–0.3%	9.3%
Intermedix France	25.2%	26.0%	40.1%	34.2%	24.7%	3.0%	40.9%	6.1%
K-LINE	12.8%	14.0%	13.6%	10.6%	4.1%	2.9%	–0.3%	5.4%
Lauer-Fischer	20,3 - 63,0%	22,1-63,9%	22.6%	22.5%	-16,7 - 7,3%	3,0-12,0%	3.4%	13.7%
Medicitalia	9.1%	24.3%	31.8%	28.8%	17.7%	10.0%	3.3%	48.6%
Meditec	42.5%	45.9%	19.6%	54.6%	15.8%	6.1%	14.4%	13.1%
OWL Computer	–16.4%	0.2%	–70.7%	5.2%	231.8%	9.2%	463.2%	12.4%
Sales & Services Pharmacy Italy	4,9-42,1%	7,8-42,1%	2,8 - 14,3%	5,0 - 13,5%	-4,6 - 9,3%	2,0-6,1%	-8,1 - 13,8%	12,6 - 17,4%
Studiofarma	42.5%	42.7%	44.4%	49.8%	–3.2%	2.9%	11.4%	11.8%
Turbomed Vertrieb- und Service	11.8%	11.9%	–22.2%	7.2%	58.6%	2.0%	3.8%	–3.0%
n-design	32.4%	32.5%	0.0%	0.0%	57.9%	2.0%	0.0%	0.0%
La-Well	33.9%	34.2%	0.0%	0.0%	175.9%	2.3%	0.0%	0.0%
factis	23.0%	25.7%	0.0%	0.0%	20.4%	3.6%	0.0%	0.0%

The discount rates (WACC) used to calculate the recoverable amounts for 2017 and 2016 have been divided into WACC after tax and WACC before taxes as follows:

	WACC (after taxes)		WACC (before taxes)	
	2018	2017	2018	2017
ATX	7.7%	6.8%	10.4%	10.2%
Barista	7.7%	6.8%	10.0%	9.6%
CGM Belgium	7.7%	6.8%	10.3%	9.7%
CGM Tschechien	7.8%	6.9%	9.4%	9.1%
CGM Clinical Österreich	7.4%	6.5%	9.6%	9.2%
CGM Denmark	6.9%	6.1%	8.6%	8.2%
CGM Dentalsysteme	6.9%	6.1%	9.5%	9.4%
CGM Deutschland	6.9%	6.1%	9.5%	9.7%
CGM France	7.6%	6.6%	10.1%	10.0%
CGM Italy	9.4%	8.1%	12.6%	12.7%
CGM LAB Sweden	6.9%	6.1%	8.6%	8.2%
CGM Netherlands	6.9%	6.1%	8.9%	8.7%
CGM Norway	6.9%	6.1%	8.7%	8.4%
CGM Österreich	7.4%	6.5%	9.6%	9.3%
CGM Poland	8.0%	7.0%	9.7%	9.1%
CGM Solution	7.6%	6.6%	10.2%	10.1%
CGM South Africa	9.8%	0.0%	13.4%	0.0%
CGM Sweden	6.9%	6.1%	8.6%	8.2%
CGM Clinical Deutschland	6.9%	6.1%	9.4%	9.7%
CGM Turkey	10.8%	8.7%	12.8%	11.7%
CGM US	6.9%	6.1%	12.6%	8.0%
Compufit	7.7%	6.8%	10.4%	10.5%

Farmages	9.0%	8.2%	11.6%	12.2%
HCS	7.4%	6.5%	9.6%	9.3%
ifap	6.9%	6.1%	10.1%	9.5%
Imagine Editions	7.6%	6.6%	10.2%	10.0%
Innomed	7.4%	6.5%	9.6%	9.3%
EBM	6.9%	6.1%	9.4%	9.5%
Intermedix France	7.6%	6.6%	10.2%	10.1%
K-LINE	6.9%	6.1%	9.5%	9.5%
Lauer-Fischer	6.9%	6.1%	9.4%	9.4%
Medicitalia	9.4%	8.1%	12.3%	11.9%
Meditec	6.9%	6.1%	9.5%	9.3%
OWL Computer	9.0%	8.1%	11.1%	11.9%
Sales & Services Pharmacy Italy	9.4%	8.1%	12.6%	12.6%
Studiofarma	9.4%	8.1%	12.8%	12.9%
Turbomed Vertrieb- und Service	6.9%	6.1%	9.5%	10.0%
n-design	6.9%	0.0%	9.5%	0.0%
La-Well	6.9%	0.0%	9.5%	0.0%
factis	6.9%	0.0%	9.4%	0.0%

In the financial year 2018, the CGUs EBM and Medicitalia were impaired. An impairment loss of EUR 200 thousand was recognized on goodwill for EBM and EUR 2,671 thousand for Medicitalia. In addition, all impairment tests of the CGUs to be tested show excess cover and did not result in any impairment losses.

A 0.5 percentage point lower growth rate in the perpetuity value would result in an impairment loss of EUR 5.6 million. If the growth rate were 0.5 percentage points lower, the Group-wide surplus would be reduced by EUR 173.7 million.

A one percentage point increase in WACC would necessitate an impairment of EUR -13.7 million. With a one percentage point increase in WACC, Group-wide coverage would be reduced by EUR 393.0 million.

A two percentage point higher WACC would result in an impairment of EUR -26.2 million. The Group-wide surplus would then be reduced by EUR 688.0 million.

Impairment losses that would arise from a change in the WACC and the growth rate of the perpetuity value, would be allocated as shown in the following table:

	Surplus of recoverable amount (Headroom)	Change in perpetuity growth rate by 0.5 percentage points	Change in the weighted average cost of capital (WACC) approach by 1.0 percentage point	Change in the weighted average cost of capital (WACC) approach by 2.0 percentage points
Barista	22	–298	–515	–811
CGM Belgium	26	–274	–532	–884
CGM Italy	650	–611	–2,447	–4,947
CGM Turkey	13	–7	–40	–40
CGM US	2,680	–1,480	–6,618	–13,541
EBM	–200	–306	–482	–717
factis	494	0	–285	–861
Farmages	207	0	–59	–272
Turbomed Vertrieb- und Service	1,744	0	–80	–1,440
Total	5,636	–2,976	–11,058	–23,513

The impairment loss recognized in the income statement for the Medicitalia CGU resulted in an impairment loss of 100 percent on the allocated goodwill of the CGU and is therefore no longer included in the above table. The EBM is included in the table above, as only a portion of the allocated goodwill was impaired and expensed as an amortization in the reporting period.

d) Acquired software, customer relationships and brands

Acquired software, customer relationships and brands, along with goodwill, constitute the bulk of intangible assets of CompuGroup Medical SE. The following table provides an overview of these assets as well as their useful lives:

EUR '000	31.12.2018	31.12.2017*	Amortization until latest
Acquired standard and special software for distribution to customers from business combinations			
CGM US (former Noteworthy Group)	102	716	28/02/2019
Labelsoft	166	389	30/09/2019
Compufit	364	449	31/03/2023
CGM Deutschland	504	583	30/04/2025
CGM US (former Visionary Group)	554	847	31/08/2020
CGM South Africa	636	884	31/12/2022
CGM Netherlands	652	1,276	31/12/2019
Imagine Editions (former Imagine-Group)	1,131	1,357	31/12/2023
CGM Clinical Österreich	1,878	2,582	31/08/2021
Lauer-Fischer	2,733	3,827	30/06/2021
CGM LAB International (former Vision 4 Health)	3,888	4,287	31/12/2028
Other	22,629	23,191	
Total software	35,237	40,388	
Customer contracts			
CGM Clinical Deutschland	1,530	2,042	01/11/2035
ATX	2,219	2,405	30/11/2030
FARMA3TEC	2,583	3,286	31/08/2022
Qualita in Farmacia (incl. Puntofarma)	3,000	3,253	31/07/2033
CGM US (former Noteworthy Group)	3,075	3,016	31/12/2024
Vega	4,102	4,426	31/08/2031
CGM Italy	4,146	4,831	30/06/2029
Turbomed Vertrieb und Service	4,648	5,080	30/03/2030
CGM Norway	4,769	5,068	30/06/2038
CGM South Africa	4,829	6,011	30/06/2038
CGM Denmark	4,974	5,277	30/06/2038
Innomed	6,242	6,808	31/12/2029
CGM LAB International (former Vision 4 Health)	7,515	7,787	31/12/2043
CGM Netherlands	8,902	9,764	31/12/2030
Imagine Editions (former Imagine-Group)	9,298	9,917	31/12/2033
Lauer-Fischer	11,153	11,790	30/06/2036
CGM Sweden	11,682	12,613	30/06/2038
CGM US (former Visionary Group)	17,472	17,653	31/08/2040
Other	25,366	25,345	
Total Customer contracts	137,505	146,372	
Brands			
CGM US (former Visionary Group)	0	504	31/08/2018
CGM Netherlands	0	152	31/12/2017

CGM Clinical Deutschland	106	272	30/08/2019
Vega	244	287	31/08/2024
CGM Sweden	300	466	31/12/2020
CGM Clinical Österreich	948	1,286	31/08/2021
Lauer-Fischer	949	1,329	30/06/2021
CGM LAB International (former Vision 4 Health)	1,826	1,947	31/12/2033
Other	1,863	1,895	
Total Brands	6,236	8,138	
Order backlog			
CGM Deutschland (former Stock-Group)	0	78	30/04/2018
Other	0	0	
Total Order backlog	0	78	

* In the previous year, other accounted software for operating activities was also reported under software from acquisitions.

In 2018, as in 2017, there were no changes to the underlying useful lives of intangible assets.

e) Capitalized in-house services
In the 2018 financial year, EUR 18,512 thousand of in-house services (software development) were capitalized pursuant to the requirements of IAS 38 (previous year: EUR 16,806 thousand). These were valued at directly attributable production costs.

In accordance with IAS 23 borrowing costs related to capitalized in-house services in the amount of EUR 650 thousand (previous year: EUR 794 thousand) were additional capitalized. Amortization of capitalized in-house services was EUR 4,719 thousand (previous year: EUR 2,763 thousand) in the reporting period.

For more information about changes to intangible assets, refer to the separate appendix to the Notes "Changes in intangible assets and property, plant and equipment in the 2018 financial year".

f) Cumulative impairment charges
Intangible assets include cumulative impairment losses on goodwill from the financial years 2008 to 2018 with the amount of EUR 18.3 million; taking into account exchange rate effects as at balance sheet date 31 December 2018. In the following, the individual items leading to impairments losses are described by using the historical exchange rates.
The impairment loss from the financial year 2008, relates to the CGU "CGM Turkey" (formerly "Tepe International") and was as follows: Cooperation agreement EUR 5.9 million, software EUR 0.8 million and goodwill EUR 1.4 million (this asset has already been disposed of in previous years due to permanently negative business development).

The impairment charge in 2012 results from an extraordinary impairment loss of EUR 1.0 million on goodwill for CGU CGM South Africa.

In the financial year 2013, an extraordinary impairment loss of goodwill in the amount of EUR 0.9 million was recorded in CGU CGM Malaysia. In addition, the goodwill of EUR 0.2 million attributable to the "Online Portals" and "Publishing" business units held for sale and classified as a disposal group was written down in the reporting year 2013, as the expected disposal price (fair value less costs to sell) was lower than the net position of the assets attributable to the business units held for sale..

For the 2014 financial year, losses from impairments to goodwill came to a total of EUR 1.6 million, EUR 1.2 million of which was attributable to CGU Tekne and EUR 0.4 million to CGU CGM Slovensko.

In 2015, extraordinary impairment loss of goodwill in the amount of EUR 1.4 million was recorded, which was attributable to CGU CGM Switzerland (EUR 1.1 million) and CGU Farma3Tec/Mondofarma (EUR 0.3 million).

In the financial year 2016, extraordinary impairment charge of goodwill amounted to EUR 4.4 million, of which EUR 4.1 million related to CGU "CGM LAB International", EUR 0.3 million to CGU "Medigest Consultores" and EUR 27 thousand to CGU "CGM Switzerland".

In the financial year 2017 there were no impairments.

For the 2018 financial year, losses from impairments to goodwill amounted to a total of EUR 2,9 million, of which EUR 2,7 million was attributable to CGU "Medicitalia" and EUR 0.2 million to CGU "EBM".

Furthermore, the position "goodwill" includes amortization of EUR 5.4 million that resulted from financial years before the IAS/IFRS conversion.

g) Intangible assets from company acquisitions

The following additions to software, customer relationships and trademark rights resulted from business combinations during the reporting period 2018:

EUR `000	Total	La-Well Systems GmbH	n-design Gesellschaft für systematische Gestaltungen mbH	factis GmbH	Other Acquisitions
Software	1,300	715	0	585	0
Customer relationships	3,833	495	1,551	1,787	0
Trademark rights	412	174	92	146	0
Order backlog	0	0	0	0	0
Total	**5,545**	**1,384**	**1,643**	**2,518**	**0**

41. Property, plant and equipment

Overview of changes in property, plant and equipment as of 31 December 2018:

	Purchase and production costs						Net book value	
EUR '000	1/1/2018	Additions from acquisitions	Other additions	Disposals and transfers	Exchange rate differences	12/31/2018	12/31/2018	1/1/2018
Land and buildings	62,514	0	1,329	2,237	–58	66,022	50,797	49,521
Other facilities, furniture and office equipment	66,365	101	8,422	–13,581	105	61,412	32,062	32,978
Assets under construction	369	0	2,976	–2,495	0	850	794	313
Total	129,248	101	12,727	–13,839	47	128,284	83,653	82,812

Overview of changes in property, plant and equipment as of 31 December 2017:

	Purchase and production costs						Net book value	
EUR '000	1/1/2017	Additions from acquisitions	Other additions	Disposals and transfers	Exchange rate differences	12/31/2017	12/31/2017	1/1/2017
Land and buildings	57,985	31	3,101	1,401	–4	62,514	49,521	46,691
Other facilities, furniture and office equipment	57,645	183	15,529	–5,694	–1,298	66,365	32,978	24,281
Assets under construction	2,935	0	43	–2,608	–1	369	313	2,879
Total	118,565	214	18,673	–6,901	–1,303	129,248	82,812	73,851

Due to the different depreciation periods for the significant parts of the aircraft (component approach), reference is made to Note 16. b) "Other assets and property, plant and office equipment".

Impairment losses to property, plant and equipment were not recognized in 2018 and 2017.

During the year, the Group capitalized borrowing costs of EUR 5 thousand for tangible assets. For details on the development of the tangible assets please refer to the separate annex to the notes of the consolidated financial statements "Changes in intangibles and tangibles assets in the financial year 2018".

In 2009, CGM Clinical Austria conducted a sale-and-lease-back transaction on a building with a leasing company. The net book value of the building amounted to EUR 672 thousand as of 31 December 2018. The corresponding leasing liabilities are disclosed under other financial liabilities at their present value of EUR 801 thousand as of 31 December 2018.

42. Financial assets

a) Investments in associates and joint ventures (at equity)

Investments in Associates and joint ventures	31.12.2018 EUR '000	31.12.2017 EUR '000
Joint ventures		
CGM-Alstar Healthcare Solutions Sdn Bhd	0	1
MGS Meine Gesundheit Services GmbH	2,570	3,897
Fablab S.r.l.	3,210	2,790
Associated companies at equity		
Mediaface GmbH	50	50
AxiService Nice S.a.r.l.	0	0
Technosante Nord-Picardie SAS	8	8
Smoove Software S.r.l.	84	285
Gotthardt Informationssysteme GmbH	3,792	3,690
Qualitätsverbund MED-IT GmbH & Co. KG	2	0
N.O.R.D. GmbH	0	13
Total	9,716	10,734

* For further information please refer to note E) 49. "Assets held for sale".

Text-Partner N.O.R.D. GmbH
As a result of the sale of the shares in Text-Partner N.O.R.D. GmbH by K-Line Praxislösungen GmbH, the CGM Group does no longer hold any shares in this company, which is why it is no longer disclosed under associated companies compared with the previous year.

CGM Alstar Healthcare Solutions Sdn Bhd
Profdoc AS, a 100 percent subsidiary of CompuGroup Medical SE, intends to sell CompuGroup Medical Malaysia Sdn Bhd. This company holds the shares in CGM Alstar Healthcare Solutions Sdn Bhd. The shares are no longer disclosed under joint ventures but under assets held for sale. For further information, please refer to Note 51) "Assets held for sale".

MGS Meine Gesundheit Services GmbH
Summarized financial information regarding MGS Meine Gesundheit Services GmbH are as follows:

	2018 EUR '000	2017 EUR '000
Revenue	2,760	2,174
Depreciation and amortization	–2,615	–1,899
Interest income	0	0
Interest expense	–13	0
Income tax income/Income tax expense (-)	0	0
Other expenses	–3,414	–2,999
Other comprehensive income	0	0
Total result	–3,282	–2,724

	31.12.2018 EUR '000	31.12.2017 EUR '000
Current assets	3,114	7,475
thereof cash and cash equivalents	1,786	6,514
Non-current assets	10,043	9,512
Current liabilities	1,154	3,729
thereof current financial liabilities (excluding trade and other payables and provisions)	0	0
Non-current liabilities	2,013	0

thereof non-current financial liabilities (excluding trade and other payables and provisions)	2,013	0
Net assets	9,990	13,258
Group’s share of the joint venture at the beginning of the period	3,897	4,209
Portion of the total result	–1,327	–1,248
Capital measures/dividends/changes in the scope of consolidation during the period	0	936
Group’s share of the joint venture at the end of the period	2,570	3,897
Carrying amount of the interest in joint venture at the end of the period	2,570	3,897

Gotthardt Informationssysteme GmbH

Summarized financial information regarding Gotthardt Informationssysteme GmbH are as follows:

	2018 EUR ’000	2017 EUR ’000
Revenue	24,204	19,017
Depreciation and amortization	–407	–387
Interest income	20	3
Interest expense	–54	–73
Income tax income/Income tax expense (-)	–185	–21
Profits transferred on the basis of profit transfer agreements	–4,802	–136
Other expenses	–18,776	–18,403
Other comprehensive income	0	0
Total result	0	0

	31.12.2018 EUR ’000	31.12.2017 EUR ’000
Current assets	4,908	3,980
thereof cash and cash equivalents	526	1,147
Non-current assets	2,449	2,713
Current liabilities	4,322	3,991
thereof current financial liabilities (excluding trade and other payables and provisions)	2,015	2,876
Non-current liabilities	2,039	1,581
thereof non-current financial liabilities (excluding trade and other payables and provisions)	2,039	0
Net assets	996	1,121
Group’s share of the joint venture at the beginning of the period	3,690	0
Portion of the total result	993	136
Capital measures/dividends/changes in the scope of consolidation during the period	–891	3,554
Group’s share of the associated company at the end of the period	3,792	3,690
Carrying amount of the interest in the associated company at the end of the period	3,792	3,690

Fablab S.r.l.

Summarized financial information regarding Fablab S.r.l. are as follows:

	2018 EUR '000	2017 EUR '000
Revenue	2,289	1,815
Depreciation and amortization	–34	–28
Interest income	20	16
Interest expense	–1	–3
Income tax income/Income tax expense (-)	0	–29
Other expenses	–2,089	–1,821
Other comprehensive income	0	0
Total result	185	–50

	31.12.2018 EUR '000	31.12.2017 EUR '000
Current assets	2,822	3,380
thereof cash and cash equivalents	147	877
Non-current assets	135	77
Current liabilities	2,543	3,195
thereof current financial liabilities (excluding trade and other payables and provisions)	266	241
Non-current liabilities	78	74
thereof non-current financial liabilities (excluding trade and other payables and provisions)	0	0
Net assets	336	188
Group's share of the joint venture at the beginning of the period	2,790	0
Portion of the total result	227	–38
Capital measures/dividends/changes in the scope of consolidation during the period	193	2,828
Group's share of the joint venture at the end of the period	3,210	2,790
Carrying amount of the interest in joint venture at the end of the period	3,210	2,790

Further disclosures in accordance with IFRS 12 on other investments in associates and joint ventures at equity are not provided, as these companies are of minor importance.

b) Other investments

Other investments are valued at acquisition cost and comprise the following:

Other investments	31.12.2018 EUR '000	31.12.2017 EUR '000
AES Ärzteservice Schwaben GmbH	10	10
BFL Gesellschaft des Bürofachhandels mbH&Co.KG	26	26
CD Software GmbH	59	59
ic med EDV-Systemlösungen für die Medizin GmbH	7	7
Savoie Micro S.a.r.l.	20	20
Technosante Toulouse S.A.S.	4	4
Consalvo Servizi S.r.l.	0	0
Daisy-NET S.c.a r.l.	6	6
Practice Perfect Medical Software (PTY) Limited	35	38
Qualitätsverbund MED-IT GmbH & Co. KG	0	2
Better@Home Service GmbH	553	0
Conai System	5	0
Total	725	172

43. Income tax receivables, income tax payables and deferred taxes

a) Income tax receivables and liabilities

	31.12.2018 EUR '000	31.12.2017 EUR '000
Income tax receivables	8,854	6,521
Benefit of tax losses to be carried back to recover taxes paid in prior periods	0	490
Income tax receivables	8,854	6,030
Income tax liabilities	18,750	15,261
Income tax liability	18,161	15,217
Other	589	44
Total	9,896	8,740

Income tax receivables (EUR 8,854 thousand; previous year: EUR 6,521 thousand) include current income tax receivables of the Group companies. Income tax liabilities (EUR 15,261 thousand; previous year: EUR 15,261 thousand) mainly relate to current tax expenses less advance payments made (EUR 18,161 thousand; previous year: EUR 15,217 thousand).

b) Deferred tax assets and liabilities

Deferred tax rates abroad ranged between 16 percent and 30.4 percent in the 2018 financial year (previous year: 0 percent and 33.99 percent).

The deferred tax calculation is based on the relevant tax regulations that are in force or enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and if the deferred tax assets and liabilities relate to the same taxation authority.

Group Company	Substantial evidences according to IAS 12.82
KoCo Connector GmbH	As a result of the positive business situation as part of the nationwide telematics infrastructure rollout, it can be assumed that the existing loss carryforwards will be fully utilized in the coming 2-3 years, which is why a deferred tax asset was recognized on the full amount of the existing tax loss carryforwards. The recoverability of the loss carryforwards was also documented by obtaining a valuation report in accordance with § 8 c KStG.
CGM US Inc.	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why deferred tax assets were only recognized up to the amount of deferred tax liabilities.
CGM South Africa (Pty) Ltd.	Following the successful merger of MedEDI into CGM South Africa, it can be assumed, that due to the earning power of the company, that the existing tax loss carryforwards will continue to be fully utilized, which is why a deferred tax asset was recognized on the full amount.
Turbomed Vertriebs- und Service GmbH	As a result of the positive business prospects in the context of the nationwide telematics infrastructure rollout, it can be assumed that the existing loss carryforwards will be fully utilized. Due to the Company's loss history, deferred tax assets are only recognized up to the amount of deferred tax liabilities.
CGM XDENT Software S.r.l.	The current and future economic development of the company (organic growth and expansion into the Asian economic area) give reason to assume that the existing loss carryforwards will be fully utilized in the next two years, for which reason a deferred tax asset has been recognized on the full amount.
CGM Schweiz AG	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why deferred tax assets were only recognized up to the amount of deferred tax liabilities.
CGM LAB Deutschland GmbH	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why a deferred tax asset was formed to offset the deferred tax liabilities in accordance with the minimum taxation conditions of German tax law.
CGM LAB International GmbH	Following the contribution of the subsidiary CompuGroup Medical Dentalsysteme GmbH to CGM LAB International as of 1 January 2019 and the conclusion of a control and profit transfer agreement between the two companies, it can be assumed that the existing tax loss carryforwards will be fully utilized in the future, for which reason deferred tax assets were recognized on the full amount.
Medigest Consultores S.L.	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why deferred tax assets were only recognized up to the amount of deferred tax liabilities.
CGM Malaysia Sdn Bhd	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why deferred tax assets were only recognized up to the amount of deferred tax liabilities.
OWL Computer SL	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why deferred tax assets were only recognized up to the amount of deferred tax liabilities.
CGM LAB France SAS	Due to the Company's economic development, it cannot be assumed that the tax loss carryforwards will be fully utilized, which is why deferred tax assets were only recognized up to the amount of deferred tax liabilities.
CGM Belgium BVBA	CGM Belgium generated a loss for the first time in 2018 as a result of discontinued special charges. We anticipate that these loss carryforwards will be fully utilized in 2019, which is why a deferred tax asset was recognized in full amount for these loss carryforwards.

The deferred tax assets and liabilities by balance sheet item in the consolidated balance sheet as of 31 December 2018 are shown in the table below:

	1/1/2018		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		12/31/2018	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	104	62,367	–64	2,274	0	0	0	1,674	40	66,315
Tangible assets	1,812	665	120	144	0	0	0	0	1,932	809
Financial assets	0	206	15	–175	0	0	0	0	15	31
Inventories	3,749	11	–99	–1	0	0	0	0	3,650	10
Trade receivables	2,181	1,108	–963	–789	0	0	0	0	1,218	319
Receivables from finance leases*	0	3,923	0	142	0	0	0	0	0	4,065
Contract assets	0	2,262	872	129	0	0	0	0	872	2,391
Other assets	916	594	–752	19	0	0	0	0	164	613
Provisions for post-employment benefits and other non-current provisions	3,330	5	131	–5	–440	0	0	0	3,021	0
Trade payables	1,427	315	–1,257	17	0	0	0	0	170	332
Contract liabilities	6,998	0	–304	0	0	0	0	0	6,694	0
Other provisions and liabilities	4,590	2,997	3,751	–2,954	0	0	0	0	8,341	43
Tax losses carried forward	11,354	0	2,423	0	0	0	0	0	13,777	0
	36,461	74,453	3,873	–1,199	–440	0	0	1,674	39,894	74,928
Offsetting of deferred tax assets against deferred tax liabilities	–23,422	–23,422	0	0	0	0	–7,996	–7,996	–31,418	–31,418
Total	13,039	51,031	3,873	–1,199	–440	0	–7,996	–6,322	8,476	43,510

* Including changes due to currency effects.

The netting of deferred tax assets with deferred tax liabilities in the current reporting year amounts to EUR -7,996 thousand in the column "acquisitions/disposals" and relates to deferred taxes for the Group as a whole.

The deferred tax assets and liabilities by balance sheet item in the consolidated balance sheet as of 31 December 2017 are shown in the table below:

	1/1/2017		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		12/31/2017	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	669	65,254	–564	–5,207	0	0	0	2,320	104	62,367
Tangible assets	1,741	420	71	246	0	0	0	0	1,812	665
Financial assets	0	0	0	206	0	0	0	0	0	206
Inventories	40	3	3,708	8	0	0	0	0	3,749	11
Trade receivables	4,252	4,929	–2,071	310	0	0	0	0	2,181	5,239
Other assets	1,053	4,934	–137	–4,341	0	0	0	0	916	594
Provisions for post-employment benefits and other non-current provisions	2,606	187	628	–259	99	78	–2	0	3,330	5
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
Trade payables	97	368	1,329	–53	0	0	0	0	1,427	315
Other provisions and liabilities	8,286	2,159	–3,697	838	0	0	0	0	4,590	2,997
Tax losses carried forward	17,628	0	–6,274	0	0	0	0	0	11,354	0
	36,373	**78,253**	**–7,007**	**–8,252**	**99**	**78**	**–2**	**2,320**	**29,463**	**72,399**
Offsetting of deferred tax assets against deferred tax liabilities	–28,705	–28,705					5,283	5,283	–23,422	–23,422
Total	**7,668**	**49,548**	**–7,007**	**–8,252**	**99**	**78**	**5,281**	**7,603**	**6,041**	**48,977**

* Including changes due to currency effects.

c) Tax loss carryforwards

EUR '000	12/31/2018	12/31/2017
Total losses carried forward	**215,808**	**217,147**
thereof tax deductible	70,492	62,019
thereof unused tax losses carried forward	77,413	69,073
thereof not usable for tax purposes	67,903	86,055

The tax loss carryforwards of EUR 70,492 thousand (previous year: EUR 62,019 thousand) can currently be carried forward and used unlimited. As of the balance sheet date, tax loss carryforwards exist in foreign subsidiaries, which are not recognized due to unforeseeable usability. The current estimate may change in future years depending on the profit situation of the companies and tax legislation and may require an adjustment. No deferred tax assets were recognized for these tax loss carryforwards of EUR 77,413 thousand (previous year: EUR 69,073 thousand), as it is currently assumed that the tax loss carryforwards will probably not be utilized in the context of tax result planning. Tax loss carryforwards of TEUR 67,903 (previous year: TEUR 86,055) can no longer be utilized for tax purposes. The major part of the unrecognized and unusable tax loss carryforwards originate from the foreign subsidiary CompuGroup Medical Inc. in the USA.
For the determination of loss carryforwards that cannot be used for tax purposes, we refer to the information on the historical view of tax loss carryforwards in the local tax returns of the subsidiaries concerned.

Deferred tax liabilities mainly relate to capitalized in-house services at Group level and acquired software licenses, customer relationships and trademark rights from company acquisitions as well as deferred taxes on other consolidation processes (in particular elimination of intercompany results).

Deferred taxes break down as follows in relation to their expected future usability:

	Deferred tax assets		Deferred tax liabilities	
EUR '000	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Utilization expected within 12 months	4,864	3,914	7,555	7,637
Utilization expected after more than 12 months	3,612	2,127	35,955	41,339
Total	8,476	6,041	43,510	48,976

44. Inventories

EUR '000	12/31/2018	12/31/2017
Raw materials and supplies	126	141
Products	19,453	12,356
Total	**19,579**	**12,497**

Inventories mainly include hardware components. Inventories including write-downs of inventories developed as follows:

EUR '000	12/31/2018	12/31/2017
Inventories as of 1 January	**12,497**	**5,271**
Changes in the scope of consolidation	2	248
Write-downs in the reporting period	–386	–19
Changes in inventory	7,530	7,024
Changes in exchange rate	–64	–26
Inventories as of 31 December	**19,579**	**12,497**

There are no inventories pledged as security for liabilities. The inventories reported on the balance sheet date are not expected to remain in existence for more than one year..

45. Trade receivables

Trade receivables are amounts owed by customers for goods sold or services rendered in the ordinary course of business. These are generally payable within 14 days and are therefore classified as short-term. Trade receivables consist exclusively of contracts with customers and are recognized on initial recognition at the amount of the unconditional consideration. If these contain significant financing components, they are instead recognized at fair value.
The CGM Group does not show any trade receivables with a significant financing component.

a) Trade Receivables

	12/31/2018		01.01.2018*		31.12.2017*	
EUR '000	current	non-current	current	non-current	current	non-current
Trade Receivables	118,846	0	116,289	0	129,850	0
Loss Allowance	–13,249	0	–14,524	0	–13,745	0
Total	105,597	0	101,765	0	116,105	0

* In the previous year, receivables from finance leases (short-term and long-term) as well as receivables from POC which have been included in contract assets since 01.01.2018.

For further information please see refer to 4g.) IFRS 15 - Revenue from Contracts with Customers.

Information on impairments on trade receivables is included in note 78 "Credit risk".

b) Trade receivables (regions)

	31.12.2018 EUR '000	31.12.2017* EUR '000
Trade receivables		
thereof domestic	49,518	54,470
thereof foreign	56,079	72,813
Total	105,597	127,283

* In the previous year, receivables from finance leases (short-term and long-term) as well as receivables from POC which have been included in contract assets since 01.01.2018.

46. Other financial assets

Receivables from finance lease mainly relate to the Group companies Lauer-Fischer GmbH, CGM Clinical Austria, Qualita in Farmacia S.r.l. and Turbomed Verteiebs and Service GmbH, which offer their customer the leasing of hardware (including all peripheral devices) for up to five years. Income from these lease contracts is recognized in the income statement as sales revenue. The contracts are classified as finance leases (IAS 17.10).

The following table provides an overview of the maturity of future lease payments and the interest components of the finance lease receivables reported under trade receivables.

	12/31/2018			12/31/2017		
EUR '000	Future minimum lease payments	Interest component	Present value of future leasing receivables	Future minimum lease payments	Interest component	Present value of future leasing receivables
< 1 year	6,987	1,138	5,849	6,422	1,225	5,197
1–5 years	13,310	1,328	11,982	12,400	1,290	11,110
> 5 years	101	2	99	69	1	68
Total	20,398	2,468	17,930	18,891	2,516	16,375

The explanation of the valuation allowance for "receivables from finance leases" in accordance with IFRS 9 is given in note E.) 78.) Credit risk.

47. Contract assets

The contract assets are composed as follows::

EUR '000	31.12.2018 EUR '000		01.01.2018* EUR '000	
	current	non-current	current	non-current
Contract Asset	8,474	1,611	9,001	1,593
Loss Allowance	–65	–13	–72	–13
Total	8,409	1,598	8,929	1,580

* Adjustment to the opening balance. See Note 4 g)

The contract assets originate exclusively from contracts with customers. For the impairment losses recognised in accordance with IFRS 9, see Note 78.

48. Other financial assets

Other financial assets are broken down as follows:

EUR '000	12/31/2018 Short-term	12/31/2018 Long-term	12/31/2017 Short-term	12/31/2017 Long-term
Leasing receivables	26	0	24	0
Long term loans	350	682	909	597
Creditors with debit balances	1,464	0	961	0
Asset value of liability insurance	0	3	0	88
Deposits	93	921	81	790
Purchase price receivables	210	0	0	0
Other financial assets	480	0	144	34
Total	2,623	1,606	2,119	1,509

Disposal of the business segment HIS CompuGroup Medical Ceska republika s.r.o./ Compugroup Medical Slovensko s.r.o.

Both, Compugroup Medical Ceská republika s.r.o. and CompuGroup Medical Slovensko s.r.o. sold their business segment HIS to the company DATALAN a.s. with effect from 1 September 2018. The purchase price for the disposed segment amounted to EUR 425 thousand, from which EUR 215 thousand has alrady been paid on 31 Dezember 2018. At the balance sheet date, the outstanding purchase price claim is shown under the purchase price receivables.

The following aging analysis provides information on the maturities and impairments of the other financial assets:

	31.12.2018 EUR '000	31.12.2017 EUR '000
Book value – Other financial assets	4,229	3,628
thereof not overdue and not impaired:	2,913	3,584
thereof overdue but not impaired		
– overdue 0-12 months	1,140	13
– overdue 12-24 months	32	2
– overdue more than 24 months	13	28
thereof impaired at balance sheet date	131	0

The fair value of the other financial assets, which are due but not impaired, corresponds approximately to the book value at the reporting date. Impairments directly lead to a reduction of the book value.

49. Other non-financial assets

Other non-financial assets are broken down as follows:

	12/31/2018 current EUR '000	12/31/2018 non-current EUR '000	01.01.2018* current EUR '000	01.01.2018* non-current EUR '000	12/31/2017 current EUR '000	12/31/2017 non-current EUR '000
Capitalized sales commissions	800	1,200	800	1,200	0	0
Input tax surplus receivable	2,148	0	896	0	896	0
Prepayments for future periods	11,063	0	8,419	0	8,419	0
Other	1,577	0	1,036	0	1,036	0
Total	15,588	1,200	11,151	1,200	10,351	0

* Adjustment to the opening balance. See Note 4. g)

In the financial statement 2018, depreciations and impairments of the capitalized sales commissions amounted to EUR 800 thousand and were recognized into personnel expenses with an amount of EUR 600 thousand as well as into cost of materials with an amount of EUR 200 thousand. Similarly, EUR 800 thousand in contract acquisition costs were capitalized in the fiscal year as of 31 December 2018 as part of the book value development.

50. Cash and cash equivalents

	31.12.2018 EUR '000	31.12.2017 EUR '000
Cash and cash equivalent	19,634	26,377
Restricted cash	5,668	3,985
Total	25,302	30,362

The balance sheet cash and cash equivalents of 31 December 2018, include restricted cash in the amount of EUR 5,668 thousand, which are held by subsidiaries in countries with exchange restrictions (South Africa EUR 5,311 thousand). These are subject to legal restrictions on transfers and are therefore not available for general use to the group.

Positive balances at banks relate to current accounts with an interest rate of 0 percent per year. For changes in cash and cash equivalents, we refer to the cash flow statement.

51. Assets held for sale

On 09 November 2018, the Management Board and Supervisory Board of CGM decided to discontinue CompuGroup Medical Malaysia Sdn Bhd, which is allocated to the AIS reporting segment. The Management Board plans to sell the company within one year.
As a result, the assets and liabilities were classified as held for sale in the 2018 financial statements. The impairment test did not reveal any need for impairment.

As of 31 December 2018, the following assets were reclassified as "held for sale":

Assets classified as held for sale	31.12.2018 EUR '000	01.01.2017 EUR '000
Intangible assets	387	0
Tangible assets	53	0
Investments in associated companies at equity	1	0
Inventories	4	0
Trade receivables	264	0
Other financial assets	55	0
Other non-financial assets	24	0
Contract assets	255	0
Incomet tax receivables	16	0
Total assets of the disposal groups held for sale	1,059	0

52. Equity

a) Subscribed capital

The Company's subscribed capital consists of:

	31.12.2018 EUR '000	31.12.2017 EUR '000
Issued and fully paid ordinary shares		
53,219,350 nominal shares of € 1.00 each	53,219	53,219
Authorized capital		
26,609,675 nominal shares of € 1.00 each	26,610	26,610

(i) Issued and fully paid ordinary shares

The Company has only one class of shares. These do not grant entitlement to a fixed dividend. The share capital is divided into 53,219,350 bearer shares, having the securities ID number 543730 (ISIN: DE0005437305).

(ii) Approved capital

With the approval of the Supervisory Board, the Management Board is authorized to increase the Company's subscribed capital by up to EUR 26,609,675.00 through either an one-time or multiple issuance of new shares for cash and/or in-kind capital contributions until

17 May 2021 (authorized capital). In principle, shareholders must be granted a subscription right to utilize authorized capital; however, under certain conditions the Management Board is also authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of the shareholders. Furthermore, with the approval of the Supervisory Board, the Management Board was authorized to determine further details of capital increases from authorized share capital.

(iii) Conditional capital

According to the resolution of the Annual General Meeting of 9 May 2012, the Management Board was given the authorization to issue convertible bonds (and similar instruments) as well as the corresponding conditional capital. The authorization was limited to a EUR 500 million framework and was limited to 8 May 2017.
The Annual General Meeting on 10 May 2017, has resolved to renew this authorization. The authorization is limited to 9 May 2022 and again limited to a limit of EUR 500 million.

b) Treasury shares

As of 31 December 2018, CompuGroup Medical SE helds 4,013,458 (previous year: 3,495,731) treasury shares which is equivalent to 7.54 (previous year: 6.57 percent) of the equity capital. The calculated value attributable to the subscribed capital amounts to EUR 4,013,458 (previous year: EUR 3,495,731). The number of own shares held by the company is based on the following acquisitions and disposals:

Financial Year	Period of the buyback program / date of sale of treasury shares	Number of shares repurchased/ sold	Interval acquisition cost/sale price in EUR	Weighted average acquisition cost/sale price per share in EUR
2007		532,350		
2008	23 January to 18 April 2008	500,000	8.6430 to 12.6788	10.3276
2008	22 July to 14 October 2008	500,000	3.8243 to 5.4881	4.8426
2008	15 October to 30 December 2008	428,736	3.1519 to 4.4279	3.8849
2009	5 January to 31 March 2009	403,876	3.4100 to 4.7402	4.081
2009	1 April to 27 May 2009	500,000	3.8357 to 4.5988	4.1578
2009	4 June to 31 December 2009	125,746	4.1853 to 6.0000	5.6852
2010			no buyback	
2011	17 August to 31 December 2011	225,553	7.6496 to 9.3140	8.3033
2012	2 January to 30 June 2012	101,835	8.4429 to 9.9764	8.8488
2012	9 July to 31 December 2012	282,843	11.30 to 14.00	13.2397
2013	18 December 2013 (Issue)	–105,208		5.7643
2014			no buyback	
2015			no buyback	
2016			no buyback	
2017			no buyback	
2018	16 July to 17 October 2018	469,226	45.8478 to 51.5494	49.0658
2018	17 December to 31 Decem-ber 2018	48,501	38.8324 to 41.5372	40.0852
Total		4,013,458		

In accordance with the resolution by the Annual General Meeting on 14 May 2009, the Management Board was authorized to acquire treasury shares. This authorization was valid until 14 November 2010. By resolution of the Annual General Meeting on 19 May 2010, it was terminated and replaced by a new authorization. After the amendment of section 71, paragraph 1, No. 8 of the German stock Corporation Act (AKtG – Aktiengesetz), by the Act on the Implementation of the Shareholders' Rights Directive (ARUG – Gesetz zur Umsetzung der Aktionärsrechterichtlinie), an authorization is allowed to last up to five years.
According to the resolution of the Annual General Meeting on 19 May 2010, the Management Board was granted authorization to purchase own shares, expiring on 19 May 2015. This authorization was cancelled in accordance with the resolution of the annual general meeting on 20 May 2015 and replaced by a new resolution.

This authorization may be exercised in whole or for partial amounts, on one or more occasions, for one or more purposes, by the Company or by third parties for its account. The authorization took effect on 21 May 2015 and remains valid until 20 May 2020.

In accordance with a resolution of the Annual General Meeting on 20 May 2015, the Management Board was authorized in accordance to paragraphs 71 Abs. 1 No. 8 AktG to acquire treasury shares up to 10 percent of the subscribed capital, either on the date of the adoption of the resolution or, if the amount is lower, on the date when the authorization is exercised. The company's acquired shares together with its other existing treasury shares held by the company or attributable to it according to paragraphs 71d and 71e AktG must at no time account for more than 10 percent of the registered capital on the date of the adoption of the resolution. The acquisition may also be exercised by Group companies dependent on the company within the meaning of section 17 AktG or by third parties for their account or for the account of the company. This authorization may not be used for the purposes of trading with company's own shares.

At the discretion of the Management Board, the purchase is made via the stock exchanges or by a public buy offer made to all shareholders or by a public request to all shareholders to issue offers for sale.

(1) If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price, which was calculated on the five trading days prior to the purchase date by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange.

(2) If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit offers for sale, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, which is calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange on the five trading days prior to the public notification of the invitation to submit such an offer.

(3) The purchase offer or the invitation to submit offers for sale may entail further conditions. If the purchase offer is oversubscribed or, in case of an invitation to submit offers for sale, a number of equivalent bids are placed but not all are accepted, the acceptance must be in proportion to the number of shares offered. Preferential acceptance of small numbers of up to 100 shares offered per shareholder as well as rounding according to commercial principles may be provided for.

The Management Board is entitled to utilize the treasury shares, which it purchased according to this authorization, as follows:

(1) With the approval of the Supervisory Board treasury shares may be sold on the stock exchange or by means of an offer to all shareholders. With the approval of the Supervisory Board, they also may be sold by other means provided the consideration for the sale is in cash and the sales price at the time of sale is not significantly lower than the share price for the same class of shares on the stock exchange. The pro rata amount of the share capital attributable to the number of shares sold under this authorization, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since 21 May 2015, due to any authorizations for share issues from authorized capital in accordance with section 186, paragraph 3, sentence 4 AktG, may not exceed 10 percent of the Company's share capital.

(2) With the approval of the Supervisory Board, these shares may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, Company shares or equity investments in companies.

(3) With the approval of the Supervisory Board, these shares may be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third party intellectual property rights by third parties, particularly patents or brands, or licenses to such rights, for the marketing and development of CompuGroup Medical products.

(4) The shares may also be utilized to exercise options arising from share options granted by the Company.

(5) The shares may be used to meet obligations or rights to acquire CompuGroup shares, especially from and in connection with bonds/convertible bonds issued by the company or its affiliates.

(6) In addition, with the approval of the Supervisory Board, the shares may also be cancelled without the need of an additional Annual General Meeting. The proportion of the remaining shares in relation to share capital will not be increased by cancellation. In deviation to this, the Management Board may decide not to reduce the subscribed capital but instead to increase the proportion of the subscribed capital of the remaining shares in accordance with section 8, paragraph 3 AktG. In this case, the Management Board is entitled to adjust the number of shares in the articles of association.

The authorizations regarding (1) to (6) may be used in whole or for partial amounts, on one or more occasions, separately or jointly. Upon the instruction of the Management Board, the authorizations regarding (1) to (5) may also be used by dependent companies or companies that are majority-owned by the Company or by third parties acting on the Company's account.

Shareholders' subscription rights on treasury shares is excluded as far as thesis shares are used according to the above authorizations in (1) to (5).

c) Reserves (equity reserves, retained earnings, and dividends with regard to equity instruments)
The changes in CGM Group's reserves are as follows:

	31.12.2018 EUR '000	31.12.2017 EUR '000
Balance as at 1 January	221,484	208,640
Changes due to the application of new standards IFRS 15 and IFRS 9	–15,052	
Group net income	92,338	31,250
Actuarial gains and losses	878	–36
Dividend distribution	–17,403	–17,403
Stock options programm	95	0
Non-controlling interest from acquisitions	–29	0
Additional purchase of shares from minority interests after control	–72	–972
Other Changes	–1	5
Balance as at 31 December	282,238	221,484

The most significant developments in 2018 are described below:

The cumulative effects of the first-time application of the new standards IFRS 15 and IFRS 9 of EUR -15,052 thousand were recognized in other reserves.

The consolidated net income (attributable to the shareholders of the parent company) for the period of EUR 92,338 thousand (previous year: EUR 31,250 thousand) was transferred to the reserves.

By resolution of the Annual General Meeting of 15 May 2018, a dividend of EUR 17,403 thousand (previous year: EUR 17,403 thousand) was issued to shareholders, which corresponds to a dividend of EUR 0.35 (previous year: EUR 0.35) per dividend-bearing share.

In addition, the actuarial loss of EUR 878 thousand (previous year: EUR -36 thousand) decreased the reserves (equity reserves, retained earnings and dividends with regard to equity instruments).

By acquiring additional shares of non-controlling interests after having already held a majority interest, the reserves decreased by EUR -72 thousand (previous year: EUR -972 thousand).

The expenses for stock options of the two Executive Board members Hannes Reichl and Dr. Ralph Körfgen amounted to EUR 95 thousand and were recorded in other reserves.

If a dividend is recommended, it will be conditional on shareholder approval at the Annual General Meeting in 2019. Therefore, it is not recognized as a liability in the consolidated financial statements. There are no corporate tax effects resulting from dividend payments for the Company. The size of the dividend depends exclusively on the single-entity financial statements of CompuGroup Medical SE. For the financial year 2018 an amount of EUR 0.50 will most likely be proposed as the dividend per dividend-bearing share, which corresponds to a total amount of EUR 24,603 thousand.

d) Reserves from foreign currency conversion

	31.12.2018 EUR '000	31.12.2017 EUR '000
Balance as at 1 January	–20,237	–23,737
Currency conversion differences	–3,217	3,500
Realized gains and losses (Recycling)	4,144	0
Balance as at 31 December	–19,310	–20,237

Exchange differences arising from converting foreign operations from their functional currency to the Group's reporting currency (EUR) are recognized directly in other comprehensive income and accumulated in the foreign currency conversion reserve. Conversion differences which were recognized earlier in the foreign currency conversion reserve (conversion of net assets of foreign operations) are reclassified to the income statement once a partial or complete sale of the foreign operation has been performed.

Due to the management's decision concerning the internal loan relationship between the CompuGroup Medical SE and the CompuGroup Holding USA, Inc., the valuation of the US loan was carried out in the current financial year in accordance with IAS 21.15. The currency gain of EUR 4,144 thousand was reported under the item "currency conversion" in the other comprehensive income.

e) Non-controlling interests
Non-controlling interests by company

	Medicitalia S.r.l.		IS Informatik Systeme Gesellschaft für Informationstechnik mbH		SF Sanità S.r.l. und Farloyalty S.r.l.		OWL Computer		Vega Informatica e Farmacia S.r.l.		HABA Computer AG		Total	
EUR '000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Amount of holding	90%	90%	60%	60%	60%/51%	60%/51%	100%	70%	85%	85%	98%	98%	-	-
Voting interest	90%	90%	60%	60%	60%/51%	60%/51%	100%	70%	75%	75%	98%	98%	-	-
Equity of noncontrolling shares	65	0	1,060	953	154	157	0	–6	805	760	27	22	2,111	1,886
Dividends paid to non-controlling shares	0	0	0	0	103	25	0	0	0	0	0	0	103	25
Assets	644	-	3,554	3,272	638	734	-	97	4,524	3,867	1,408	1,609	10,768	9,579
Liabilities	–119	-	825	850	331	400	-	154	2,700	2,446	530	900	4,267	4,750
Net result	364	-	269	607	198	174	-	–93	298	883	266	–142	1,395	1,429

Changes in non-controlling interests in the financial year 2018

	31.12.2018 EUR '000	31.12.2017 EUR '000
Balance as at 1 January	1,886	823
Share of profit for the year	257	432
Addition Medicitalia S.r.l.	29	0
Addition HABA Computer AG	0	22
Addition K-LINE Praxislösungen GmbH	0	65
Dividend distribution to non-controlling shareholder	–103	–25
Additional purchase of shares from minority interests after control	42	0
KoCo Connector GmbH	0	634
K-LINE Praxislösungen GmbH	0	–65
Balance as at 31 December	2,111	1,886

Addition of non-controlling interests Medicitalia S.r.l., Italy
Due to the addition of minorities of Medicitalia S.r.l., reference is made to Note 55. "Purchase price liabilities".

Acquisition of additional interests in subsidiaries
In the financial year 2018, the CGM Group carried out the following transactions with non-controlling shareholders:

Acquisition of shares OWL Computer SL, Spain
As at 31.07.2018, the transfer of the outstanding 30 percent stake in OWL Computer SL to Medigest Consultores S.L.U. was decided. The purchase price was EUR 30 thousand and has been fully paid at the balance sheet date.
Medigest Consultores S.L.U. now holds 100 percent of the shares in OWL Compuetr SL.

The impact of the change in the CGM Group's share on the equity attributable to shareholders of the parent company in the financial year 2018 is as follows:

	2018	2017	
EUR '000	OWL Computer SL	KoCo Connector GmbH	K-LINE Praxislösungen GmbH
Book value of acquired non-controlling interests	–42	–634	65
Purchase price paid to non-controlling shareholders	30	87	280

53. Retirement plans and provisions for post-employment benefits and other non-current provisions

Benefits provided by CGM Group's pension scheme consist of defined benefit and defined contribution plans for employees in Germany, the Netherlands, Austria, Switzerland and the United States.

a) Defined contribution plans

In Germany, all employees in the Group companies are offered a defined contribution plan under the German statutory pension insurance, which the employer is required to contribute to. The employer contribution is tied to the current contribution rate of 9.30 percent (employer's share) in relation to the pension-based employee remuneration. In addition, the CGM Group offers occupational pension schemes (direct insurance) in the form of deferred compensation without increasing employer payments.

Furthermore, there are defined contribution plans (401k plans as direct insurance) for employees in the United States. Through its 401k plan, our subsidiary in the United States pays deferred compensation elements for employees into certain tax-advantaged retirement savings plans (retirement plans), which are offered by financial institutions. With the 401K plans, employees have a portion of their remuneration transferred to the savings plan with employers having the option of increasing their contributions. An increase in employer contributions is currently not offered by the US subsidiary.

In addition to receiving this benefit, eligible employees in other countries, such as Austria or the Netherlands, benefit from respective country-specific regulations or other individual agreements.

The expenses of EUR 15,144 thousand (previous year: EUR 14,386 thousand) recognized in income statement represent CGM Group's contributions to these defined contribution plans in accordance with the contributions stipulated therein. As a result of major changes in the number of employees, particularly in Germany, the USA and Belgium, for which defined contribution plans exist, there was a significant year-on-year increase in the expenses recognized in the income statement.

b) Defined benefit plans

CGM Group offers defined benefit plans for employees in Germany, Switzerland and the Netherlands.

CompuGroup Medical Deutschland AG has non-forfeitable pension obligations to current and former employees. The Company has pledged firmly guaranteed retirement and disability pensions to three former employees upon reaching retirement age. In comparison to the previous year, the number of former employees for the vested pension obligation has increased by one person. This increase resulted from the first-time recognition of the pension obligation of a managing partner whose business operations was acquired in the scope of an asset year.
Moreover, in case of a former employee passing away, surviving dependents are entitled to a lump-sum payment. For two active employees of CompuGroup Medical Deutschland AG, there are guaranteed retirement and disability pension commitments effective at the time of retirement. In case of these employees passing away, surviving dependents are entitled to 60 percent of the guaranteed pension.
Another six active employees of CompuGroup Medical Deutschland AG have received firm commitments for fixed benefits at retirement age. These employees have not been guaranteed disability pension commitments or death benefits. The agreed retirement age for all current and former employees entitled to benefits is 65 years. In the event of early retirement of current and former employees who are entitled to benefits, the agreed benefits are reduced by 0.5 percent per month until the agreed retirement age of 65 has been reached.

Employees at the subsidiary CGM Schweiz AG are granted pensions financed by a pension fund consisting of employer and employee contributions and income generated on investments. Due to the inclusion of statutory minimum pension provision pursuant to Swiss law through BVG (Swiss occupational pension plans), the pension plan is recognized as a defined benefit plan. All provisions are non-forfeitable. Under the legal requirements, the employer is obliged to make employer contributions that enable the pension fund to finance the minimum level of provision. The pension fund is managed through a trust board comprising employee and employer representatives, which manages and monitors the benefit plan and asset investment.

In the Netherlands, the Company offers defined benefit plansdepending on salary and years of service. The details of the pension plan are listed in the following table:

Eligibility requirements	All employees older than 21 years
Normal retirement age	Age 65
Early retirement age	Not applicable
Pensionable	12 times fixed monthly salary including holiday allowance, with a maximum of EUR 220,500
Offset	The part of the salary with no pension accrual
Pension Base	Pensionable salary less offset
Pensionable service normal retirement	Number of (part-time weighted) years from beginning of service until normal retirement age (maximized on 44 years)
Indexation Actives	Uncapped salary indexation
Indexation Deferred/Pensioners	Uncapped inflation indexation
ausgeschiedene Mitarbeiter/Pensionäre	
Pension scheme	Defined contribution system
Retirement pension	Sum of 2.25 percent times pension base per year
Survivor's pension	54.44 percent of retirement pension (fully funded)
Orphans's pension	10.89 percent of retirement pension
Waiver of premium disability	Yes

In 2013, the defined benefit pension plan for the Dutch subsidiary's active employees was changed. All active employees were transferred to a defined contribution plan. For former employees entitled under the defined benefit pension, the commitment remains unchanged.

Furthermore, there are also severance payment provisions for the majority of Austrian employees pursuant to Section 23 Angestelltengesetz (Salaried Employees Act) and Section 2 Arbeiterabfertigungsgesetz (Employees Severance Pay Act), which, in accordance with IAS 19, are considered post-employment benefits. These severance payment provisions generally correspond to a severance payment in relation to payments that eligible employees receive at the point of departure from the company. Payment of the severance pay entitlement is also impacted by the reason for the employee's resignation. In addition, surviving dependents will be paid 50 percent of existing severance payment benefits.

The defined benefit pension plan in Turkey shows a similar structure as the aforementioned pension benefits of Austrian employees and is also considered as a post-employment benefit in accordance with IAS 19. In accordance with social legislation, the company is obliged to pay a lump-sum severance payment for each separating employee. This obligation arises when the employee has completed at least one year of employment, his employment was terminated without cause, when he will be called up for military service, dies or reaches retirement age. The amount payable consists of one month's salary for each year of work. The amount is limited to TRY 5,434.42 (EUR 897) per working year.

Similar provisions have been recognized in other foreign subsidiaries for statutory programs such as the TFR Fund (Italian Civil Code Article 2120) in Italy which are considered post-employment benefits in accordance with IAS 19. Essentially, the TFR fund is equivalent to severance pay, which eligible employees receive at the point of departure from the company.

The present value of the defined benefit obligation from the underlying plan is determined using a discount rate based on the yields from prime fixed-rate corporate bonds. The discount rate used by the CGM Group is based on the iBoxx indices, which are applied to the defined benefit obligation with matching maturities.

In general, CGM Group is exposed to the following actuarial risks with regard to the existing CGM Group benefit plans:

+ **Longevity risk:** The present value of the defined benefit obligation for the corresponding benefit plans is determined based on the best estimate of the probability of death of each beneficiary both during employment and after termination. An increase in the life expectancy of eligible employees leads to an increase in the plan liability.
+ **Salary risk:** The present value of the defined benefit obligation for appropriate benefit plans is determined based on the expected future salaries of eligible employees. Accordingly, salary increases raise the benefit obligation associated with the plan.
+ **Inflation risk:** An increase in the long-term inflation assumption would primarily affect the expected pension increase and the expected increase in pensionable salaries.

Risks arising from the payment of benefits to family members (surviving dependent benefits) of eligible employees are partially reinsured by an external insurance company.

Provisions for post-employment benefits are accounted for using the current pension reports, all of which were compiled by external service providers (actuaries).

The following actuarial assumptions were made in determining the defined benefit obligation and related plan assets:

Principle Assumptions used for the purposes of the actuarial valuations were as follows:	Germany		Austria		Netherlands		Italy		France		Switzerland		Turkey	
	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017
Discount rate(s) in %	1.40	1.20	1.70	1.50	1.90	2.15	1.70	1.50	1.90	1.70	1.00	0.70	15.40	11.40
Expected rate(s) of salary increase in %	n/a	n/a	2.50	2.00	n/a	n/a	3.00	3.00	3.00	3.00	1.60	1.50	11.20	6.00
Pension growth rate(s) in %	1.75	1.75	n/a	n/a	2.00	1.90	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Domestic pension obligations are based on the new mortality rates applied in Germany (according to Heubeck Richttafeln 2018 G). For the Netherlands, pension obligations are based on the new mortality rates according to the "Projektionstabelle AG2018".

The amounts recognized in other comprehensive income for the defined benefit plans are as follows:

	31.12.2018 EUR '000	31.12.2017 EUR '000
Service cost:		
Current service cost	2,279	976
Past service cost and (gain)/loss from settlements	–119	5
Net interest expense	256	199
Components of defined costs recognised in profit or loss	2,416	1,180
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	–88	–175
Actuarial gains and losses arising from changes in demographic assumptions	180	–361
Actuarial gains and losses arising from changes in financial assumptions	–526	–368
Actuarial gains and losses arising from experience adjustments	–360	963
Adjustments for restrictions on the Defined benefit asset	0	0
Other effects	–524	0
Components of defined benefit costs recognised in other comprehensive income	–1,318	57
Total	1,098	1,237

The annual cost in the financial year 2018 of EUR 2,416 thousand (previous year: EUR 1,180 thousand) is recognized in full in the personnel expenses of CGM Group. Defined benefit expenses arising from the revaluation of the net liability for defined benefit plans in the amount of EUR -1,318 thousand (previous year: EUR 57 thousand) were recognized in other comprehensive income.

The defined benefit obligations developed as follows in the financial year:

EUR '000	Present value of pension commitment	Fair value of plan assets	Total
Balance as at 1 January 2018	24,095	–2,926	21,169
Current service costs	2,279	0	2,279
Interest income/cost	336	–80	256
Remeasurement (gains)/losses:	0	0	0
Return on plan asset (excluding amounts included in net interests)	0	–88	–88

Actuarial gains and losses arising from changes in demographic assumptions	180	0	180
Actuarial gains and losses arising from changes in financial assumptions	–526	0	–526
Actuarial gains and losses arising from experience adjustments	–360	0	–360
Other effects	–524	0	–524
Past service cost, including losses/(gains) on curtailments	–119	0	–119
Payment of debts/disposal of assets by plan settlement	0	0	0
Liabilities assumed in a business combination	0	0	0
Liabilities assumed in mergers and transfers	0	0	0
Changes from disposal of subsidiares	0	0	0
Exchange rate differences on foreign pension plans	445	–269	176
Benefits paid	–1,030	90	–940
Contributions from the employer	0	–445	–445
Contributions from plan participant	190	–190	0
Balance as at 31 December 2018	24,966	–3,908	21,058

EUR '000	Present value of pension commitment	Fair value of plan assets	Total
Balance as at 1 January 2017	23,231	–3,094	20,136
Current service costs	976	0	976
Interest income/cost	177	22	199
Remeasurement (gains)/losses:	0	0	0
Return on plan asset (excluding amounts included in net interests)	0	–175	–175
Actuarial gains and losses arising from changes in demographic assumptions	–361	0	–361
Actuarial gains and losses arising from changes in financial assumptions	–368	0	–368
Actuarial gains and losses arising from experience adjustments	963	0	963
Past service cost, including losses/(gains) on curtailments	0	0	0
Payment of debts/disposal of assets by plan settlement	–23	0	–23
Liabilities assumed in a business combination	33	0	33
Liabilities assumed in mergers and transfers	0	0	0
Changes from disposal of subsidiares	–121	120	–1
Exchange rate differences on foreign pension plans	–85	0	–85
Benefits paid	–144	–307	–451
Contributions from the employer	0	326	326
Contributions from plan participant	–183	183	0
Balance as at 31 December 2017	24,095	–2,926	21,169

The fair values of plan assets (defined benefit obligations for Germany and the Netherlands) are entirely attributable to the asset class "reinsurance". The existing "reinsurance" assets are "qualifying insurance policies" and therefore plan assets not traded in an active market.

The average weighted duration of the pension obligation is 10 years for Germany, 29 years for the Netherlands, 18 years for Austria, 15 years for Italy, 19 years for France and 19 years for Switzerland and for Turkey 9 years.

Changes in provisions for post-employment benefits in the last five years are shown in the following table:

EUR '000	12/31/2011	12/31/2012	Adjusted 31.12.2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Present value of pension commitment	8,432	14,805	11,490	19,982	21,770	23,231	24,095	24,966
Present value of plan assets	–2,667	–3,925	–990	–2,555	–2,940	–3,094	–2,926	–3,908
Shortfall	5,765	10,880	10,500	17,427	18,830	20,136	21,169	21,058

A total EUR 574 thousand (previous year: EUR 568 thousand) is expected to be paid into pension plans in the 2019 financial year. These contributions will be recognized as expenses in the income statement.

Sensitivity analysis

The primary actuarial assumptions used to determine the defined benefit obligation in CGM Group are the discount rate, expected salary increases, and inflation expectations. The sensitivity analyzes presented below are based on the best estimate of potential changes in the assumptions as of the balance sheet date, 31 December 2018. When presenting the effect of a change in one actuarial assumption in the sensitivity analysis, other actuarial assumptions remain unchanged.

	Increase		Decrease	
	in %	TEUR	in %	TEUR
Impact of the discount rate on pension commitment	1.00%	–4,246	1.00%	5,093
Impact of future salary increases on pension commitment	0.50%	950	0.50%	–874
Impact of future pension development on pension commitment	0.50%	797	0.50%	–721

For the above sensitivity analysis, it is unlikely that the scenario in question will occur in reality because it is likely that a change in one actuarial parameter assumption will correlate with others. The sensitivity analysis of the defined benefit obligations applies the same method used to calculate pension provisions recognized in the balance sheet.

c) Anniversary provision

The anniversary provision for the German companies (EUR 3,727 thousand; previous year: EUR 3,636 thousand) are calculated with a discount rate of 1,4 percent (previous year: 1.2 percent). In accordance with the option in IAS 19, the interest component is not presented as part of the interest income but as part of the operating cost and includes a change of interest of effectively 0.1 percent. The social security payments were considered with a 19.375 percent of the anniversary provision. The calculation is based on the "Richttafel 20018 G" from Prof. Dr. Klaus Heubeck.

An anniversary provision amounting to EUR 140 thousand was calculated for the Netherlands with a discount rate of 1.90 percent. The calculation was based on the "Projektionstabelle AG2018".

54. Financial liabilities (current and non-current)

The financial liabilities of CGM Group comprise the following:

	12/31/2018		12/31/2017	
EUR '000	current	non-current	current	non-current
Current liabilities to banks	5,822	302,602	34,241	318,118
Other loans	5,121	17,083	5,444	8,852
Total	10,943	319,685	39,685	326,970

All liabilities classified as finance leases are reported as other loans and are therefore part of the financial liabilities.

In the financial year 2018, new liabilities to banks and other loans amounting to EUR 297,329 thousand (previous year: EUR 85,021 thousand) were obtained and existing liabilities to banks and other loans amounting to EUR 341,265 thousand (previous year: EUR 95,173 thousand) were redeemed.

a) Liabilities to banks

Liabilities to banks comprise the following:

	Book value 31.12.2017 EUR '000	Book value 31.12.2018 EUR '000	thereof in Euro EUR '000	Interest rate as at 31.12.2018 in %	Fair value as at 31.12.2018 EUR '000
Konsortialkredit	314,091	273,559	273,559	0.80%	273,559
IKB 5	11,668	9,334	9,334	2.85%	10,091
Saar LB	15,000	15,000	15,000	0.60%	14,906
SEB	-	480	480	2.25%	480
UniCredit	-	1,404	1,404	0.80%	1,404
Sparkasse Koblenz	2,735	2,098	2,098	3.30%	2,253
Saar LB	939	752	752	2.75%	801
Kreissparkasse Biberach	719	594	594	2.75%	636
Saar LB	6,000	5,000	5,000	2.85%	5,405
Commerzbank	78	-	-	-	-
Mediocredito Italiano SpA	205	103	103	1.60%	103
MPS	129	-	-	-	-
Other	795	100	100	-	101
Total	352,359	308,424	308,424		309,739

As of 31 December 2018, the Group had gross debt of EUR 308.4 million (previous year: EUR 352.4 million) and held EUR 25.3 million (previous year: EUR 30.4 million) in cash.

On the 22 June 2018, CGM entered into a new syndicated loan agreement with a bank consortium for a revolving loan facility (also referred to in the following as "RLF") with an anmount of EUR 400.0 million. As a result, the existing syndicated loan agreement was terminated and repaid.

The syndicated loan facility has a duration of five years. The interest rate is based upon the EURIBOR rate for the interest period chosen plus a margin, which changes in accordance with the leverage ratio in contractually regulated levels. A margin of 0.7 percent has been fixed for the first six months of the term. As of 31 Decmeber 2018, the RLF was utilized at EUR 275.0 million. The interest rate as at 31 December 2018 was 0.8 percent.

In addition, loan commitment fees totaling EUR 1.6 million accrued, which will be charged as a financial expense over the term of the loan agreement. For this syndicated loan facility, no hedge has been concluded. The grant of the loan is linked to the compliance of one financial covenant (leverage ratio).
The loan agreement includes joint and several guarantees for payment by a number of CGM`s German subsidiaries (contingent liability in case of non-payment of CompuGroup Medical SE).

In the current financial year 2018, CompuGroup Medical fully complied with all financial covenants in the existing credit agreements.

In December 2016, CompuGroup Medical SE entered into a loan agreement with Landesbank Saar, Saarbrücken, amounting to EUR 15.0 million. The loan term is 3.75 years and the interest rate is based on the EURIBOR dated two bank working days before pay-out or expiration of the respective fixed interest period plus a fixed margin of 0.6 percent until 30 September 2020. The loan value as of 31 December 2018 amounts to EUR 15 million.

In December 2013, a loan amounting to EUR 14.9 million, which was refinanced through KfW, was obtained from IKB Deutsche Industriebank, Düsseldorf (IKB No. 5). As of 31 December 2018, the loan value is EUR 9.3 million. The loan IKB No. 5 has a fixed interest rate of 2.85 percent. The interest is payable at the end of each financial quarter. The principal repayment is done quarterly at an amount of EUR 467 thousand; the first repayment was due on 31 March 2016. The loan term is 10 years.

In December 2013, CompuGroup Medical Deutschland AG entered into a mortgage loan agreement with Landesbank Saar, Saarbrücken, with the amount of EUR 10.0 million to finance the office buildings at "Maria Trost 25" and "Carl-Mand-Strasse." This loan has a term of ten years and has a fixed interest rate of 2.85 percent. The loan value as of 31 December 2018 was EUR 5.0 million.

In 2012, CompuGroup Medical Deutschland AG entered into a mortgage loan agreement with Sparkasse Koblenz with the amount of EUR 6.1 million to finance the acquisition of the office building "Maria Trost 21". This loan has a term of ten years and a fixed interest of 3.3 percent. The loan value as of 31 December 2018 is EUR 2.1 million.

Other liabilities to banks include:
+ A loan of CompuGroup Medical Deutschland AG with a mortgage amounting to EUR 3.0 million and a payment guarantee by the parent company was granted as collateral. The loan value as of 31 December 2018 is EUR 0.8 million.
+ A loan of CGM Clinical Deutschland GmbH with a mortgage of EUR 3.0 million was granted. The loan values as of 31 December 2018 was EUR 0.6 million.
+ A loan of an Italian subsidiary. The loan values as of 31 December 2018 was EUR 0.1 million.

b) Other loans
As of 31 December 2018, other loans amounted to EUR 22,204 thousand (previous year: EUR 14,296 thousand). These mainly comprise the funding of the "OneGroup Project", which is classified under the position other financial liabilities as "sale-and-lease-back" finance lease agreement.

c) Expected payments for financial liabilities

EUR '000	Total financial debt	thereof: liabilities to banks
2019	10,943	5,822
2020	22,966	18,322
2021	8,055	3,562
2022	7,578	2,918
2023	280,822	277,800
2024	128	0
2025	136	0
2026 and after	0	0
Total	330,628	308,424

55. Purchase price liabilities (current and non-current)

Resulting from Business Combination	12/31/2018 current EUR '000	12/31/2018 non-current EUR '000	12/31/2018 Total EUR '000	12/31/2017 current EUR '000	12/31/2017 non-current EUR '000	12/31/2017 Total EUR '000
Opas Sozial	100	0	100	100	0	100
LMZ AG	90	0	90	90	0	90
KoCo Connector GmbH	300	0	300	350	0	350
Innomed GmbH	5,320	0	5,320	7,583	0	7,583
CSI Calabria	0	0	0	0	43	43
CGM Poland	0	0	0	0	10	10
Compufit BVBA	50	0	50	100	0	100
Vega Informatica e Farmacia S.r.l.	0	522	522	413	493	906
Barista Software BVBA	421	1,033	1,454	303	1,214	1,517
Farmages Software S.L.	140	268	408	140	955	1,095
La-Well Systems GmbH	0	1,466	1,466	0	0	0
n-design Gesellschaft für systematische Gestaltung mbH	500	500	1,000	0	0	0
factis GmbH	345	0	345	0	0	0
Medicitalia S.r.l.	0	0	0	0	445	445
Farma3Tec S.r.l.	1,720	0	1,720	0	1,682	1,682
CGM XDENT Software S.r.l.	500	0	500	0	479	479
Total	9,486	3,789	13,275	9,078	5,321	14,399

Changes to previous year

Medicitalia S.r.l.: As part of the annual review of the scope of consolidation including minority interests, a new assessment was made that for Medicitalia, minority interests must be recognized in the balance sheet. The previously recognized purchase price liabilities from option agreements, were recognized in full in the income statement in the reporting year.

Innomed Gesellschaft für medizinische Softwareanwendungen GmbH: In financial year 2018, the put option of a non-controlling shareholder for 9.9 percent of the shares in Innomed Gesellschaft für medizinische Softwareanwendungen GmbH was exercised. The purchase price was based on the average EBITDA for the years 2016 and 2017 multiplied by a factor of six. In addition, undistributed profits since financial year 2010 and the profit share in fiscal year 2018 must be remunerated proportionally. This resulted in an exercise price of EUR 2,502 thousand, which was already paid out in the amount of EUR 2,263 thousand as of the closing date. The contractually outstanding purchase price and the put options for the remaining 19.8 percent of Innomed will continue to be recognized under current purchase price liabilities.

Vega Infornatica e Farmacia S.r.l.: In 2016, CompuGroup Medical Italia Holding S.r.l., a 100 percent subsidiary of CompuGroup Medical SE, acquired 75 percent of the shares in Vega Informatica e Farmacia S.r.l., with registered office in Pavia, Italy. The purchase price amounted to EUR 4,125 thousand and was paid in the amount of EUR 3,713 thousand as of 31 December 2017. The outstanding purchase price of EUR 412 thousand was paid in the third quarter of 2018.

Barista Software BVBA: In 2017, CompuGroup Medical Belgium BVBA, a subsidiary of CompuGroup Medical SE (99 percent) and CompuGroup Medical Deutschland AG (1 percent), acquired 100 percent of the shares in Barista Software BVBA, with registered office in Hasselt, Belgium. In addition to an initially agreed fixed purchase price, which had already been paid out on 31 December 2017, contingent consideration in the form of earn-out agreements have been made in the purchase agreement. These provide for an additional annual purchase price payment, which is calculated on the basis of fixed defined sales volumes for subsequent years. The amount expected to be paid out under the earn-out agreements totaled EUR 1,596 thousand and has a term of five years.

In 2018, the first additional purchase price payment for the past financial year 2017 was made in the amount of EUR 142 thousand. The outstanding purchase price payments will continue to be recognized under current and non-current purchase price liabilities.

CSI Calabria: The contractually outstanding purchase price for the assets of CSI Calabria acquired in October 2016, which have been recognized under purchase price liabilities as of 31 December 2017 in the amount of EUR 43 thousand, have been completely paid in the second half of 2018.

Farmages Softwware S.L.: In November 2017, Medigest Consultores S.L., a 100 percent subsidiary of CompuGroup Medical SE, acquired 52 percent of the shares in Farmages Software S.L., Spain. The purchase price amounted to EUR 944 thousand and was already paid out at EUR 664 thousand as of 31 December 2017. The purchase price component of EUR 140 thousand recognized under current purchase price liabilities as of 31 December 2017 was paid out in financial year 2018.

In addition, a call and put option was agreed for the acquisition of the remaining 48 percent of the shares, which was recognized under purchase price liabilities as of 31. December 2017 in the amount of EUR 818 thousand. In fiscal year 2018, Medigest Consultores exercised this option and already paid a partial purchase price of EUR 550 thousand. The still contractually outstanding purchase price of EUR 268 thousand continues to be recognized under the non-current purchase price liabilities.

Current purchase price liabilities (due in less than one year)
Innomed Gesellschaft für medizinische Softwareanwendungen GmbH: Purchase price liabilities from the put options held by non-controlling shareholders for the outstanding 19.8 percent of shares in Innomed. The purchase price is based on the average EBITDA for the years 2017 and 2018 multiplied by a factor of six. Furthermore, the undistributed profits of EUR 4,269 thousand since the financial year 2010 are recognized proportionately (19.8 percent) in the purchase price liability (EUR 5,081 thousand). Following a contractual extension, the put options can now be exercised until 31 December 2023.
In addition, the contractually outstanding purchase price payment for the exercise of the put option for 9.9 percent of the shares in Innomed in the amount of EUR 239 thousand is reported under current purchase price liabilities.

LMZ AG: In the course of the acquisition of LMZ AG in 2015, EUR 90 thousand, which corresponds to 10 percent of the agreed purchase price, was retained as security. Due to a legal dispute regarding the amount of the outstanding purchase price liability, the payment less any potential purchase price reductions will likely take place in 2019.

KoCo Connector GmbH: Current portion of the outstanding purchase price payment of EUR 300 thousand for the purchase price consisting of two components (reseller contract and fixed purchase price component).

"Opas Sozial": Contractual earn-out agreement securing 20 percent of the revenue from software maintenance and service contracts as well as license sales from the "OPAS Sozial" business segment for the past three financial years. The amount to be paid out is recognized as a purchase price liability with the amount of EUR 100 thousand.

Compufit BVBA: Contractually agreed earn-out clause with a yearly earn-out of EUR 50 thousand and a duration of four years.

Barista Software BVBA: The purchase agreement contains contingent considerations in the form of earn-out agreements, which provide for an additional annual purchase price payment based on fixed revenue figures for subsequent years. The amount expected to be paid out under the earn-out agreements totals EUR 1,596 thousand and has a term of five years. The expected payment amount for the financial year 2019 in the amount of EUR 421 thousand is recognized under current purchase price liabilities.

Farmages Software S.L.: According to the signed share purchase agreement, the purchase price for 52 percent of the shares in Farmages amounts to EUR 944 thousand and was already paid out in the amount of EUR 804 thousand at closing date. The agreed purchase price is due in several tranches. At closing date, the purchase price previously recognized under non-current purchase price liabilities (discounted at 0.8 percent) is now recognized under current purchase price liabilities due to a maturity in 2019 of EUR 140 thousand.

Farma3Tec S.r.l.: Call and put options were agreed for the acquisition of the outstanding 20.02 percent of the shares in Farma3Tec. The holder of the put option has the right, for a period of one to five years after the acquisition date (1 September 2014), to sell to CGM Group all of the remaining 20.02 percent of the shares at the following fixed conditions:
- one year after date of acquisition EUR 1,620 thousand
- two years after date of acquisition EUR 1,640 thousand
- three years after date of acquisition EUR 1,680 thousand
- four years after date of acquisition EUR 1,720 thousand

CGM XDENT Software S.r.l.: The exercise period of the call option for the second ten percent runs from 1 January 2019 to 30 June 2019. The exercise period of the agreed put option for the second ten percent runs from 1 July 2019 to 31 December 2019. The amount of the expected payment resulting from the put option for the transfer of the second tranche of 10 percent of the outstanding shares amounts to EUR 500 thousand.

n-design Gesellschaft für systematischatische Gestaltung mbH: According to the signed share purchase agreement, the purchase price for 95 percent of the shares in n-design amounts to EUR 1,650 thousand and was already paid out in the amount of EUR 1,150 thousand at closing date. The outstanding purchase price of EUR 500 thousand was recognized under current purchase price liabilities.

factis GmbH: The contractually outstanding purchase price payments of EUR 345 thousand are recognized under current purchase price liabilities as at 31 December 2018.

Non-current purchase price liabilities (due in more than one year)
Vega Informatica e Farmacia S.r.l.: A call and put option was agreed for the acquisition of further ten percent of the shares in Vega, which was recognized under purchase price liabilities at a fair value of EUR 522 thousand at closing date.

Barista Software BVBA: The non-current portion of EUR 1,033 thousand of the annual purchase price payments resulting from earn-out agreements.

Farmages Software S.L.: Outstanding contractual purchase price payment of EUR 268 thousand resulting from the exercise of the agreed options.

La-Well Systems GmbH: A call and put option was agreed for the acquisition of further 25 percent of the shares in La-Well, which was recognized at a fair value of EUR 1,466 thousand under non-current purchase price liabilities.

n-design Gesellschaft für systematischatische Gestaltung mbH: A call and put option was agreed for the acquisition of further five percent of the shares in n-design, which was also recognized under purchase price liabilities with a value of EUR 500 thousand.

56. Trade payables

EUR '000	12/31/2018	12/31/2017
Trade account liabilities	39,293	43,944

Trade payables amounting to EUR 39,293 thousand (previous year: EUR 43,944 thousand) have a maturity of up to one year. Liabilities from trade payables pertaining to companies acquired in the financial year 2018 amounted to EUR 71 thousand.

57. Contract Liabilities

The contractual liabilities break down as follows:

EUR '000	31.12.2018 EUR '000		01.01.2018* EUR '000	
	current	non-current	current	non-current
Contract Liability	33,951	7,108	36,488	7,655

* Adjustment to the opening balance. See Note 4 g)

The contractual liabilities result exclusively from contracts with customers. The revenues recognized in 2018, which were included in the balance of contract liabilities at the beginning of the fiscal year, amount to EUR 36,488 thousand, of which EUR 15,672 thousand relate to performance obligations that were fulfilled or partially fulfilled in earlier periods.

The acquisition of subsidiaries had an impact of EUR 53 thousand on contractual liabilities..

58. Other provisions

The development of current provisions for personnel and other provisions for the financial year 2018 is as follows:

EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January 2018	25,951	725	1,947	1,800	2,813	33,237
Changes in exchange rates	–36	0	–3	–7	–7	–53
Addition from first time consolidation	215	0	34	0	2	251
Disposals from first time consolidation	0	0	0	0	0	0
Additions	25,275	1,741	2,256	214	3,474	32,960
Utilization	–19,706	–705	–1,746	–369	–2,678	–25,204
Releases	–2,928	–10	–200	–220	–133	–3,491
Balance as at 31 December 2018	28,771	1,751	2,288	1,418	3,471	37,700

The development of current provisions for personnel and other provisions for the prior-year period 2017 is as follows:

EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January 2017	**23,462**	**324**	**1,581**	**1,699**	**2,729**	**29,795**
Changes in exchange rates	–243	–5	–15	–23	–63	–349
Addition from first time consolidation	261	0	18	0	144	423
Disposals from first time consolidation	–2	0	0	–70	0	–71
Additions	23,721	713	1,947	968	2,740	30,089
Utilization	–18,753	–306	–1,416	–394	–2,683	–23,553
Releases	–2,495	0	–169	–379	–54	–3,097
Balance as at 31 December 2017	**25,951**	**725**	**1,947**	**1,800**	**2,813**	**33,237**

Provisions for personnel expenses result primarily from provisions for wages and salaries (2018: EUR 16,256 thousand; previous year: EUR 15,186 thousand). In addition, the position includes bonuses and commissions (2018: EUR 5,171 thousand; previous year: EUR 3,140 thousand), vacation provisions (2018: EUR 6,412 thousand, previous year: EUR 6,579 thousand), and overtime provisions (2018: EUR 932 thousand, previous year: EUR 1,047 thousand). These are calculated on the basis of the underlying hourly rates and social security deductions.

The provisions for guarantees relate to contractual commitments in connection with the installation of hospital software solutions.

The provisions formed for legal charges in the 2018 financial year largely stem from the subsidiaries CGM Solutions France (EUR 749 thousand), Intermedix France (EUR 174 thousand), Imagine Editions SAS France (EUR 267 thousand). They generally pertain to legal disputes with former employees and customers.

Provisions for guarantees and legal charges are, by their very nature, subject to higher levels of uncertainty. The other provisions mainly relate to current provisions.

59. Other financial and non-financial liabilities and derivative instruments

a) Other financial liabilities

Other financial liabilities are broken down as follows:

	12/31/2018		12/31/2017	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Leasing liabilities	128	833	97	879
Loans	601	0	1,793	0
Wages and salary Liability	3,796	0	2,681	0
Debitors with credit balances	1,419	0	866	0
Financing of SAP "OneGroup Project"	4,392	16,250	3,554	7,973
Other financial liabilities	1,256	52	72	166
Total	11,592	17,135	9,063	9,018

The position other loans include loans from the Italian subsidiary Fablab S.r.l. of EUR 601 thousand (previous year: EUR 1,725 thousand).

Liabilities from finance leases, including the "OneGroup Project", are as follows:

Financial lease liabilities	12/31/2018			12/31/2017		
	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
< 1 year	4,801	281	4,520	3,933	282	3,651
1-5 years	17,426	607	16,819	8,814	346	8,468
> 5 years	280	16	264	419	35	385
Total	22,507	904	21,603	13,166	663	12,503

The present value of the lease liabilities amount to EUR 21,603 thousand, whereof EUR 20,642 thousand are attributable to the "OneGroup Project". These liabilities correspond to assets with a book value of EUR 16,737 thousand (previous year: EUR 17,172 thousand), which are reported under intangible assets.

In the course of new contract conclusions in 2019, changes regarding these sale and lease back contracts are detected. For detailed information please see note 87. "Significant post balance sheet events".

CGM Clinical Austria entered into a sale-and-lease-back agreement for a building in cooperation with a lease company in 2009. The resulting lease liabilities are disclosed in other liabilities at their present value of EUR 801 thousand (previous year: EUR 891 thousand) as of 31 December 2017.

b) Other non-financial liabilities

Other non-financial liabilities are broken down as follows:

	12/31/2018		01.01.2018*		12/31/2017	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Deferred income	0	0	0	0	16,916	0
VAT, payroll tax	15,616	0	10,915	0	10,915	0
Guarantees	0	1,263	0	1,333	0	1,333
Advanced payments	0	0	0	0	3,900	97
Liabilities for social security cost	2,614	0	4,582	0	4,582	0
Other non-financial liabilities	56	0	146	0	146	0
Total	18,286	1,263	15,643	1,333	36,459	1,430

* Adjustment to the opening balance. See Note 4. g)

c) Derivative financial instruments

As in the previous year, CGM Group does not disclose any derivative financial instrument classified as liability at the reporting date as of 31 December 2018.

60. Expenses for goods and services purchases

As of 31 December 2018, the following liabilities were reclassified as "held for sale"::

Liabilities in direct connection to assets classified as held for sale	31.12.2018 EUR '000	01.01.2017 EUR '000
Trade liabilities	1	0
Other financial liabilities	33	0
Contract liability	4	0
Other provisions	77	0
Deferred taxes	125	0
Total liabilities of the disposal groups held for sale	240	0

61. Sales revenues

Sales revenues can be broken down as follows:

EUR '000	2018	2017
Software licenses	53,598	46,520
Software maintenance and other recurring revenues	414,720	387,835
Professional services	96,931	67,156
Hardware	112,128	40,535
Advertising, eDetailing and data	30,598	31,381
Software Assisted Medicine	5,528	4,995
Other revenues	3,520	3,953
Total	717,023	582,375

Group sales are mainly generated from contracts with customers within the meaning of IFRS 15. The other revenues that do not fall within the scope of IFRS 15 (EUR 8,909 thousand) mainly result from leasing agreements with customers. Excluding IFRS 15, revenues would have been EUR 714,477 thousand, which would have been EUR 2,546 thousand lower.

Please refer to the segment report, for a breakdown of sales revenues in accordance with IFRS 15.14.

No information is provided on the remaining benefit obligations as of 31 December 2018, which have an original expected duration of one year or less according to IFRS 15. As permitted by the transitional provisions of IFRS 15, the transaction price allocated to the (partially) unfulfilled performance obligations as at 31 December 2017 is not disclosed. The total amount of the transaction price of the unfulfilled or partially unfulfilled performance obligations as of 31 December 2018 amounts to EUR 84,488 thousand. Management expects that this will result in the recognition of the following amounts of revenue in the coming financial years:

within 1 year EUR '000	within 1 - 5 years EUR '000	within > 5 years EUR '000
41,800	42,688	0

62. Research and development expenses and capitalized in-house services

a) Research and development expenses

Research and development expenses include all costs arising in the course of software research and development activities. Exceptions to this are development costs incurred due to statutory or contractually mandated ongoing development work (updates, maintenance etc.), which cannot be predetermined or controlled by the CGM Group.

Total expenses for research and development, which were recognized in the income statement, amounted to EUR 26,307 thousand (previous year: EUR 18,413 thousand).

b) Capitalized in-house services

Capitalized in-house services within the CGM Group pertains to the capitalization of expenses for in-house software and the applicable expenses of its own employees for Group-wide implementation of the new Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software. The ERP and CRM software was introduced as part of the "One Group" project that meets the criteria set forth by IAS 38.

In the financial year 2018, approximately 452,760 working hours were performed (previous year: approximately 370,195 hours) and capitalized along with their applicable cost rates. Depending on the country, the hourly rate for capitalization fluctuates between EUR 22 and EUR 70.

63. Other income

EUR '000	2018	2017
Income from services performed	686	523
thereof rental income	339	218
thereof services related income	111	256

thereof investment grants	236	48
Remaining other operating income	7,348	10,127
thereof compensation received from damages	392	530
thereof gain on sale of fixed assets	227	2,045
thereof revenues from valuation allowances/reversals	3,747	3,809
thereof revenues from reversals of purchase price liabilities	0	0
thereof revenues from out-of-court settlements	0	0
thereof other	2,982	3,742
Total	8,034	10,649

Rental income is derived primarily from renting out office, warehouse and training spaces in Koblenz to related parties. Investment grants were provided to subsidiaries in Germany and Austria.

The income from services performed relates to income from the operation of the company's own canteen and the provision of administrative services to related parties.

For reasons of economy, the item "Other" will not be further torn up, as otherwise the group-specific reporting package would have to be disproportionately extended.

64. Expenses for goods and services purchases

EUR '000	2018	2017
Software licenses	7,306	7,729
Software maintenance and other recurring revenues	45,600	45,245
Professional services	29,861	13,008
Hardware	59,045	31,048
Advertising, eDetailing and data	4,776	4,257
Software Assisted Medicine	0	726
Other cost of goods	4,840	5,137
Total	151,428	107,149

The position "Software maintenance and other recurring revenues" primarily relates to external service providers operating the customer service hotline as well as sales activities.

65. Personnel expenses and employees

a) Personnel expenses

EUR '000	2018	2017
Salaries	224,452	210,114
Employer social security costs	49,201	46,006
of which net pension expenses – Benefits	2,416	1,180
of which net pension expenses – Contribution	15,144	14,386
Termination benefits	2,969	2,652
Other personnel expenses	10,145	10,752
Total	286,767	269,524

In 2018, contributions to domestic statutory pension insurances amounted to EUR 8,805 thousand (previous year: EUR 8,121thousand). The valuation of the stock options lead to an increase of expenses for share-based compensation of EUR 95 thousand.

b) Employees

The average number of CGM Group employees for the financial years 2018 and 2017 were as follows:

	2018	2017
Full-time employees	3,951	3,744
Apprentices	118	103
Part time	672	601
Total	4,741	4,448

The average number of employees in a managerial role within the CGM Group amounts to 79 (previous year: 73). The Management Board of CompuGroup Medical SE was not counted.

66. Other expenses

Other expenses can be broken down as follows:

EUR '000	2018	2017
Losses on disposal of fixed assets	143	120
Other operating expenses	120,187	99,629
Total	120,330	99,749
List of other operating expenses:		
Legal and consulting fees	12,561	12,356
Occupancy	16,202	15,778
Outsourcing	31,639	18,455
Company cars	11,586	10,763
Travel expenses	8,786	8,319
IT (software, maintenance etc.)	8,183	7,899
Advertising/entertainment	10,565	8,252
Telephone costs	4,206	4,407
Trade fairs	3,380	3,340
Postage	2,364	1,689
Office and business equipment	964	882
Insurances/fees/contributions	2,433	2,375
Other	7,318	5,114
Total	120,187	99,629

The item "Other" includes in particular contractually agreed redemption guarantees (EUR 1,708 thousand), costs for the supervisory board and work councils (EUR 644 thousand) and money transaction costs (EUR 1,196 thousand).

67. Depreciation and amortization

Depreciation of tangible assets is comprised as follows:

EUR '000	2018	2017
Land and buildings	2,489	2,241
Other facilities, furniture and office equipment	8,926	6,906
Total	11,415	9,147

Amortization of intangible assets is comprised as follows:

EUR '000	2018	2017
Goodwill	2,871	0
Acquired software	10,944	10,768
Customer relationships	12,015	12,540
Trademark rights	2,561	2,859
Order backlog	78	298
Capitalized in-house services	4,719	2,763
Total	33,188	29,228

68. Results from associated companies at equity

The results from associated companies in the financial year 2018 amounted to EUR -293 thousand (previous year: EUR -1,151 thousand). The increase mainly results from the at equity valuation of MGS GmbH, Fablab S.r.l. and Gotthardt Informationssysteme GmbH.

69. Financial income and financial expenses

a) Financial income

Financial income is broken down as follows:

EUR '000	2018	2017
Interest on loans	57	57
Currency gains	64	2,525
Other	1,889	1,172
Total	2,010	3,754

Other financial income also includes interests on tax credits.

b) Financial expense

Financial expenses are broken down as follows:

EUR '000	2018	2017
Interest on loans	7,061	8,297
Capitalized borrowing costs on qualified assets	–656	–794
Transaction costs/ credit provision fees	–532	616
Increas/ change in purchase price liabilities	1,076	1,277
Currency losses	3,896	17,735
Total	10,845	27,131

70. Income taxes

Income taxes are comprised as follows according to their origin:

EUR '000	2018	2017
Current income taxes	41,228	34,863
Germany	23,428	18,200
Current tax expense	26,372	13,053
Tax adjustments from prior years	–2,944	5,148
Recognition of tax losses carried forward from earlier periods	0	0
Other countries	17,800	16,662
Current tax expense	17,343	15,428
Tax adjustments from prior years	457	1,234
Recognition of tax losses carried forward from earlier periods	0	0
Deferred taxes	–5,072	–1,049
from temporary differences	–2,295	–1,731
from tax adjustments from prior years	–448	0
from changes in tax rate	94	–945
from recognition of tax losses from previous periods	–2,423	1,627
from deferred taxes transferred from equity to net income for the period	0	0
Total	36,156	33,814

(Deferred) income taxes, which are recognized directly in other comprehensive income, are broken down as follows:

EUR '000	2018	2017
Current taxes	0	0
Deferred taxes	440	–21
Arising in connection with income and expenses recognized in other comprehensive income:	440	–21
Translation of foreign business operations	0	0
Revaluation at fair value of financial instruments in the category "Available for sale"	0	0
Fair value remeasurement of hedging instruments entered into for cash flow hedges	0	0
Revaluation of tangible assets	0	0
Remeasurement of defined benefit obligation	440	–21
Resulting from income nd expenses reclassified from equity to the income statement	0	0
Relating to cash flow hedges	0	0
Relating to available-for-sale financial instruments	0	0
On disposal of foreign business operations	0	0
Resulting from gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	0	0
Deferred tax recognized in other operating income	440	–21

The consolidated tax rate serves as the basis for corporation tax and legal structure planning. Hence, the Group tax rate is held to be a figure that contains information about the Company's (income) tax burden. The calculated quotient of the reported income tax charge and the annual result before taxes indicates the Group tax rate. Consequently, the consolidated tax charge is the sum of current and deferred tax whereby the utilization of losses carried forward, the use of tax credits, tax allowances and the book value of deferred tax assets have a favorable impact on the final consolidated tax rate.

The weighted average tax rate was unchanged from the previous year at 30 percent, which corresponds to the corporate tax rate on taxable profits to be paid by CompuGroup Medical SE in Germany. Under German tax law, income taxes consist of "Körperschaftsteuer" (corporation tax), "Gewerbesteuer" (trade tax) and the "Solidaritätszuschlag" (solidarity surcharge for the former East Germany). For domestic legal entities of the CGM Group, the corporate tax amounts to 15 percent (previous year: 15 percent), the solidarity surcharge amounts to 5.5 percent on corporation tax (previous year: 5.5 percent on corporation tax) as well as the trade tax amounting to 14 percent (previous year: 14 percent). For the foreign subsidiaries, the effective national tax rates are applied for the financial year.

The reconciliation between the statutory tax rate (nominal) and the actual tax rate is shown below:

	2018		2017	
	EUR '000	in %	EUR '000	in %
Earnings before taxes (EBT) from continuing operations	128,751		65,557	
Tax expense at a tax rate of 30%	38,625	30.00%	19,667	30.00%
Effects of differing national tax rates	–788	–0.61%	–1,384	–2.11%
Effects of changes in tax rates on deferred taxes	94	0.07%	–945	–1.44%
Effects from tax losses and offset options for which no deferred tax asset was recognized	1,997	1.55%	7,291	11.12%
Effects from the previously unrecognized and unused tax losses and offset options that are now recognized as deferred tax assets	–3,738	–2.90%	0	0.00%
Effects of non-tax-deductible expenses	1,233	0.96%	2,361	3.60%
Effects of tax-free earnings	–131	–0.10%	–96	–0.15%
Impact of non taxable goodwill amortization/ impairment	806	0.63%	0	0.00%
Tax expense from previous years (True-Up's)	519	0.40%	835	1.27%
Effects on tax expense from previous years due to tax audits	–2,670	–2.07%	5,246	8.00%
Tax effects from permanent tax differences	–462	–0.36%	314	0.48%
Other differences	670	0.52%	525	0.80%
Effective income tax expense	36,156	28.08%	33,814	51.58%

The impact of changes in tax rates on deferred taxes mainly relate to the Belgian, Norwegian and Swedish subsidiaries.

Effects from not recognized deferred tax assets on tax loss carryforwards and temporary differences by foreign Group companies result primarily from CompuGroup Medical Inc., USA, CompuGroup Medical Schweiz AG, Switzerland, CGM Lab Deutschland GmbH, Turbomed Vetriebs- und Service GmbH, both Germany, CGM Software RO SRL, Romania and CompuGroup Medical Malaysia Sdn Bhd, Malaysia.

The effects of originally unrecognized and unused tax losses and netting options that are now recognized as deferred tax assets mainly relate to the full amount of tax loss carryforwards of CGM Lab International GmbH recognized for the first time in 2018 and to the recognition of loss carryforwards of KoCo Connector GmbH that were previously excluded from capitalization.

The effects on tax expenses from previous years due to the tax audit result from lower risks on the basis of expected results from changes in the findings of the German tax audit.

The actual tax expense includes tax expenses of domestic and foreign companies which are related to other periods.

71. Earnings per share from continuing operations

	12/31/2018	12/31/2017
Consolidated net income for the period from continuing operationsallocated to the parent company in EUR '000	92,338	31,250
Number of ordinary shares (#)	53,219,350	53,219,350
Treasury shares (#)	4,013,458	3,495,731
Outstanding ordinary shares at closing date (#)	49,205,892	49,723,619
Earnings per share from continuing operations (in €)		
– undiluted	1.86	0.63
– diluted	1.85	0.63

The (undiluted) earnings per share are calculated by dividing the consolidated net income for the year by the weighted average number of shares issued. The stock options granted by the Company lead to a dilution of earnings per share.

The time-weighted number of shares issued at the balance sheet date, including stock options, amounted to 49,941,232 (previous year 49,723,619).

72. Cash net income (non-IFRS)

EUR `000	01.01.-31.12.2018	01.01.-31.12.2017
Cash net income (EUR)*	121,064	58,147
Cash net income per share (EUR)*	2.45	1.17

* Definition Cash net income: Consolidated net income plus amortization of intangible assets except amortization of in-house capitalized software.

F. SEGMENT REPORTING

For the definition of the business segments, the Management Board draws on reports that are also available to the Supervisory Board and analysts for their strategic decisions. In order to reflect regional differences of the healthcare industry with regard to organization and regulation, the reporting covers product and service-related financial data as well as regional information. For management purposes as well as resource allocation, the product and service-related structure is a decisive parameter and is divided into a total of five business segments.

In the fiscal year 2018, CompuGroup Medical SE changed the segment reporting insofar as the central functions shown so far under the reconciliation are henceforth illustrated under the other business segments.

CompuGroup Medical SE is active in the following four business segments, which also represent the reporting segments for the external segment reporting of the CGM:

+ Ambulatory Information Systems (AIS) is focused on practice management software, connectors and electronic medical records for office-based physicians, dentists, laboratories, medical care centers and physician's networks. Furthermore, internet/intranet solutions are offered to service providers (physicians, dentists, hospitals, and clinics).
+ Pharmacy Information Systems (PCS) is focused on integrated clinical, administrative and financial software applications for pharmacies and mail order pharmacies.
+ Hospital Information Systems (HIS): Hospital, laboratory and special care information systems (clinical software).
+ Health Connectivity Services offers software solutions to producer of pharmaceutical and medical devices, which are used to offer physicians information over interfaces. In addition, an information channel is offered to payers in the health sector (health insurance companies, care institutions and companies in the public sector) and physicians through software solutions, which shall help them for the optimization of the decision processes.

The Company has defined EBITDA (earnings before interest, tax, depreciation and amortization) as a key financial indicator for the evaluation and assessment of segment performance. EBITDA represents the segment result.

The reporting segments can be described and summarized as follows:

The Ambulatory Information Systems business segment is tailored to smaller service providers and laboratories, in which customers are usually both buyers and decision-makers, as well as daily software users. The sales cycles and decision-making processes are generally short and the installation and provision of the software solutions can generally be completed within a few days to a few weeks. Software maintenance and other recurring revenues represent the main source of income. In recent years, the share of recurring income remained constant at about 75 percent. Recurring revenues account for approximately 56 percent of total revenues in the current fiscal year. Other revenue is revenue from license sales as well as training, consulting and implementation services and other income from third-party software licenses, as well as related hardware, equipment, etc. The customer relationships are generally experienced as long-term. Furthermore, the business model of the reporting segment Ambulatory Information Systems comprises the sale of connectors and the conclusion of subscription contracts, which ensure a secure exchange of data between the service providers and the payers in the current target markets.

The Pharmacy Communication Systems business segment is conform to pharmacies and equivalent health care providers, in which customers act as both buyers and decision makers as well as everyday software users. The sales cycles and decision-making processes are generally short, so that software installation and deployment can normally be completed within a few days or weeks. Software maintenance and other recurring revenues are the main source of revenues. Other revenues include license sales, training-, consulting- and implementation services and other revenues from third-party software licenses, related hardware, equipment etc. The customer relationships are generally entered as long-term relationships.

The Hospital Information Systems business segment is pursuing a project-oriented business model in which our customer is generally a buyer and decision-maker but not a daily software user. In this segment, customers are mostly hospital administrations (IT department or procurement department), the operating company of a hospital chain or other operators of hospital networks, regional nursing organizations or regional public organizations. In Europe, hospitals and nursing homes are predominantly governed by public law and are therefore subject to regulatory requirements for public tenders. The lead times for the receipt of a project order and decision-making cycles are long. Project duration can be several months or even several years from the installation to go-live of the software solution by the customer. Compared to the business segments Ambulatory and Pharmacy Information Systems, sales from consulting, training and other services are significantly higher. Software maintenance and other recurring revenues currently account for approximately 56 percent of total revenues.

The business as well as reporting segment Health Connectivity Services (HCS) includes the former business segments Communication & Data and Workflow & Decision Support, which in course of steadily progressing merging of business activities, will be combined into one business segment and will also be included in the segment reporting of CGM as a reporting segment in the future. The Health

Connectivity Services (HCS) business and reporting segment is intended to provide solutions for all healthcare service providers in term of business purpose and product alignment to ensure efficient communication and workflow processes. The business model is based on cooperation agreements with pharmaceutical companies (usually with a duration of six to twelve months), occasional advertising (continuous) and revenue from contracts for the collection and procurement of clinical data. In addition, the execution of project business (license sales and services), software maintenance and technical support, and performance-related revenues (based on cost and quality of service for patients) are the subject of the business activity, whereby predominantly cost units are addressed as customers.

The activities included in "All other segments" category (IFRS 8.16) mainly comprise income and expenses from software development located at headquarters in Koblenz. In contrast to the previous year, these centrally from Koblenz managed functions of the company (e.g. IT, Human Resources, Legal) are shown under the other Segments.

The Reconciliation include the consolidation measures between the segment.

The segment information is based on the same disclosure and evaluation methods as the consolidated financial statements. Transactions among the Group's segment companies are always agreed at arm's length.

G. OTHER DISCLOSURES

73. Notes on the cash flow statement and cash equivalents

CGM Group creates the consolidated cash flow statement pursuant to International Accounting Standard (IAS) 7 "Statement of Cash Flows". In this course, the CGM Group discloses its cash flows in order to reveal the sources and uses of cash and cash equivalents. It distinguishes between cash flows from operating activities, investing activities and financing activities.

Cash funds include cash on hand, checks, balances at banks and other financial assets with a maturity of no more than three months and equal the cash and cash equivalents balance sheet amount as of reporting date. Therefore only short-term securities without any subject to a significant risk of price fluctuations are recognized in cash and cash equivalents. In addition, the cash and cash equivalents includes bank deposits (EUR 5,668 thousand), which are mainly classified as restricted cash due to capital export restrictions (see also section "E. 50. Cash and cash equivalents"). Effects from currency translation of cash and cash equivalents are adjusted in the calculation and shown separately in the cash flow statement.

Cash flows from operating activities are determined by first adjusting consolidated net income for non-cash items such as depreciation, impairment, write-ups of intangible assets and property, plant and equipment while including changes in provisions and changes in other receivables and liabilities as well as in net current assets.

Cash flows from investing activities partly pertain to cash outflows for investments in intangible assets, property, plant and equipment, subsidiaries and other business units as well as investments accounted for under the at equity method and jointly controlled entities. In addition, this is where we document the proceeds from the sale of intangible assets and property, plant and equipment and subsidiaries and other business units.

The outflows for acquisitions of subsidiaries and other business units relate to "Company acquisitions and disposals" shown in the section company acquisitions.

With regard to cash flows from financing activities, we report both paid and received dividends, the repayment of debt and new borrowing, payments for the acquisition of non-controlling interests and other financing transactions, as well as the cash outflows for the amortization of liabilities from finance leases. The change in financial liabilities during the year was marked by the additional borrowing. Furthermore, loans as well as liabilities from finance leases have been settled according to schedule.

Payments for income taxes are already included in the consolidated net income, which is the basis for the calculation of cash flows from operating activities. The actual amount of income tax payments during the reporting period is reported as additional information below the cash flow statement. The same applies to the reporting of interest paid and received.

			Non-Cash				
	12/31/2017	Cash flow from financing activities	changes in scope of consolidation	currency-effects	other effects*	change of fair value	31.12.2018
Current liabilities to banks	352,359	–43,936	-	-	1	-	308,424
Finance lease liabilties	12,504	–6,971	-	3	16,067	-	21,603
Other loans	1,792	-	-	-	–1,191	-	601
Total financial liabilities	366,655	–50,907	-	3	14,877	-	330,628

* Includes additions from leasing contracts, repayment of other loans as well as accruals for transaction costs and interests

The reconciliation shows changes in such financial liabilities whose payments (inflows and outflows) are presented in the cash flow statement in the cash flow from financing activities. Please refer to section E) 59.a) Other financial liabilities for a more detailed explanation of the finance lease liabilities and other loans.

74. Capital management

CGM Group aims to strengthen its equity base in the long term and to achieve an adequate return on capital invested. However, the Group's accounting capital is only a passive risk control criterion, while revenue and EBITDA are active control elements.

CGM Group's capital structure consists of net debt (incurred borrowings less cash and cash equivalents) and the consolidated equity. The consolidated equity includes issued shares less treasury shares, capital and revenue reserves, other reserves as well as shares of non-controlling shareholders. A detailed breakdown of the consolidated equity can be found in the "Changes in Consolidated Equity".

Both, the aim and the strategy of capital management are to maintain or optimise the financial ratios specified in the loan agreements in order to continue financing on unchanged or improved terms.

The consolidated equity ratio as disclosed in the consolidated financial statements as of 31 December 2018 amounts to 32.18 percent (previous year: 28.61 percent) and is particularly affected by:
+ Addition of the consolidated net income for the period (EUR 92,338 thousand; previous year: EUR 31,250 thousand),
+ dividend distribution (EUR -17,403 thousand; previous year: EUR -17,403 thousand),
+ currency conversion differences (EUR 927 thousand; previous year: EUR 3,500 thousand), and
+ actuarial gains and losses (EUR 878 thousand; previous year: EUR -36 thousand).

CGM Group's debt ratio as of the balance sheet date, 31 December 2018 is calculated as follows:

Equity	31.12.2018 EUR '000	31.12.2017 EUR '000
Financial Debt[1]	330,628	366,655
Cash and bank balances	25,302	30,362
Net Debts	305,326	336,293
Equity[2]	272,999	236,060
Net debt to equity ratio	112%	142%

1 Debt is defined as current and non-current financial liabilities (excluding derivatives and financial guarantee contracts)
2 Equity includes all capital and reserves of the Group that are managed as capital (including minority)

Dynamic gearing ratio	31.12.2018 EUR '000	31.12.2017 EUR '000
Liabilities to banks[1]	308,424	352,359
Cash and bank balances	25,302	30,362
Net Debts	283,122	321,997
Earnings before interest, taxes, depreciation and amortization (EBITDA)	182,482	128,444
Net debt to EBITDA ratio	155%	251%

1 Debt is defined as current and non-current financial liabilities (excluding derivatives and financial guarantee contracts)

75. Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset at one company and a financial liability or equity instrument at another entity. Financial instruments are recognized when CGM becomes a party to the financial instrument.

CGM Group's financial instruments to be classified as financial assets consist of "cash and cash equivalents", "trade receivables", "other financial receivables" and "other financial assets".

Financial instruments to be classified as financial liabilities were composed of "liabilities to banks", "purchase price liabilities", "trade payables", "other financial liabilities" and "leasing liabilities".

Fair value is not always available as a market value, which often necessitates a determination based on various measurement parameters. Depending on the availability of observable parameters and the relevance of these parameters for determining the fair value as a whole, fair value is assigned to Level 1, 2 or 3. The assignment within these levels is done under consideration of the following factors:

+ Level 1 parameters: Here, the market value of assets and liabilities is calculated based on quoted, unadjusted prices like those that arise for similar or identical assets and liabilities in active markets. Essential is the tradeability on the measurement date in the main market or in the most advantageous market.

+ Level 2 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly quoted prices are also made available to an active market. Examples: Price quotations in non-active markets; observable interest rates and curves; implied volatilities; Credit Spreads and Adjusted Level 1 - Inputs.
+ Level 3 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which there are no observable market data. Examples: Interest rates calculated using models; historical volatilities; Financial forecast based on company-owned data and adjusted level - 2 input factors.

For financial instruments to be measured at fair value, the determination was based on the market information available on the balance sheet date using the following methods and assumptions:

+ Financial instruments at fair value through profit or loss (FVtPL) are financial assets that do not meet the criteria of IFRS 9 for the categories „at amortized cost (AC)" or „at fair value through other comprehensive income (FVOCI)", or financial investments in equity instruments for which the FVOCI option was not fulfilled at initial recognition. Since nocompany within the CGM Group made use of this FVOCI option so far, participations with an investment held of less than 20 percent are reported as „other financial assets". For the valuation of other financial assets, the acquisition costs as of the balance sheet date represent an appropriate estimate of the fair value.
+ There are no other financial instruments in the fair value through profit or loss (FVtPL) category.

All other financial assets and financial liabilities are accounted at amortized cost based on the effective interest method.

+ Financial assets „at amortized cost" are assets held to receipt the contractual cash flows and for which these cash flows represent only interest and principal payments. Interest income from these financial assets is reported in financial income based on the effective interest method. Gains or losses on derecognition are recognized directly in the income statement and, together with foreign currency gains and losses, are reported under other gains/losses.
+ Among the financial assets, the CGM Group reports „cash and cash equivalents", „trade receivables" and „other financial assets". The carrying amount of the financial instruments classified as financial assets corresponds approximately to the fair value for the proportion of short-term positions they contain, as a result of their short maturity.

The fair value of loans granted by CGM Group results from the discounted value of the future cash flows. The appropriate interest rates as of the balance sheet date are used for discounting purposes. The fair value of the loans granted by the CGM Group at the balance sheet date is approximately equal to the book value.

+ All financial liabilities are generally measured at cost using the effective interest method and classified as "other amortized cost (AC)". With regard to "trade payables" and "other financial liabilities", the book value almost corresponds to the fair value. The position liabilities to banks within the financial liabilities is divided into fixed interest-rate liabilities and variable interest-rate liabilities.
+ For fixed interest-rate liabilities, fair value is measured as the present value of expected future cash flows while the appropriate interest rates on the balance sheet date (including a market consistent spread for CGM) are used for discounting purposes. The fair value of the variable interest-rate liabilities corresponds approximately to the book values.

The financial assets of "finance lease receivables" and financial liabilities from "leasing liabilities" are not covered by the measurement categories under IFRS 9, but are reported in the table below under financial instruments. These are included in the depreciation after expected credit losses.

The valuation of financial assets from "financial leasing receivables" and financial liabilities from "leasing liabilities" are measured at cost in accordance with the provisions of IAS 17. In order to determine the fair value appropriate interest rates and an average maturity of the leasing contracts is assumed.

The following table presents the carrying amounts and valuations for the Group's existing financial instruments in accordance with the measurement categories in accordance with IFRS 9 as of 31 December 2018:

Financial instruments - measurement categories according to IFRS 9			IFRS 9 valuation			IAS 17 valuation	
	Measurement category according to IFRS 9	Book value as at 31.12.2018	Amortized costs (continued)	Fair value through equity	Fair value through profit and loss	Amortized costs (continued)	Fair value as at 31.12.2018
Financial assets							
Cash and cash equivalents	AC	25,302	25,302	0	0	0	25,302
Trade account receivables	AC	105,597	105,597	0	0	0	105,597
Other financial assets*	AC	4,230	4,230	0	0	0	4,230
Receivables from finance lease agreements	-	17,930	0	0	0	17,930	19,023
Other investments	FVtPL	725	0	725	0	0	725
Total financial assets		**153,784**	**135,129**	**725**	**0**	**17,930**	**154,877**
Financial liabilities							
Liabilities to banks	AC	308,424	308,424	0	0	0	309,739
Purchase price liabilities	AC	13,275	13,275	0	0	0	13,275
Trade payables	AC	39,293	39,293	0	0	0	39,293
Other financial liabilities	AC	7,124	7,124	0	0	0	7,124
Finance lease obligations	-	21,603	0	0	0	21,603	21,498
Total financial liabilities		**389,719**	**368,116**	**0**	**0**	**21,603**	**390,929**
Total per category							
Financial instruments at fair value through profit or loss	FVtPL	725	0	725	0	0	725
Amortized costs	AC	503,245	503,245	0	0	0	504,560

* Shown as other receivables in the previous year

The financial instruments by valuation category for the prior-year period as of 31 December 2017 are as follows:

Financial instruments - measurement categories according to IAS 39	Measure-ment category according to IAS 39	Book value as at 31.12.2017	IAS 39 valuation			IAS 17 valuation	Fair value as at 31.12.2017
			Amortized costs (continued)	Fair value through equity	Fair value through profit and loss	Amortized costs (continued)	
Financial assets							
Cash and bank balances	LaR	30,362	30,362	0	0	0	30,362
Trade receivables	LaR	102,544	102,544	0	0	0	102,544
Receivables from construction contracts (PoC)	LaR	8,364	8,364	0	0	0	8,364
Other receivables	LaR	3,628	3,628	0	0	0	3,628
Finance lease receivables	–	16,375	0	0	0	16,375	17,373
Other financial assets	AfS	172	–	–	–	–	–
Total financial assets		161,445	144,898	0	0	16,375	162,271
Financial liabilities							
Liabilities to banks	oL	352,359	352,359	0	0	0	352,963
Purchase price liabilities	oL	14,399	14,399	0	0	0	14,399
Trade payables	oL	43,944	43,944	0	0	0	43,944
Other financial liabilities	oL	5,578	5,578	0	0	0	5,578
Financial lease obligations	–	12,504	0	0	0	12,504	12,397
Total financial liabilities		428,784	416,280	0	0	12,504	429,281
Total per category							
Assets held for trade	AfS	172	0	0	0	0	0
Liabilities to banks and receivables	LaR	144,898	144,898	0	0	0	144,898
Other financial liabilities	oL	416,280	416,280	0	0	0	416,884

76. Fair value measurement

a) Fair value of financial assets and liabilities that are regularly measured at fair value (according to valuation hierarchies)

As in the prior year, on 31 December 2018, none of the financial assets and liabilities of CGM Group were regularly measured at fair value as of the balance sheet date. For the measurement of other financial assets, the acquisition costs represent an appropriate estimate of the fair value as of the balance sheet date. As part of the transition to IFRS 9 the measurement of financial assets is always carried out at fair value. As of 31 December 2018 the value is EUR 725 thousand.

b) Distribution by valuation hierarchies of financial assets and liabilities that are not regularly measured at fair value (according to valuation hierarchies)

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2018 are as follows:

	12/31/2018	Level 1	Level 2	Level 3
Fair value of financial assets valuated at amortised costs				
Trade receivables	105,597	0	0	105,597
Other receivables	4,230	0	3,248	982
Finance lease receivables	19,023	0	19,023	0
Total	128,850	0	22,271	106,579
Fair value of financial liabilities valuated at amortised costs				
Liabilities to banks	309,739	0	0	309,739
Purchase price liabilities	13,275	0	0	13,275
Trade payables	39,293	0	39,293	0
Other financial liabilities	7,124	0	6,523	601
Financial lease obligations	21,498	0	21,498	0
Total	390,929	0	67,314	323,615

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2017 are as follows:

	12/31/2017	Level 1	Level 2	Level 3
Fair value of financial assets valuated at amortised costs				
Trade receivables	102,544	0	0	102,544
Receivables from construction contracts (PoC)	8,364	0	8,364	0
Other receivables	3,628	0	2,186	1,442
Finance lease receivables	17,373	0	17,373	0
Total	131,909	0	27,923	103,986
Fair value of financial liabilities valuated at amortised costs				
Liabilities to banks	353,063	0	0	353,063
Purchase price liabilities	14,399	0	0	14,399
Trade payables	43,944	0	43,944	0
Other financial liabilities	5,578	0	3,833	1,745
Financial lease obligations	12,397	0	12,397	0
Total	429,381	0	60,174	369,207

77. Net profits and losses on financial assets and liabilities

	31.12.2018 EUR '000	31.12.2017 EUR '000
Net profit/loss from currency conversion differences (AC)	–3,075	–15,517
Net profit/loss from discount/reversal of purchase price liabilities (AC)	–631	–1,132
Total	–3,706	–16,649

The net gain/loss from the foreign curreny translation is recognized according to the origin in other income and other expenses or financial income and financial expenses.

Furthermore, allowances for doubtful accounts are stated under other operating expenses in the amount of EUR -2,562 thousand (previous year: EUR -4,964 thousand), which are allocated to the category of instruments at "amortized cost" (AC).

78. Credit risk

The new rules for recognizing depreciation included in IFRS 9 will in future be based on expected losses ("expected loss model"). A three-step model is provided for determining the extent of risk provisioning. A balance sheet provision for expected credit losses is recognized for financial assets carried at "amortized cost". For "Trade receivables", "Contract assets" and "Receivables from finance leases", the simplified approach is based on credit losses expected over the terms of the loans. For the calculation of expected credit losses, "trade receivables", "finance lease receivables" and "contractual assets" were determined on the basis of common risk characteristics, taking into account the corresponding industry and country risks. For the calculation of the expected credit losses, historical loss rates are determined, which are adjusted on the basis of future macroeconomic data.

The default risk of the Group mainly results from trade receivables. Trade receivables result from contracts with customers. The amounts shown in the balance sheet are net of impairments on expected future losses ("expected loss model"). The value adjustments of the previous year were carried out on the basis of the requirements of IAS 39 and the policy valid in 2017. Contract assets are essentially work in progress that have not been invoiced and that has the same risk characteristics as trade receivables due to the same types of contract.

As of 1 January 2018 the procedure for determining allowances on receivables was adjusted in the course of the completed IFRS 9 analysis as follows:
For non-due receivables and those overdue between 0-12 months, a flat-rate devaluation of 0.8 percentage point will be made to cover expected credit losses. For all receivables that are overdue between 13-24 months, an individual valuation allowance (management judgment) is made. All receivables, which are due over 24 months are impaired at 100 percent. For receivables that are due over 14 days, the internal company dunning process is triggered. Financial assets are derecognised if the receivable is uncollectible. If recoveries are made after the write-off of a receivable, these are recognized in the income statement. The age structure of the receivables is classified as not critical within the Group. The default rate is reassessed at each reporting date, taking into account the sector and country risks.

On this basis, the allowances for 31 December 2018 and 1 January 2018 were calculated for "Trade receivables," "Contract assets," and "Finance lease receivables."

The table shows the gross book values to represent the maximum credit risk:

	0-12 months overdue (0,8%) EUR `000	13-24 months overdue (individual) EUR `000	more than 24 months overdue (100%) EUR `000
Trade Receivables	99,937	11,098	7,811
Contract Assets	10,085	0	0
Finance Lease Receivables	17,930	0	0
Total Amount	127,952	11,098	7,811
Individual value adjustment	–679	–3,957	–7,811
Expected Credit Loss	–1,024	0	0
Total Amount	–1,703	–3,957	–7,811

Reconciliation of allowances for "Trade receivables", "Contract assets" and "Receivables from finance leases" from IAS 39 to IFRS 9 as of 31 December 2018.

	Trade Receivables EUR `000	Contract Assets EUR `000	Finance Lease Receivables EUR `000
31. December 2018 - Disclosure under IAS 39	–13,745	0	0
Adjustment Retained Earnings	–779	–85	–131
Opening Balance - Loss Allowance as of 1. January 2018 - Calculation under IFRS 9	–14,524	–85	–131
Expected Credit Loss	–7	7	–13
Addition	–13,242	0	0
Utilization	4,163	0	0
Reversal	10,361	0	0
Loss allowance as of 31. December 2018	–13,249	–78	–144

The CGM Group has no significant concentration of default risk as it is spread across a large number of contracting parties and customers.

Impairment losses on "Trade receivables" and "Contract assets" are shown in the operating result as impairment losses. The statement of other operating expenses within the Group is made for materiality reasons. In subsequent periods previously written off amounts are recognized in the same item.

The loss of major customers in the hospitals, laboratories, and pharmaceuticals business can have a detrimental effect on the Group`s liquidity. The tendering procedures for major customers and project business are closely monitored to detect and address changes in the market.

The maximum credit risk of investments in equity instruments at the balance sheet date is the carrying amount of all participations below 20 percent, which have been classified accordingly.

The default risk is limited to liquid assets, as they are due in the short term and held at banks, which are certified by international rating agencies to be highly creditworthy.

The following table shows a summary of cash and cash equivalents after classification by the international rating agencies Standard and Poor and Moody's and Fitch as of 31 December 2018:

	31 December 2018 EUR `000
AAA	0
AA+	88
AA	2,092
AA-	1,325
A+	1,939
A	4,417
A-	4,223
BBB+	2,984
BBB	926
BBB-	795
BB+	4,022
BB	769
BB-	589
B+	85
B	121
B-	0
CCC+	0
Not rated	927
Total amount	25,302

Furthermore, as of 31 December 2018 there were no legal transactions with banks in the United Kingdom. There are thus no effects on the default risk.

79. Currency risk

The market success and gross revenues of exporting companies is influenced by fluctuating exchange rates. In 2018, about 82 percent of revenue was generated in Euros (previous year: 78 percent) and around 18 percent of revenue in other currencies (previous year: 22 percent). During the year, hedges of possible exchange rate risks were effectuated in the form of forward exchange contracts. All such instruments are completely expired as of the balance sheet date.

The book value of Group monetary assets and liabilities denominated in a foreign currency is as follows:

Carrying amount of monetary assets and liabilities in foreign currencies	Assets 31.12.2018 EUR '000	Assets 31.12.2017 EUR '000	Liabilities 31.12.2018 EUR '000	Liabilities 31.12.2017 EUR '000
US Dollar	11,528	10,448	3,589	8,238
Norwegian Crowns	762	807	194	–48
Swedish Crowns	4,364	4,711	1,171	768
Polish Zloty	3,359	5,936	1,239	1,541
Turkey Lira	593	922	18	237
Czech Crowns	1,781	2,407	453	430
Franc Switzerland	2,180	3,108	–3	18
Danish Crowns	954	1,182	305	219
Malaysian Ringgit	1,246	1,627	34	73
Canadian Dollar	136	136	4	6
South African Rand	6,113	5,215	68	69
Singapore Dollar	48	46	0	19
Romanian Leu	411	471	711	340

a) Sensitivity analysis: impact on net income in the case of a 10 percent rise or fall of the euro against the respective foreign currency:

The following table details the Group's sensitivity to a 10 percent rise or fall in the euro against the respective foreign currency. The adoption of the 10 percent change represents management's best estimate regarding a possible change in exchange rates from a rational perspective. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency adjusting their conversion based on a 10 percent change in exchange rates.

	Currency impact net income					
	12/31/2018			12/31/2017		
Sensitivity Analysis	Net income	+10 percent	-10 percent	Net income	+10 percent	-10 percent
US Dollar	6,649	7,314	5,984	15,352	16,887	13,817
Norwegian Crowns	–9,754	–10,729	–8,778	–6,110	–6,721	–5,499
Swedish Crowns	–5,169	–5,686	–4,652	–6,146	–6,761	–5,532
Polish Zloty	–1,640	–1,804	–1,476	–966	–1,063	–869
Turkey Lira	2,600	2,860	2,340	2,343	2,578	2,109
Czech Crowns	–2,378	–2,615	–2,140	–2,012	–2,213	–1,810
Franc Switzerland	185	203	166	824	906	741
Danish Crowns	–3,302	–3,633	–2,972	–3,006	–3,307	–2,705
Malaysian Ringgit	232	255	208	–92	–101	–82
Canadian Dollar	–2	–2	–2	–9	–10	–8
South African Rand	420	462	378	6,052	6,657	5,447
Singapore Dollar	–168	–185	–151	106	117	95
Romanian Leu	466	513	419	109	120	98

b) Sensitivity analysis: impact on equity in the case of a 10 percent rise or fall of the euro against the respective foreign currency

	Currency impact net income					
	12/31/2018			12/31/2017		
Sensitivity Analysis	Equity	+10 percent	-10 percent	Equity	+10 percent	-10 percent
US Dollar	5,289	5,818	4,760	250	275	225
Norwegian Crowns	–36,980	–40,678	–33,282	–37,022	–40,724	–33,320
Swedish Crowns	–16,149	–17,764	–14,534	–17,330	–19,063	–15,597
Polish Zloty	–4,799	–5,279	–4,320	–3,269	–3,596	–2,942
Turkey Lira	7,677	8,445	6,909	6,967	7,663	6,270
Czech Crowns	–3,089	–3,398	–2,780	–3,324	–3,657	–2,992
Franc Switzerland	1,857	2,042	1,671	2,382	2,620	2,144
Danish Crowns	–5,606	–6,167	–5,046	–5,272	–5,800	–4,745
Malaysian Ringgit	–716	–788	–644	–925	–1,018	–833
Canadian Dollar	–121	–134	–109	–124	–137	–112
South African Rand	7,802	8,582	7,021	8,251	9,076	7,426
Singapore Dollar	–9	–9	–8	159	175	143
Romanian Leu	574	632	517	109	120	99

In light of the highly scalable nature of revenue and general business activity of CGM Group, management considers the sensitivity analysis to be an effective method for discerning currency risks.

80. Interest rate risk

CGM Group's interest rate risk arises from long-term loans with variable interest rates. Liabilities to banks as of 31 December 2018 totalled EUR 308.4 million. Given the prevailing interest rate environment and interest rate expectations since then the Group does not foresee any significant interest rate fluctuations and therefore currently sees no necessity for interest rate hedging transactions.

TAs a matter of principle, the Group uses relevant financial instruments to hedge against increases in interest rates in order to counter interest rate risks. The effects of interest rate fluctuations are explained in more detail below. Borrowings with fixed interest rates are not included in this analysis. In addition, it must be noted that due to contractual agreements the base interest rate for loans linked to EURIBOR has been at zero percent all year long even if a drop of 20 basis points in interest rates is modelled. Hence, the interest paid is calculated on the basis of the fixed margin only, which is not subject to any fluctuations of the market interest rate. Consequently, a drop in the market interest rate had no effect on the financial result.

Expected future interest payments to be made by CGM Group are shown below:

EUR '000	Book value 31.12.2018	Interest payments 2019	Interest payments 2020	Interest payments 2021	Interest payments after 2022
Liabilities to banks	308,424	2,967	2,835	2,657	3,886
Finance lease Liabilities	21,603	281	258	187	178
Other financial debt	7,124	0	0	0	0
Trade payables	39,293	0	0	0	0
Purchase price liabilities	13,275	0	0	0	0

EUR '000	Book value 31.12.2017	Interest payments 2018	Interest payments 2019	Interest payments 2020	Interest payments after 2021
Liabilities to banks	352,359	5,197	3,616	442	427
Finance lease obligations	12,503	282	193	94	94
Other financial debt	5,578	43	0	0	0
Trade payables	43,944	0	0	0	0
Purchase price liabilities	14,399	0	0	0	0

Due to the current low interest rate environment, an interest rate sensitivity analysis in which the variable interest (here 3- month Euribor) is changed by + 20bp/-20bp shows only immaterial effects on CGM Group's effective interest payments.

81. Liquidity risk

To ensure that financial obligations can be complied with throughout the Group, CompuGroup Medical SE has negotiated adequate syndicated loans and overdraft facilities.

Liquidity risk differs between the countries in which CGM Group operates. Companies operating in Germany usually receive revenue from customers via direct debit agreements, whereby liquidity risk is minimized. The same applies for companies that operate in countries where direct debit is the predominant payment method (e.g. Austria, Norway, Sweden, and France).

Parts of the Group cooperate in cash pooling arrangements. These agreements provide a needs-based cash management that ensures sufficient liquidity to individual companies to meet their operational needs. Control of the cash pooling is handled centrally through the Group's headquarters in Koblenz. For those operating entities that do not participate in cash pooling arrangements, control of cash holdings is accomplished through medium-term cash planning methods.

Group companies exceeding the level of working capital requirements usually have their cash transferred to the Group's cash management department on a quarterly basis.

CGM Group considers any limitation on debt and capital absorption capacity to be a liquidity risk. Restrictions place a significant risk on the achievement of corporate goals and affect overall financial flexibility.

CGM Group understands liquidity risk management as performing regular risk analysis involving the use of financial instruments to ensure that potential risks can be adequately addressed.

Around 90% of the financing is related to the syndicated loan. Through continuous monitoring and reporting critical concentration of risk with regard to refinancing is identified in a timely manner.

On the 22 June 2018 CGM entered into a new syndicated loan agreement with a bank consortium for a revolving loan facility (also referred to in the following as "RLF") with an amount of EUR 400.0 million. As a result, the existing syndicated loan agreement was terminated and repaid. The syndicated loan facility has a duration of five years. The interest rate is based upon the EURIBOR rate for the interest period chosen plus a margin, which changes in accordance with the leverage ratio in contractually regulated levels. For the first six months of the facility the margin is fixed at 0.7 percent. As of 31 December 2018 the interest rate is 0.8 percent. In addition, loan commitment fees totaling EUR 1.6 million accrued, which will be charged as a financial expense over the term of the loan agreement. For this syndicated loan facility, no hedge has been concluded. The grant of the loan is linked to the compliance of one financial covenant (leverage ratio). In the current financial year 2018, CompuGroup Medical fully complied with all financial covenants in the existing credit agreements.

Various German Group companies have issued joint and several payment guarantees for this loan agreement (default liability for payment failures of CompuGroup Medical SE).

The following tables show CGM Group's remaining contractual maturities of financial liabilities. The tables examine the undiscounted cash flows of financial liabilities including both interest and principal repayments. To the extent that interest payments are based on variable parameters, the undiscounted amount was determined on the basis of yield curves at the end of the reporting period. The contractual maturities are based on the earliest date on which the Group can be required to pay:

Expected future payments as of 31 December 2018:

EUR '000	Book value 31.12.2018	Payments 2019	Payments 2020	Payments 2021	Payments from 2022
Liabilities to banks	308,424	8,789	21,157	6,219	284,604
Finance lease obligations	21,603	4,810	4,813	4,809	8,075
Other financial debt	7,124	6,843	281	0	0
Trade payables	39,293	39,293	0	0	0
Purchase price liabilities	13,275	9,625	964	332	2,354

Expected future payments as of 31 December 2017:

EUR '000	Book value 31.12.2017	Payments 2018	Payments 2019	Payments 2020	Payments from 2021
Liabilities to banks	352,359	39,572	292,193	19,302	10,974
Finance lease obligations	12,503	3,933	3,944	4,548	741
Other financial debt	5,578	5,455	166	0	0
Trade payables	43,944	43,944	0	0	0
Purchase price liabilities	14,399	5,315	6,191	800	2,093

82. Operating leases, other financial obligations and contingent liabilities

a) Payments stemming from operating leases recognized in the income statement

Payments stemming from operating leases are recognized in the income statement as follows:

EUR '000	12/31/2018	12/31/2017
Minimum lease payments	14,530	10,500
Sub-lease payments received	125	154
Total	14,405	10,346

Operating lease payments that are recognized in other expenses primarily relate to the rental and lease agreements concluded for office and training facilities, office equipment, hardware, and motor vehicles. Contingent payments (lease payments that are not fixed in amount but depend on factors other than the passage of time (e.g. price indices, market interest rates) were not used. Payments received from sub- lease arrangements mainly stem from the sub-leasing of office and training facilities as well as motor vehicles. Operating lease contracts are recognized as expenses in the income statement on a pro rata basis. The operating lease payments of the previous year comprised only payments from leasing contracts regarding buildings and equipment. Including also the Group`s motor vehicle leasing contracts, the disclosure of 2017 would have increased by EUR 4,671 thousand

b) Leased assets (operating leases)

EUR '000	12/31/2018	12/31/2017
Minimum leasing income		
< 1 year	75	171
1-5 years	351	280
> 5 years	0	35
Total	426	486

Income from the lease of assets under operating leases results primarily from the leasing of office, storage and training facilities. Other income from operating leases results from the renting out of Workshop premises at the Company headquarters in Koblenz and the rental of vehicle parking lots. Almost all contracts concluded are due within one year or within five years at the latest.
Disclosures resulting from IAS 17.57 have been omitted due to reasons of materiality.

c) Open commitments from operating leases that cannot be cancelled
On the balance sheet date, the Group's open commitments from operating leases that cannot be canceled, matured as follows::

	Rental and lease agreements for a plant or administration building		Carpool leasing		Other leasing contracts		Total	
EUR '000	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
< 1 year	9,807	7,907	4,082	3,802	1,290	1,369	15,180	13,078
1-5 years	16,612	17,640	4,489	4,075	646	2,188	21,747	23,902
> 5 years	3,943	3,764	16	0	13	3	3,972	3,766
Total	30,363	29,311	8,587	7,877	1,949	3,559	40,899	40,747

Leases are concluded for on average term of three years. The rents are fixed for three to six years. CGM Group did not enter into any off-balance sheet transactions in the form of capital commitments.

83. Contingent liabilities
The following table provides information on the existing contingent liabilities of CGM Group:

	Maximum liability		Liability reserves	
EUR '000	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Guarantees for warranties and contract execution	4,906	4,809	0	17
Guarantees	1,322	2,154	79	866
Other liability statements	107	108	0	0
Total	6,335	7,072	79	883

The guarantees for warranties and contract execution comprise mainly the performance guarantees of EUR 403 thousand for CGM Poland, the Group`s credit guarantees for its Norwegian and American subsidiaries with the amount of EUR 4,253 thousand as well as pledges for domestic and foreign subsidiaries of EUR 610 thousand. Disclosures resulting from IAS 37.86 have been omitted due to reasons of practicality.

84. Disclosures on related parties
During the financial year, Group companies entered into the following transactions with related parties outside the consolidated group. These were conducted under conditions which are equivalent to those applied to external third parties to stay in accordance with the arm's length principle.
In addition, the following balances were outstanding at the end of the reporting period:

	Sale of goods		Purchase of goods		Receivables		Liabilities	
EUR ´000	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Related Persons	**122**	**64**	**1,704**	**478**	**0**	**6**	**236**	**71**
thereof								
Frank Gotthardt	89	28						
Dr. Brigitte Gotthardt	33	31			0	6		
Prof. Dr. Daniel Gotthardt		4	533	143			60	
Dr. Klaus Esser			98	90				
Dr. Manuela Esser		1						
Dr. h.c. Ulrike Flach				25				
Renè Obermann				60				
Maik Pagenkopf			62	60			60	0
Klaus Schrod			61	60				71
Thomas Seifert			79				56	
Dr. Ulrike Handel			871	40			60	
Related Companies	**2,185**	**770**	**1,748**	**4,606**	**85**	**172**	**87**	**263**
thereof								
DRF Deutschland Fernsehen Verwaltungsgesellschaft mbH	11	10			11	10		
DRF Deutschland Fernsehen Produktions GmbH & Co. KG	60	36	29	11	39	20		
GHG Services GmbH	119	268			0			
Gotthardt Bürotechnik GmbH	3	1	142	180	0	1	2	0
Gotthardt Healthgroup Holding GmbH			19	1				
Gotthardt Healthgroup AG	31	106				77		
Gotthardt Healthgroup RO SRL	342							
GTS Praxisshop GmbH	0	0	0	0				
Hotel am Moselstausee Immobilien GmbH & Co. KG	6							
Hotel am Moselstausee Verwaltungs GmbH	4	4						
INFOSOFT Informations- und Dokumentationssysteme GmbH	2	3	290	154	0	0	31	91
KEC Kölner Eishockey-Gesellschaft "Die Haie" mbH		7	2	156			1	
KEC Vertriebs GmbH & Co. KG		54	284	50		3	5	
Mediteo GmbH				20				
mps public solution GmbH	1,607	281	979	3,987	35	61	45	171
RheinMassiv Verwaltung AG				1				1
XL Health Aktiengesellschaft				46				
Fährhaus Koblenz GmbH & Co. KG			3				3	
Associated companies	**7,967**	**6,655**	**9,622**	**5,793**	**2,783**	**6,218**	**315**	**1,109**
thereof								
AxiService Nice S.a.r.l.	17	11	5	38	44	40	13	13
Fablab S.r.l.	730	594	244		1,578	2,352	78	1,074
Gotthardt Informationssysteme GmbH	3,270	1,838	9,352	5,678	537	506	221	2
MGS Meine Gesundheit Services GmbH	3,930	4,182			612	3,306		
Smoove Software S.r.l.				56				17
Technosante Nord-Picardie SAS	20	30	21	21	12	14	3	3
Total	10,274	7,489	13,074	10,877	2,868	6,396	638	1,443

Related persons
As of 31 December 2018 Frank Gotthardt holds direct and indirect interests of 36.40 percent in CompuGroup Medical SE through GT 1 Vermögensverwaltung GmbH. In addition to that, the voting rights of all pool members from two investment pools in which Mr. Gotthardt is a member are attributed to him. These pool contracts from the financial year 2007 had a duration until 31 December 2015, but were prolonged until 31 December 2025 and 31 December 2027.

Considering these voting rights, Frank Gotthardt's share of voting right shares in CompuGroup Medical SE amounts to more than 45 percent since the financial year 2007.

As a result, in addition to the associated companies listed in the list of investments, also all companies having a corporate relationship with Frank, Dr. Brigitte, or Prof. Dr. Daniel Gotthardt are related to the CompuGroup Medical SE .

Private flights as well as software maintenance were invoiced for Frank and Dr. Brigitte Gotthardt.

Remunerations were paid to Prof. Dr. Daniel Gotthardt, Dr. Klaus Esser, Dr. Ulrike Handel, Thomas Seifert, Klaus Schrod and Maik Pagenkopf for their function as a part of the Supervisory Board,. In addition to that, costs for deliveries and services from Prof. Dr. Daniel Gotthardt were incurred for the rent of a parking lot for CGM Group employees as well as the sale of the parking lot to CGM Deutschlad AG. Furthermore, sale of goods for Dr. Ulrike Handels' company in form of marketing expenses against CGM Deutschland AG were included.

Related companies
The provided delivery and service for DRF Deutschland Fernsehen GmbH mainly consist of services like the supply of the car pool in the reporting period.

The provided deliveries and services of CGM Deutschland AG for GHG Services GmbH have decreased compared the previous year. The reason for this is on one hand, the no longer existing service of CGM Deutschland AG regarding the scheduling of GHG`s external services in CGM-practices On the other hand, nearly no services within the scope of the in 2016 concluded cooperation agreement between CGM Deutschland AG and GHG Services GmbH were invoiced since the second quarter of 2018.

CGM obtained leasing services for its copying machines from Gotthardt Bürotechnik GmbH.

The provided delivery and service for Gotthardt Healthgroup Holding GmbH mainly consists of services like the supply of the car pool.

In the fiscal year 2018, Gotthardt Healthgroup RO has been added to the related companies and comprises the provided deleveries and services of the Gotthardt Healthgroup SRL, which where recognized for Gotthardt Healthgroup AG in the previois year. This explaines why the provided delivery and service for Gotthardt Healthgroup AG has decreased compared to the privious year.

The received deliveries and services of CGM SE for Infosoft Informations- und Dokumentationssysteme GmbH include the acquisition of further licenses as well as the maintenance of software products.

The received deliveries and services for KEC Vertriebs GmbH & Co. KG. comprise two long-term commitments, for which CGM on hand hand pays an amount in sponsorship of EUR 235,900 and on the other hand provides services (HR, Controlling etc.) for the company. The transactiosn are considered to be based on market terms and conditions.

The dissolved billing conditions between CGM Clinical Deutschland GmbH and mps public solution GmbH led to a significant decrease of the received deleveries and services in 2018. In contrast to the previous year, from 01 Januar 2018 mps public solutions GmbH starts to execute a direct invoicing to the end customer. Also the provided deleveries and services result mainly from these two companies and comprise services like software maintenance of other owned software licences.

Associated companies
The increase in sale of goods results from the expansion of sales activities of Gotthardt Informationssysteme GmbH as a sales and service partner in the offsetting of the software maintenance for customer service, hotline and training. The purchase of goods for Gotthardt Informationssysteme GmbH comprises just like last year the received services of CompuGroup Medical Deutschland AG.

The purchase of goods from Fablab S.r.l. results mainly from the transfer of remuneration to the manager of Fablab S.r.l. from Intermedix France SAS. As a parent company CompuGroup Medical Italia SpA as well as Studiofarma S.r.l. mainly provided services to Fablab S.r.l.. The amount stated in the column receivables includes mostly the entries of the parent company CompuGroup Medical Italia SpA and results from the Wincom Project as well as from cash pooling.

The extent of the services provided by MGS Meine Gesundheit Services GmbH during the reporting period were not subject to any significant change.

85. Declaration of conformity with the German Corporate Governance Codex

The declaration of conformity pursuant to Section 161 AktG was issued by the Management Board and the Supervisory Board and is publicly accessible on the Company's website (https://www.cgm.com/corp/ueber_uns_1/investor_relations/coporate_governance/entsprechungserklaerung/entsprechenserklaerung.en.jsp).

86. Auditing fees according to Section 314 (1) No. 9 HGB

The following table depicts the total fees payable, including expenses and all incidental expenses of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the 2018 financial year.

The item "Auditing financial statements" includes the fees for auditing the single-entity financial statements, the consolidated statements, and the dependent company report of CompuGroup Medical SE, as well as the fees for auditing various subsidiaries and migrations in 2018.

EUR '000	01.01.-31.12.2018	01.01.-31.12.2017
Auditing financial statements	966	753
Other confirmatory services	50	7
Tax advisory	32	45
other services	547	469
Total	**1,595**	**1,274**

In addition to the listed auditing fees, prior-period expenses with the amount of EUR 100 thousand accrued (previous year: EUR 30 thousand).

87. Significant post balance sheet events

Sale-and-lease-purchase-back contract One Group Project

As of 17 January 2019, the old "sale-and-lease-back agreement" in connection with the "One Group Project" was replaced by a "sale-and-lease-purchase-back agreement" with a total volume of EUR 22,404 thousand.

The "sale and lease-purchase back agreement" with the leasing company contains the following key data:

- At the end of the contract term of 60 months, the leasing company transfers to CompuGroup Medical SE all rights of use and other rights arising from the creation of the system solution.
- For further system conversions planned in 2019 and 2020, the leasing company provides a further financing framework of EUR 2,500 thousand.
- The monthly installment amounts to 1.721% of the acquisition costs.

Acquisition of Gotthardt Informationssysteme GmbH, Germany

In December 2018, K-Line Praxislösungen GmbH acquired, with in rem effect from 1 January 2019 because of the suspensive condition of approval by the antitrust authorities, the outstanding shares (72.04 percent) in Gotthardt Informationssysteme GmbH (in the following GIS), with registered office in Koblenz, Germany, as well as its investment in the course of a successive share purchase.

GIS is Germany's largest Medistar sales and service partner and currently serves approximately 6,400 customers and has more than twelve locations throughout Germany. Through the acquisition of GIS, more than 60 percent of the entire German market for Medistar ambulatory information systems will now be served by CGM.
The initial consolidation of GIS will be on 1 January 2019. The turnover of GIS for the financial year 2018 amounted to about EUR 24,204 thousand with an EBITDA of EUR 5,449 thousand. The total consideration to be paid amounts to EUR 18,730 thousand.

Based on the current estimate, the preliminary goodwill of EUR 14,686 thousand results mainly from the expansion of sales channels and the associated upselling opportunities in the AIS business segment. The recognized goodwill is partially deductible for tax purposes. The resulting deferred tax assets are recognized in the amount of EUR 589 thousand.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to EUR 16,531 thousand and is related to trademark rights and customer relationships. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 4,992 thousand are recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified.

GIS is not a listed company, which is why the fair value of the investment is derived from a company valuation. A control premium was priced into the pricing of the second tranche. In our estimation, the control premium paid would also have been paid for the shares from the first tranche in the case of an acquisition in a single transaction. On a preliminary basis, the transitional consolidation (successive acquisition with takeover of control) results in a fair value step-up of EUR 2,857 thousand, which has to be recognized in profit or loss.

The valuation of the acquisition of GIS was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights. There may also still be changes in the value of inventories acquired or pension obligations assumed, which may have an impact on the consideration to be paid.

Acquisition of Fablab S.r.l., Italy

In December 2018, CompuGroup Medcial Italia SpA acquired, with in rem effect from 1 January 2019, the outstanding shares (25 percent) in Fablab S.r.l., with registered office in Trieste, Italy (in the following Fablab), as part of a successive share purchase.

Fablab was founded in 2008 with the aim of creating a digital healthcare agency addressed to the pharmaceutical industry. Fablab has specific skills in the pharmaceutical industry branch, while Intermedix Italia S.r.l. (a Group company merged into Fablab in 2017 in exchange for shares in Fablab), has a unique communication channel thanks to its direct access to the management software of the experts and praises a leading role in terms of market share. The company develops cutting-edge products and services that can satisfy the digital needs of the healthcare industry.

The initial consolidation of Fablab will be on 1 January 2019. The turnover of Fablab for the financial year 2018 amounted to about EUR 2,289 thousand with an EBITDA of EUR 200 thousand. The total consideration to be paid amounts to EUR 2,085 thousand and was prepaid at closing date in the amount of EUR 1,000 thousand, divided as follows into EUR 1,000 thousand fixed and EUR 1,085 thousand variable purchase price components.

Based on the current estimate, the preliminary goodwill of EUR 4,676 thousand results mainly from the know-how of the employees, the strategic positioning in the healthcare market and a unique access to the decision makers in the healthcare sector in Italy. The recognized goodwill is not deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to EUR 4,377 thousand and is related to trademark rights and customer relationships. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 1,050 thousand are recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified.

Fablab is not a listed company, which is why the fair value of the investment is extrapolated from the second tranche acquisition in proportion to its value. When pricing the second tranche, a control premium was priced in which, in our estimation, would have been paid for the shares from the first tranche in the case of an acquisition in a single transaction. On a preliminary basis, the transitional consolidation (successive acquisition with takeover of control) results in a fair value step-up of EUR 3,045 thousand, which has to be recognized in profit or loss.

The valuation of the acquisition of Fablab was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights. There may also still be changes in the value of inventories acquired or pension obligations assumed, which may have an impact on the consideration to be paid.

Acquisition of the assets of CoSi Medical IT GmbH, Germany

In December 2018, with in rem effect from 1 January 2019, Stock Informatik Verwaltungs GmbH, a 100 percent subsidiary of K-Line Praxislösungen GmbH, acquired the "Medistar Vertrieb und Service" business unit of CoSi Medical IT GmbH as part of a business combination by transferring the net assets (asset deal).

The "Medistar Vertrieb und Service" business unit comprises all business activities in the area of sales, service and support in sales regions in Baden-Württemberg and Bavaria and currently supports approximately 1,874 CGM Medistar physicians in 921 medical practices/MVZs.

The business area will be included in the consolidated financial statements for the first time as of 1 January 2019. The turnover of CoSi for the financial year 2018 amounted to about EUR 3,575 thousand with an EBITDA of EUR 254 thousand. The total consideration to be paid amounts to EUR 1,550 thousand and was prepaid in the amount of EUR 1,000 thousand at closing date.

The acquired net assets amount to EUR 201 thousand. Based on the current estimate, the preliminary goodwill of EUR 473 thousand results mainly from synergy effects through the joint use of resources and sales channels and the generation of purchasing benefits with Medistar sales and service partners already existing in the Group. The recognized goodwill will be deductible for tax purposes in the future.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to EUR 876 thousand and is related to trademark rights and customer relationships.

To date, no contingent liabilities or contingent assets have been identified.

The valuation of the acquired assets of the "Medistar Vertrieb und Service" business unit of CoSi Medical IT GmbH was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights. There may also still be changes in the value of acquired inventories or in the working time account, which may have an impact on the consideration to be paid.

Acquisition of Qualizorg B.V., Netherlands
In February 2019, CompuGroup Medcial Holding Coöperatief U.A., a subsidiary of CompuGroup Medical SE (99.98 percent) and CompuGroup Medical Deutschland AG (0.02 percent), acquired 100 percent of the shares in Qualizorg B.V. (in the following Qualizorg) with registered office in Deventer, the Netherlands.

The company is active as an online healthcare service provider, collecting information through survey/ questionnaires from patients/ clients related to customers on a continuous, standardized and validated basis for the acquisition, management and reporting of Patient Reported Experience Measurements (PREMs) and/ or Patient Reported Outcome Measurements (PROMs) in primary health care.

According to current estimates, the initial consolidation of Qualizorg will be in February 2019. The preliminary turnover of Qualizorg for the financial year 2018 amounted to about EUR 4,136 thousand with an EBITDA of EUR 1,793 thousand. The company's equity before IFRS adjustments amounted to EUR 1,462 thousand at the acquisition date. The total consideration to be paid amounts to EUR 10,156 thousand, of which EUR 7,156 thousand was already paid in February 2019. In addition, contingent purchase price payments of EUR 500 thousand are expected in 2019 and EUR 2,500 thousand until 2021.

Due to the temporal proximity of the acquisition date to the time of preparation of the consolidated financial statements, it was not possible to carry out a valuation of the acquisition of Qualizorg, as the required information is either not yet completely available or could not yet be fully evaluated.

88. Management Board and Supervisory Board

Mitglieder Vorstand

Surname	Name	Occupation held/membership in supervisory boards and other controlling bodies
Gotthardt	Frank (Chairman)	Chief Executive Officer Chairman of the Supervisory Board of Rhein Massiv Verwaltung AG, Koblenz Chairman of the Supervisory Board of CompuGroup Medical Deutschland AG, Koblenz Chair-man of the Supervisory of XLHEALTH AG, Berlin
Teig	Christian B.	Chief Financial Officer Member of the Supervisory Board of CompuGroup Medical Deutschland AG, Koblenz
Eibich	Uwe	Executive Vice President Telematics & eHealth-platforms Chairman of the Supervisory Board of HABA Computer AG, Hamburg)
Brecher	Frank	Chief Process Officer Chairman of the Supervisory Board of EBM eHealth Business Media AG, Hamburg
Körfgen	Dr. Ralph	Board Member Ambulatory & Pharmacy Information (since 01.11.2018)
Reichl	Hannes	Board Member Clinical & Social Care (since 01.11.2018)

Members of the Supervisory Board

Surname	Name	Occupation held/membership in supervisory boards and other controlling bodies
Esser	Dr. Klaus (Chairman)	Director, Klaus Esser Verwaltungs GmbH, Düsseldorf
Gotthardt	Prof. (apl.) Dr. med. Daniel (assisting chairman)	CEO Mediteo GmbH, Heidelberg Chairman of the Supervisory Board of Gotthardt Healthgroup AG, Heidelberg Assisting Chairman of the Supervisory Board of XLHEALTH AG, Berlin
Handel (since 15. May 2017)	Dr. Ulrike	CEO Dentsu Aegis Network Germany, Wiesbaden
Seifert (since 13. February 2018)	Thomas	CFO Cloudfare, Inc. San Francisco, USA Member of the Supervisory Board of IPG Photonics Corp., Delaware, USA (Member of the Supervisory Board of CompuGroup Medical SE since 13.02.2018)
Pagenkopf	Maik (Employee-representative)	Qualified IT specialist for application development at CGM Clinical Deutschland GmbH, Koblenz
Schrod	Klaus (Employee-representative)	Department head at CGM subsidiary AESCU DATA Gesellschaft für Datenverarbeitung mbH, Winsen

89. Remuneration of the Management Board

Total compensation of members of the Management Board comprises results-independent and results-dependent components. The level of compensation is mainly dependent on the responsibilities of the particular Management Board member, his or her personal performance, and the economic situation of the Company. In addition, the success and future prospects of the Company in the appropriate field of comparison are important criteria in determining the compensation. The components of the results-independent compensation are a fixed salary and fringe benefits, while the results-dependent compensation components consist of management bonus payments.

The fixed salary, a base compensation independent of performance, is paid out monthly as salary. In addition, the members of the Management Board, except the Chief Executive Officer, receive fringe benefits in the form of in-kind compensations, which consist essentially of the use of a Company car. The use of a Company car is taxable due to its attribution as a component of compensation for each member of the Management Board.

The results-dependent compensation depends on goals agreed individually with each Management Board member, including goals measured over a multi-year period (long-term incentive). For all Management Board members, the long-term incentive is based on goals related to organic growth and consolidated EBITA. The (quantitative and qualitative) targets on which the calculation of bonus payments is based and their weighting are focused on sustainable Company management in accordance with Section 87 AktG.

Loans were not made to members of the Management Board during the reporting year. No member of the Management Board received benefits or corresponding commitments from a third party in the past financial year in consideration of his or her activity as a member of the Management Board. There are no pension commitments to any of the members of the Management Board.

On 14 December 2012, the Supervisory Board of CompuGroup Medical SE appointed Frank Gotthardt for a new four and a half year term as CEO, starting 1 July 2013 and ending 31 December 2017. In addition to an annual fixed salary of EUR 660,000, Mr. Frank Gotthardt is entitled to a performance-related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from fiscal year 2016. In the last year of his term (fiscal year 2017), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2018 than in fiscal 2017. Otherwise, the bonus for the fiscal year 2017 is reduced proportionally.

On 16 March 2017, the Supervisory Board of CompuGroup Medical SE appointed Frank Gotthardt for a new five year term as CEO, starting 1 January 2018 and ending 31 December 2022. In addition to an annual fixed salary of EUR 800,000, Mr Frank Gotthardt is entitled to a performance-related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2022, the period of averaging is reduced from fiscal year 2021. In the last year of his term (fiscal year 2022), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2022 than in fiscal 2021. Otherwise, the bonus for the fiscal year 2022 is reduced proportionally. Should Frank Gotthardt during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries).

On 17 March 2016, the Supervisory Board of CompuGroup Medical SE appointed Christian B. Teig for a third four year term as CFO, starting 1 October 2016 and ending 30 September 2020. In addition to an annual fixed salary of EUR 400,000, Christian B. Teig has been granted a results dependent compensation of up to EUR 400,000 per year, composed of two equal components each with a maximum of EUR 200,000 per year. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-based compensation component is measured by the average EBITA and average organic growth in the financial year and the previous period. As fringe benefit, Christian B. Teig is also entitled to a company car. In the Supervisory Board meeting held on 17 March 2016, the exercise period for the 375,000 stock options held by Christian B. Teig with an exercise price of EUR 5.50 per share was extended until 30 September 2020. The stock options may be exercised at any time before this date (American options) without taking further conditions into account. Should Christian B. Teig during the contract period become permanently disabled, the service contract is terminated six months after determination of incapacity. In the event of termination by the Company, Mr. Christian B. Teig receives a severance payment in the amount of up to EUR 1,800,000 or the amount of the total compensation that would be payable for the remaining term of the employment contract after the early termination. The service contract also includes a change of control clause (section "Information required by § 315 Section 4 of the German Commercial Code"). In the event of a change of control, Christian B. Teig has the right to cancel his contract within one month to the end of the month and the aforementioned severance payment shall be paid in full.

On 8 September 2016, the Supervisory Board of CompuGroup Medical SE appointed Uwe Eibich for a second four year term as member of the Management Board, starting 1 January 2017 and ending 31 December 2020. In addition to an annual fixed salary of EUR 400,000, Uwe Eibich has been granted a results-dependent compensation of up to EUR 100,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Uwe Eibich is entitled to an additional performance-based compensation over the contract term of up to EUR 600,000. The second performance-related remuneration depends on the revenue from business in relation to the introduction of the Telematik Infrastructure in Germany as well as on recurring revenue from other eHealth services CGM provides on the basis of the Telematik Infrastructure. Uwe Eibich is also entitled to a company car. Should Mr. Uwe Eibich during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Uwe Eibich receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 600,000.

At its meeting on March 19, 2015, the Supervisory Board of CompuGroup Medical SE decided to expand the Management Board by adding the "Process and Efficiency Management" section, and at the same time appointed Frank Brecher in the new position as Chief Process Officer (CPO) with effect from 1 April 2015 and for a period of four years until 31 March 2019. In addition to an annual fixed salary of EUR 300,000, Frank Brecher was granted a results dependent compensation of up to EUR 200,000 per year and another results dependent compensation of up to EUR 400,000 over the contract period. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-related remuneration component is based on EBITA and organic growth. Frank Brecher is also entitled to a company car. Should Mr. Frank Brecher during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Frank Brecher receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000. At its meeting on September 20, 2018, the Supervisory Board of CompuGroup Medical SE appointed Frank Brecher for a second four year term as CPO, starting 1 April 2019 to 31 March 2023. In addition to an annual fixed salary of EUR 400,000, Frank Brecher has been granted a results-dependent compensation of up to EUR 200,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Frank Brecher is entitled to an additional performance-based compensation over the contract term of up to EUR 300,000. This second performance-related remuneration component is based on EBITA and organic growth. Frank Brecher is also entitled to a company car. Should Mr. Frank Brecher during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Frank Brecher receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000.

At its meeting on 2 October 2018, the Supervisory Board of CompuGroup Medical SE decided to further expand the Management Board by adding two new board positions, one for "Ambulatory & Pharmacy Information Systems" and one for "Clinical & Social Care". At the same time, the Supervisory Board appointed Dr. Ralph Körfgen for a three year term as Board Member for Ambulatory & Pharmacy Information Systems starting 1 November 2018 and until 31 October 2021. In addition to an annual fixed salary of EUR 400,000, Dr. Körfgen has been granted a results-dependent compensation of up to EUR 400,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Dr. Körfgen receives a share-based remuneration in the form of synthetic or real options corresponding up to 250,000 CompuGroup shares. The choice between synthetic and real options shall be decided by the Supervisory Board of CompuGroup Medical SE before June 2019. The 250,000 share options can only be executed if a new contract period is agreed which extends beyond 31 October 2023, after which the options can be executed until the end of the second contract term. The exercise price of the stock options is EUR 46.12 and additional restrictions and conditions apply which may limit the volume of shares, adjust the exercise price and otherwise preclude Dr. Körfgen from utilizing the option rights. In the event that a second contract term is not offered to Dr. Körfgen, he is entitled under additional terms and conditions to a cash bonus corresponding to one third of the option value as at 31 October 2021.With all its terms and conditions, the fair value of the share-based compensation on its grant date was EUR 3.92 per share option. Dr. Körfgen is also entitled to a company car. Should Dr. Körfgen during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Dr. Körfgen receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000. The service contract also includes a change of control clause (section "Information required by § 315 Section 4 of the German Commercial Code"). In the event of a change of control, Dr. Ralph Körgen has the right to cancel his contract within three month to the end of the month and shall receive up to 150% of the severance cap.

At its meeting on 2 October 2018, the Supervisory Board appointed Hannes Reichl for a four year term as Board Member for Clinical & Social Care starting 1 November 2018 and until 31 October 2022. In addition to an annual fixed salary of EUR 400,000, Mr. Reichl has been granted a results-dependent compensation of up to EUR 400,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Reichl receives a share-based remuneration in the form of synthetic or real options corresponding up to 250,000 CompuGroup shares. The choice between synthetic and real options shall be decided by the Supervisory Board of CompuGroup Medical SE before June 2019. The 250,000 share options can only be executed if a new contract period is agreed which extends beyond 31 October 2023, after which the options can be executed until the end of the second contract term. The exercise price of the stock options is EUR 46.12 and additional restrictions and conditions apply which may limit the volume of shares, adjust the exercise price and otherwise preclude Mr. Reichl from utilizing the option rights. In the event that a second contract term is not offered to Mr. Reichl, he is entitled under additional terms and conditions to a cash bonus corresponding to one third of the option value as at October 31, 2022. With all its terms and conditions, the fair value of the share-based compensation on its grant date was EUR 6.73 per share option. Mr. Reichl is also entitled to a company car. Should Mr. Reichl during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Reichl receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000. The service contract also includes a change of control clause (section "Information required by § 315 Section 4 of the German Commercial Code"). In the event of a change of control, Hannes Reichl has the right to cancel his contract within three month to the end of the month and shall receive up to 150% of the severance cap.

The total remuneration of the Management Board and Supervisory Board is as follows:

Management Board remuneration 2018 pursuant to IAS 24.17

	Short-term benefits EUR	Other long-term benefits EUR	Total compensation EUR
Gotthardt, Frank	800,000	3,393,700	4,193,700
Eibich, Uwe	536,841	103,717	640,558
Teig, Christian B.	610,240	200,000	810,240
Brecher, Frank	483,539	74,475	558,014
Körfgen, Ralph	119,716	0	119,716
Reichl, Hannes	118,762	0	118,762
Total	2,669,098	3,771,892	6,440,990

Management Board remuneration 2017 pursuant to IAS 24.17

EUR '000	Short-term benefits EUR	Other long-term benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	1,422,598	2,082,598
Eibich, Uwe	466,371	123,200	589,571
Teig, Christian B.	606,274	140,340	746,614
Brecher, Frank	330,902	57,600	388,502
Total	2,063,547	1,743,738	3,807,285

Remuneration information pursuant to Section 314 (1) No. 6 HGB Management Board remuneration 2018

	Fixed compensation EUR	Variable bonus (performance) EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	800,000	1,629,779	0	2,429,779
Eibich, Uwe	400,000	140,000	36,841	576,841
Teig, Christian B.	400,000	351,668	41,274	792,942
Brecher, Frank	300,000	245,000	33,539	578,539
Körfgen, Ralph	66,667	50,000	3,049	119,716
Reichl, Hannes	66,667	50,000	2,095	118,762
Total	2,033,334	2,466,447	116,798	4,616,579

Board remuneration 2017

EUR '000	Fixed compensation EUR	Variable bonus (performance) EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	1,195,275	0	1,855,275
Eibich, Uwe	400,000	4,426	36,371	440,797
Teig, Christian B.	400,000	334,157	41,274	775,431
Brecher, Frank	300,000	29,461	30,902	360,363
Total	1,760,000	1,563,319	108,547	3,431,866

90. Stock option plans

In a meeting on 02 October 2018, the Supervisory Board of CompuGroup Medical SE decided to expand the Executive Board with the addition of the two new departments "Ambulatory & Pharmacy Information Systems" and "Clinical & Social Care".

At the same time, the Supervisory Board appointed Dr. Ralph Körfgen and Hannes Reichl to the new positions Executive Board Ambulatory & Pharmacy Information Systems and Executive Board Clinical & Social Care with effect from 01 November 2018. Dr. Ralph Körfgen was appointed for a tenure of three years until the 31 October 2021. Hannes Reichl was appointed for a tenure of four years until the 31 October 2022. Within the scope of their activities, Dr. Körfgen and Mr. Reichl will receive a variable remuneration (Long Term Incentive) of 250,000 option rights each (in the following: option rights). In case of exercising an option right after a waiting period has expired, each option right grants a right to payment of a cash amount equal to the difference between the exercise price and the volume-weighted average price of the share in the company in XETRA-trading during the last three months prior to the exercise date. The waiting period expires at the end of June 30 2023. The exercise price corresponds to the volume-weighted average price of the company's shares in XETRA-trading for a period beginning 45 calendar days before 01 November 2018 and ending 45 calendar days after 01 November 2018 and amounts to EUR 46.12 for both members of the Executive Board.

For the Executive Board Ambulatory & Pharmacy Information Systems, there is also an event-related provision according to which the Supervisory Board is entitled to adjust the exercise price as follows: If the stock price of the company exceeds the exercise price, after event-related public announcement, by more than exceeds 5 %, the Supervisory Board shall be entitled to adjust the exercise price at its equitable discretion up to a maximum of the share price increase. Clinical & Social Care is the case, if the share price increase is attributable to the specific project, according to appropriate price analyses and the dutiful assessment of the Supervisory Board. The volume-weighted average price of the shares of the company in XETRA-trading for a period of one month from and including the date of announcement, is decisive in Clinical & Social Care respect. Both Members of the Executive Board shall also be able to exercise options in individual tranches, whereby one tranche must include at least 10,000 option rights.

In the case the volume-weighted average price of the company's share in XETRA-trading during the last three months, exceeds the exercise price by over 100%, one day before the exercise of the option rights is possible for the first time, the number of option rights is automatically reduced for both members of the Executive Board, in such a way that share price gains does not exceed the total amount of the exercise price per option multiplied by a factor of 250,000.

Subject to a corresponding authorization by the Annual General Meeting, in the event of the exercise of option rights at their discretion, the company is entitled to offer a transfer of shares against a payment of the exercise price instead of paying the cash settlement to both members of the Executive Board. Clinical & Social Care option may only be exercised until the 30 June 2019 and only by the Supervisory Board by means of written notification to the Executive Boards Ambulatory & Pharmacy Information Systems and Clinical & Social Care. In the event that in the course of exercising Clinical & Social Care option, the exercise price for the physical option rights should be higher than the (possibly adjusted by the Supervisory Board) exercise price, the Executive Boards Ambulatory & Pharmacy Information Systems and Clinical & Social Care shall receive - if the stock price of the company's share in XETRA-trading still does not exceed the original exercise price at the time of exercise - a long-term bonus in the amount of Clinical & Social Care stock price difference, but not more than the difference between the original exercise price and the exercise price at the time of exercise of the physical option rights, if the performance targets set for the option rights are achieved, due and payable at the date of the exercise of option rights. Option rights can only be exercised if the service contract is extended and it is still effective at the time the option rights are exercised; otherwise the option rights will expire.

If the company does not extend the service agreement with the Executive Boards Ambulatory & Pharmacy Information Systems and Clinical & Social Care by at least one period, after the expiration of the term of 3 years (Executive Board members Ambulatory & Pharmacy Information Systems) or 4 years (Executive Board Clinical & Social Care), which would allow the exercise of the option rights after the expiry of the waiting period,

+ and the volume-weighted average share price of the Company in the XETRA-trading should have increased by 30% compared to the stock price with the amount of the exercise price, beginning 45 calendar days prior to the date of legal termination and ending 45 calendar days after that day
+ and if the company pays the members of the Executive Boards Ambulatory & Pharmacy Information Systems and Clinical & Social Care a minimum percentage of the agreed variable short-term remuneration for the duration of their continuing service contract, which has been in effect since 01 November 2018

the company pays the Executive Board Ambulatory & Pharmacy Information Systems and the Management Board Clinical & Social Care each an one-time cash bonus in the amount of one third of the price increase value of the 250,000 shares in relation to the exercise price. The Executive Board of Ambulatory & Pharmacy Information Systems may only exercise option rights if the price of the company's shares has risen by an average of at least 5% annually compared with the exercise price. The relevant reference price for determining the minimum price increase is the volume-weighted average price of the company's shares in XETRA-trading during a period of three months prior to the day on which the option rights can be exercised for the first time (at the close of 30 June 2023). The Executive Board Clinical & Social Care may exercise option rights only if the share price of the company's shares compared with the exercise price within the term of three years, has risen annually by at least 5% on average, with the start date being flexible.

The fair value of the share-based remuneration for the Executive Board Ambulatory & Pharmacy Information Systems amounted to EUR 4.00 per share option on the balance sheet date, whereas the fair value of the share-based remuneration for the Executive Board Clinical & Social Care amounted to EUR 6.80 per share option on the balance sheet date. Until a corresponding authorization is granted by the Annual General Meeting on 15 May 2019, the fair value of the stock options will be recalculated on a regular basis and the change will be offset against capital reserves with an effect on expenses. With the authorization of the Annual General Meeting and latest by 30 June 2019, the fair value of the stock options will be recalculated for the last time and used as a constant for the period until the end of the vesting period or the date on which the options are exercised. The recognition as an expense up to the fixed fair value is carried out on a straight-line basis over the remaining term by offsetting against the capital reserve.

Stock option programm board members AIS/HIS	31.12.2018
Total number of outstanding stock options	500,000
thereof non-forfeitable	0
thereof exercisable	0
Strike price (in EUR)	46.12
Weighted average remaining term of outstanding rights in years	4.50
Weighted average fair value of an option (EUR)	5.40
Share price volatility applied (in %)	29.80%
Risk-free interest rate (in %)	0.06%

91. Remuneration of the Supervisory Board

Supervisory Board remuneration is based on an annual fixed amount. The annual fixed amount was increased in 2017 by resolution of the general meeting on 10. May 2017. Employee representatives on the Supervisory Board receive additional remuneration for activities outside the Supervisory Board which are compensated at market rates. Total payments to the Supervisory Board amounted to EUR 395 thousand in the 2017 fiscal year (previous year: EUR 317 thousand).

92. Release from disclosure requirement

All companies incorporated in Germany with profit transfer agreements claim the right of exception under Section 264 (3) HGB not to publish annual financial statements. This concerns the following companies:

+ CGM Clinical Deutschland GmbH, Koblenz
+ CompuGroup Medical Dentalsysteme GmbH, Koblenz
+ CompuGroup Medical Deutschland AG, Koblenz
+ CompuGroup Medical Software GmbH, Koblenz
+ ifap Service-Institut für Ärzte und Apotheker GmbH, Martinsried
+ Intermedix Deutschland GmbH, Koblenz
+ LAUER-FISCHER GmbH, Fürth
+ CGM IT Solutions and Services GmbH, Koblenz
+ CompuGroup Medical Mobile GmbH, Koblenz
+ LAUER-FISCHER ApothekenService GmbH, Koblenz
+ Meditec Marketingservices im Gesundheitswesen GmbH, Koblenz
+ K-LINE Praxislösungen GmbH, Kiel

Changes in Intangible and Tangible Assets in the 2018 Financial Year

	Purchase and production costs						
EUR '000	1/1/2018	Initial consolidation additions	Other additions	Transfers	Disposals	Currency differences	12/31/2018
Intangible assets							
Goodwill	277,835	3,764	0	0	–356	–792	280,451
Acquired software	230,961	1,300	2,187	2,524	–3,593	–271	233,108
Customer relationships	234,467	3,833	0	–66	–1,384	–254	236,596
Trademark rights	31,378	412	0	273	–51	76	32,088
Order backlog	9,075	0	0	0	–452	6	8,629
Capitalized in-house services	109,103	0	19,162	0	–10	106	128,361
Prepayments on software	2,135	0	6,277	–2,731	0	–30	5,651
	894,954	9,309	27,626	0	–5,846	–1,159	924,884
Tangible assets							
Land and buildings	62,514	0	1,329	2,516	–279	–58	66,022
Other facilities, furniture and office equipment	66,365	101	8,422	–44	–13,537	105	61,412
Assets under construction	369	0	2,976	–2,472	–23	0	850
	129,248	101	12,727	0	–13,839	47	128,284
	1,024,202	9,410	40,353	0	–19,685	–1,112	1,053,168

Amortization/Depreciation					Net book value	
1/1/2018	Additions	Disposals	Currency differences	12/31/2018	12/31/2018	1/1/2018
15,385	2,871	0	–16	18,240	262,211	262,450
190,574	10,944	–3,690	43	197,871	35,237	40,387
88,094	12,015	–1,090	72	99,091	137,505	146,373
23,240	2,561	–50	101	25,852	6,236	8,138
8,996	78	–452	7	8,629	0	79
33,807	4,719	–10	–104	38,412	89,949	75,296
250	0	0	–1	249	5,402	1,885
360,346	33,188	–5,292	102	388,344	536,540	534,608
12,993	2,489	–261	4	15,225	50,797	49,521
33,387	8,926	–13,063	100	29,350	32,062	32,978
56	0	0	0	56	794	313
46,436	11,415	–13,324	104	44,631	83,653	82,812
406,782	44,603	–18,616	206	432,975	620,193	617,420

Changes in Intangible and Tangible Assets in the 2018 Financial Year

	Purchase or manufacturing costs						
EUR '000	1/1/2017	Initial consolidation additions	Other additions	Transfers	Disposals	Currency differences	12/31/2017
Intangible assets							
Goodwill	277,384	5,660	0	0	0	–5,209	277,835
Acquired software	228,344	1,312	5,131	3,776	–1,189	–6,413	230,961
Customer relationships	235,021	6,017	0	0	–6	–6,565	234,467
Trademark rights	31,760	329	0	–12	–52	–647	31,378
Order backlogs	9,115	0	0	0	0	–40	9,075
Capitalized in-house services	91,796	0	17,600	0	0	–293	109,103
Prepayments on software	5,833	0	155	–3,754	–88	–11	2,135
	879,253	13,318	22,886	10	–1,335	–19,178	894,954
Tangible assets							
Land and buildings	57,985	31	3,101	2,046	–645	–4	62,514
Other facilities, furniture and office equipment	57,645	183	15,529	546	–6,240	–1,298	66,365
Assets under construction	2,935	0	43	–2,602	–6	–1	369
	118,565	214	18,673	–10	–6,891	–1,303	129,248
	997,818	13,532	41,559	0	–8,226	–20,481	1,024,202
Assets held for sale	1,222	0	0	0	–1,222	0	0
	999,040	13,532	41,559	0	–9,448	–20,481	1,024,202

Amortization/Depreciation					Net book value	
1/1/2017	Additions	Disposals	Currency differences	12/31/2017	12/31/2017	1/1/2017
15,385	0	0	0	15,385	262,450	261,999
186,834	10,768	–1,196	–5,832	190,574	40,387	41,510
77,749	12,540	–5	–2,190	88,094	146,373	157,272
20,953	2,859	–47	–525	23,240	8,138	10,807
8,738	298	0	–40	8,996	79	377
31,153	2,763	0	–109	33,807	75,296	60,643
250	0	0	0	250	1,885	5,583
341,062	29,228	–1,248	–8,696	360,346	534,608	538,191
11,294	2,241	–506	–36	12,993	49,521	46,691
33,364	6,906	–5,798	–1,085	33,387	32,978	24,281
56	0	0	0	56	313	2,879
44,714	9,147	–6,304	–1,121	46,436	82,812	73,851
385,776	38,375	–7,552	–9,817	406,782	617,420	612,042
0	0	0	0	0	0	1,222
385,776	38,375	–7,552	–9,817	406,782	617,420	613,264

Segment Report for the 2018 Financial Year (old structure)

	Segment AIS Ambulatory Information Systems		Segment PCS Pharmacy Information Systems		Segment HIS Hospital Information Systems	
	2018	2017	2018	2017	2018	2017
EUR `000	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12
Sales to third parties	**461,862**	**334,089**	**113,391**	**104,794**	**101,262**	**100,834**
thereof Software license	36,876	-	5,648	-	10,799	-
thereof Hardware	82,851	-	25,594	-	3,677	-
thereof Professional Services	56,344	-	10,246	-	25,089	-
thereof Software Maintenance & hotline	213,973	-	32,423	-	50,912	-
thereof Other recurring revenues	65,385	-	36,338	-	10,249	-
thereof Adverting, eDetailing and Data	2,022	-	2,955	-	0	-
thereof Software Assisted Medicine	1,489	-	0	-	0	-
thereof Other revenue	2,922	-	187	-	536	-
Point in time of revenue recognition						
at a specific point in time	91,084	-	27,328	-	5,761	-
over a period of time	370,778	-	86,063	-	95,501	-
	461,862	-	113,391	-	101,262	-
Sales between segments	34,298	16,555	56,581	17,932	2,812	2,741
Segment Sales	496,160	350,644	169,972	122,726	104,074	103,575
thereof recurring sales	279,358	256,525	68,761	66,414	61,161	61,172
Capitalized inhouse services	8,581	9,291	0	0	8,531	6,109
Other income	3,614	3,845	1,110	747	3,012	2,364
Expenses for goods and services purchased	–146,846	–73,636	–77,144	–42,355	–17,884	–19,176
Personnel costs	–129,080	–125,771	–39,655	–36,376	–63,608	–60,396
Other expense	–73,739	–63,955	–20,750	–18,899	–22,516	–22,370
EBITDA	158,690	100,419	33,533	25,842	11,609	10,106
in % of sales	34.4%	30.1%	29.6%	24.7%	11.5%	10.0%
Depreciation of tangible assets						
Amortization of intangible assets						
EBIT						
Results from associates recognised at equity						
Financial income						
Financial expense						
EBT						
Taxes on income for the period						
Profit for the period from discontinued operations						
Consolidated net income for the period						
in % of sales						

Segment HCS Health Connectivity Services		All other Segments		Sum Segments		Consolidation		CGM Group	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12
40,371	**42,506**	**137**	**120**	**717,023**	**582,343**	**0**	**32**	**717,023**	**582,375**
276	-	0	-	53,599	-	0	-	53,599	-
0	-	6	-	112,128	-	0	-	112,128	-
5,224	-	28	-	96,931	-	0	-	96,931	-
3,885	-	86	-	301,279	-	0	-	301,279	-
1,468	-	0	-	113,440	-	0	-	113,440	-
25,621	-	0	-	30,598	-	0	-	30,598	-
4,039	-	0	-	5,528	-	0	-	5,528	-
–142	-	17	-	3,520	-	0	-	3,520	-
								0	
–142	-	23	-	124,054	-	0	-	124,054	-
40,513	-	114	-	592,969	-	0	-	592,969	-
40,371	-	137	-	717,023	-	0	-	717,023	-
5,406	6,376	3,671	3,158	102,768	46,762	–102,768	–46,762	0	0
45,777	48,882	3,808	3,278	819,791	629,105	–102,768	–46,731	717,023	582,375
5,354	3,711	86	12	414,720	387,835	0	0	414,720	387,835
0	0	824	932	17,936	16,333	576	474	18,512	16,806
496	566	7,458	6,078	15,690	13,600	–7,656	–2,950	8,034	10,649
–13,608	–12,692	–526	–231	–256,008	–148,090	104,580	40,941	–151,428	–107,149
–12,438	–11,701	–17,446	–14,673	–262,227	–248,918	–24,540	–20,606	–286,767	–269,524
–6,776	–5,332	–13,259	–8,674	–137,040	–119,230	14,148	14,517	–122,892	–104,713
13,451	19,723	–19,141	–13,291	198,142	142,800	–15,660	–14,356	182,482	128,443
33.3%	46.4%			27.6%	24.5%			25.4%	22.1%
								–11,415	–9,147
								–33,188	–29,228
								137,879	90,068
								–293	–1,136
								2,010	3,754
								–10,845	–27,131
								128,751	65,556
								–36,156	–33,813
								0	–61
								92,595	31,682
								12.9%	5.4%

Segment Report for the 2018 Financial Year (new structure)

	Segment AIS Ambulatory Information Systems		Segment PCS Pharmacy Information Systems		Segment HIS Hospital Information Systems	
	2018	2017	2018	2017	2018	2017
EUR `000	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12
Sales to third parties	**461,862**	**334,089**	**113,391**	**104,794**	**101,262**	**100,834**
thereof Software license	36,876	-	5,648	-	10,799	-
thereof Hardware	82,851	-	25,594	-	3,677	-
thereof Professional Services	56,344	-	10,246	-	25,089	-
thereof Software Maintenance & hotline	213,973	-	32,423	-	50,912	-
thereof Other recurring revenues	65,385	-	36,338	-	10,249	-
thereof Adverting, eDetailing and Data	2,022	-	2,955	-	0	-
thereof Software Assisted Medicine	1,489	-	0	-	0	-
thereof Other revenue	2,922	-	187	-	536	-
Point in time of revenue recognition						
at a specific point in time	91,084	-	27,328	-	5,761	-
over a period of time	370,778	-	86,063	-	95,501	-
	461,862	-	113,391	-	101,262	-
Sales between segments	34,298	16,555	56,581	17,932	2,812	2,741
Segment Sales	496,160	350,644	169,972	122,726	104,074	103,575
thereof recurring sales	279,358	256,525	68,761	66,414	61,161	61,172
Capitalized inhouse services	8,581	9,291	0	0	8,531	6,109
Other income	3,614	3,845	1,110	747	3,012	2,364
Expenses for goods and services purchased	–146,846	–73,636	–77,144	–42,355	–17,884	–19,176
Personnel costs	–129,080	–125,771	–39,655	–36,376	–63,608	–60,396
Other expense	–73,739	–63,955	–20,750	–18,899	–22,516	–22,370
EBITDA	158,690	100,419	33,533	25,842	11,609	10,106
in % of sales	34.4%	30.1%	29.6%	24.7%	11.5%	10.0%
Depreciation of tangible assets						
Amortization of intangible assets						
EBIT						
Results from associates recognised at equity						
Financial income						
Financial expense						
EBT						
Taxes on income for the period						
Profit for the period from discontinued operations						
Consolidated net income for the period						
in % of sales						

Segment HCS Health Connectivity Services		All other Segments		Sum Segments		Consolidation		CGM Group	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12	01.01. - 31.12
40,371	**42,506**	**137**	**152**	**717,023**	**582,375**	**0**	**0**	**717,023**	**582,375**
276	-	0	-	53,599	-	0	-	53,599	-
0	-	6	-	112,128	-	0	-	112,128	-
5,224	-	28	-	96,931	-	0	-	96,931	-
3,885	-	86	-	301,279	-	0	-	301,279	-
1,468	-	0	-	113,440	-	0	-	113,440	-
25,621	-	0	-	30,598	-	0	-	30,598	-
4,039	-	0	-	5,528	-	0	-	5,528	-
–142	-	17	-	3,520	-	0	-	3,520	-
–142	-	23	-	124,054	-	0	-	124,054	-
40,513	-	114	-	592,969	-	0	-	592,969	-
40,371	-	137	-	717,023	-	0	-	717,023	-
5,406	6,376	13,189	11,922	112,286	55,526	–112,286	–55,526	0	0
45,777	48,882	13,326	12,074	829,309	637,901	–112,286	–55,526	717,023	582,375
5,354	3,711	86	12	414,720	387,835	0	0	414,720	387,835
0	0	1,400	1,406	18,512	16,806	0	0	18,512	16,806
496	566	41,803	39,023	50,035	46,545	–42,001	–35,896	8,034	10,649
–13,608	–12,692	–2,678	–3,405	–258,160	–151,264	106,732	44,115	–151,428	–107,149
–12,438	–11,701	–43,083	–37,260	–287,864	–271,504	1,097	1,980	–286,767	–269,524
–6,776	–5,332	–44,220	–38,762	–168,001	–149,318	45,109	44,605	–122,892	–104,713
13,451	19,723	–33,452	–26,924	183,831	129,166	–1,349	–722	182,482	128,444
33.3%	46.4%			25.6%	22.2%			25.4%	22.1%
								–11,415	–9,147
								–33,188	–29,228
								137,879	90,069
								–293	–1,136
								2,010	3,754
								–10,845	–27,131
								128,751	65,556
								–36,156	–33,813
								0	–61
								92,595	31,682
								12.9%	5.4%

Segment Report by Regions for the 2018 Financial Year

	CER		CEE		NER		SER	
EUR '000	2018	2017	2018	2017	2018	2017	2018	2017
Sales to third parties	411,047	284,435	75,114	73,065	77,634	75,927	109,586	102,344
Non current assets without deferred taxes	235,751	229,400	55,703	56,347	103,183	109,563	100,267	103,777

The CER (Central Europe Region) region comprises the domestic market only (Germany).

USC		Sum regions		All other regions		Consolidation		CGM Group	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
35,942	38,250	709,323	574,021	7,700	8,354	0	0	717,023	582,375
55,069	51,825	549,972	550,912	95,960	90,102	0	0	645,931	641,014

Statement by the Management Board

We hereby certify to the best of our knowledge based on applicable accounting policies, the financial statements give a true and fair view of the Group's actual assets, financial situation, and earnings. We furthermore certify that the Group management report gives a true and fair view of the business activities including the annual results and the condition of the Group, and that the material opportunities and risks for future development are explained.

Koblenz, 18 March 2019

CompuGroup Medical Societas Europaea
The Management Board

Frank Gotthardt

Frank Brecher

Uwe Eibich

Christian B. Teig

Dr. Ralph Körfgen

Hannes Reichl

Independent Auditor's Report

To CompuGroup Medical SE, Koblenz

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT RE-PORT

Audit Opinions

We have audited the consolidated financial statements of CompuGroup Medical SE, Koblenz, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated state-ment of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of CompuGroup Medical SE, which is combined with the Company's management report for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

+ the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
+ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropri-ately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group manage-ment report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any res-ervations relating to the legal compliance of the consolidated financial statements and of the group management report.
Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Stand-ards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Arti-cle 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evi-dence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Recoverability of goodwill**
2. **Development cost for internally generated software**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill
   1. In the Company's consolidated financial statements goodwill amounting in total to € 262 million (31 % of consolidated total assets or 96% of equity) is reported under the „Intangible Assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment

test is performed on the level of those groups of cash-generating units to which the respective goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally deter-mined using the value in use. The present value of future cash flows of the respective group of cash-generating units normally serves as the basis of valuation. The present values are cal-culated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group serves as a starting point which is extrapolated on the basis of as-sumptions about long-term growth rates. In doing so, expectations of future market developments and assumptions regarding the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average costs of capital for the re-spective group of cash generating units. The impairment test determined that even after tak-ing into account fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of € 2,8 million.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the measurement, this matter was of particular significance in the context of our audit.

2. As part of our audit, we, among other things, assessed the methodology employed for per-forming the impairment test. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriate-ness of the calculation in particular by reconciliation with general and sector-specific market expectations. Supplementary adjustments to the medium-term business plan for the purpose of the impairment test were assessed and discussed by us with the responsible employees of the Company. We also assessed the appropriate consideration of the costs of Group func-tions. With the knowledge that even relatively small changes in the discount rate applied can have material impact on the corporate value calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainties inherent in the projections, we evalu-ated the sensitivity analyses performed by the company and carried out our own sensitivity analyses for those groups of cash generating units with little headroom (carrying amount compared to the recoverable amount). We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recovera-ble amount falling below the carrying amount of the cash-generating units including the al-located goodwill.

Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures pertaining to the impairment test and goodwill are contained in notes E.40 a), b), c) of the notes to the consolidated financial statements.

2. Development cost for internally generated software

1. In the Company's consolidated financial statements a total amount of € 89.9 million is re-ported as "internally generated software" under the "Intangible assets" balance sheet item. This amount relates to development costs for software which were capitalized in accordance with the requirements of IAS 38. In the financial year capitalized internally generated soft-ware contributed € 19.2 million to the Group income. The capitalization of a software pro-ject depends on the criteria of IAS 38.57 and provides considerable scope for judgement. Against this background and due to the underlying complexity of the methodological re-quirements related to the valuation pursuant to IAS 38.65 et seq. this matter was of particu-lar significance in the context of our audit.

2. In the course of our audit, we, among other things, we inquired about the development pro-cess of the Company and assessed the methodological approach for the determination of the development costs eligible for capitalization. We assessed the capitalization requirements for each material project using the criteria set out in IAS 38.57. For this purpose, we obtained and evaluated underlying documents and evidence for the eligibility of capitalization. Through inquiries with project managers and inspection of project documents, we satisfied ourselves as of the respective project progress. The amount of development costs capitalized in accordance with IAS 38.65 et seq. and the recoverability of the software already in use have been assessed on the basis of suitable evidence.

The methodology used by the company to capitalize the software projects is, in our view, overall appropriate, and the assessments and assumptions made by the executive directors regarding project progress and the capitalization of development costs are adequately documented and substantiated.

3. The Company's disclosures pertaining to the internally generated software are contained in section E.40 e) of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information com-prises the following non-audited parts of the

group management report, which we obtained prior to the date of our auditor’s report:
+ the statement on corporate governance pursuant to § 289f HGB and §315d HGB included in section “Corporate Governance declaration” of the group management report
+ the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

The annual report is expected to be made available to us after the date of the auditor’s report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information
+ is materially inconsistent with the consolidated financial statements, with the group man-agement report or our knowledge obtained in the audit, or
+ otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Finan-cial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial state-ments that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidat-ed financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the ex-ecutive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material mis-statement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group manage-ment report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future develop-ment. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and ap-propriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:
+ Identify and assess the risks of material misstatement of the consolidated financial state-ments and of the group management report, whether due to fraud or error, design and per-form audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of inter-nal control.

+ Obtain an understanding of internal control relevant to the audit of the consolidated finan-cial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
+ Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
+ Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to con-tinue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated finan-cial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence ob-tained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the consolidated financial state-ments, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial per-formance of the Group in compliance with IFRSs as adopted by the EU and the additional re-quirements of German commercial law pursuant to § 315e Abs. 1 HGB.
+ Obtain sufficient appropriate audit evidence regarding the financial information of the enti-ties or business activities within the Group to express audit opinions on the consolidated fi-nancial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
+ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
+ Perform audit procedures on the prospective information presented by the executive direc-tors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the pro-spective information and on the assumptions used as a basis. There is a substantial unavoid-able risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those mat-ters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audi-tor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 15 May 2018. We were en-gaged by the supervisory board on 27 February 2019. We have been the group auditor of the CompuGroup Medical SE, Koblenz, without interruption since the financial year 2006.

We declare that the audit opinions expressed in this auditor’s report are consistent with the addi-tional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Ralf Worster.

Frankfurt am Main, 18 March 2019
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Ralf Worster	Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Share Information

The CompuGroup Medical share is listed on the Frankfurt Stock Exchange, Prime Standard, under the ticker COP (FRA:COP). The shares are traded inter alia through the world-wide electronic trading system XETRA and is a part of the TecDAX and the SDAX. As at 31 December 2018, there were 53.2 million shares outstanding, each with a calculated value of EUR 1.00.

Key data per share

		2018	2017	2016
Year-end price	€	40.44	54.72	38.95
Year high	€	60.30	57.92	42.94
Year low	€	37.64	36.12	31.65
Year average	€	46.45	46.85	37.50
Yearly trade	€m	836.1	616.6	405.3
	Shares m	18.1	13.1	10.7
Number of shares	Shares m	53.2	53.2	53.2
Market capitalization*	€m	2,152.2	2,913.5	2,072.9
Earnings per share	€	1.86	0.63	0.90
Dividend per share**	€	0.50	0.35	0.35
Dividend payout	€m	24.4	17.40	17.40
Dividend yield	%	1.24	0.64	0.90

* As of 31 December 2018
** Proposal to the Annual General Meeting

Share development

The CGM share began 2018 with a share price of EUR 56.55. The high for the year was reached on 24 January 2018 with EUR 60.30. The share ended 2018 at EUR 40.44. This represents an decrease of 26.1 percent, bringing the total market capitalization to a total of EUR 2.2 billion at the end of the year 2018.

The yearly trading volume reached 18.1 million in 2018. The average daily trading volume in 2018 was approx. 71,500 shares (previous year: approx. 51,000).

The share price development during 2018 can be seen below:

Dividend

In the 2017 financial year EUR 17.4 million were paid out corresponding to a dividend per share of EUR 0.35. In 2019, the Management and Supervisory Board will propose the payment of a dividend of EUR 0.50 per share to the Annual General Meeting held on 15 May 2019. Subject to the shareholder's approval, the dividend amount would total EUR 24.4. Based on the 2018 closing share price (EUR 40.44), this would equate to a dividend yield of 1.24 percent.

Share data

Listing	Börse Frankfurt, Prime Standard
WKN	543730
ISIN	DE0005437305
Xetra Trading Parameters Symbol	COP

The Management Board and the Supervisory Board of CompuGroup Medical SE identify with the objectives of the German Corporate Governance Code of promoting responsible and transparent management and control oriented to a sustainable increase in shareholder value.

Investors and capital market participants are to be provided consistent, timely and precise information simultaneously. CompuGroup Medical, as an international company with investors across the globe, publishes all news and press releases in English as well as German.

The Investor Relations section of the company's corporate website www.cgm.com is an important tool containing up-to-date information on the company's financial performance and stock market information. User may also find financial reports, an updated financial calendar, detailed company information and other important data for the financial markets. In conjunction with the release of its interim and full year financial results, CGM gives public presentations to investors, analysts and press.

During the year, CompuGroup Medical held numerous physical meetings and phone calls with German and international investors and analysts and participated in international capital market conferences and roadshows in Europa and the USA.

CGM also held telephone conferences and analyst meetings when publishing quarterly results. In October 2018, CGM held an investor and analyst conference at its company headquarter in Koblenz. The presentations covered the most important growth topics in the Group currently, specifically growth initiatives in the telemedicine and the Telematics Infrastructure in Germany.

At the end of the year, the number of analysts that regularly follow CompuGroup Medical amounted to eight, all of them based in Germany. With four buy, three hold and one sell recommendations, the analysts presented a positive view of the CompuGroup Medical share. The forecast price targets ranged from EUR 36.00 to EUR 62.00 at the end of 2018.

Financial Calendar 2019

FINANCIAL CALENDAR 2019

Datum	Ereignis
March 29, 2019	Annual Report 2018
May 6, 2019	Interim Report Q1 2019
May 15, 2019	Annual Gerneral Meeting 2019
August 8, 2019	Interim Report Q2 2019
September 18, 2019	Investor and Analyst Conference
November 7, 2019	Interim Report Q3 2019

Imprint

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